

STUDY: CALIFORNIA MUST ACT NOW TO AVOID SENIOR HOUSING CRISIS

State's 65+ population will nearly double over the next twenty years

WASHINGTON — A [new study](#) conducted by the American Consumer Institute (ACI) has found that the state of California could be facing a shortage of senior housing in the coming years if policymakers don't take steps to address the potential crisis.

According to data from the National Investment Center for Senior Housing & Care, there are nearly 14,000 senior housing properties with over 1.7 million housing units across the country. That represents only one unit for every 26 Americans 65 years of age or older. Economist and ACI President Steve Pociask, who authored the study, noted that in California, the 65+ population will nearly double over the next twenty years. This means that there will be more than one million seniors requiring some form of assistance by 2030.

“For California, as in all other states, there will be a significant increase in demand for health and support services. Therefore, the need for senior housing will climb sharply, which will require additional supply,” Pociask wrote. “With the government’s growing fiscal challenges, utilizing competitive markets and encouraging private investment will become a key factor in adequately serving the burgeoning demand for senior housing.”

This is especially true in California, where barriers to housing construction are significant and investment in senior facilities is lagging behind the rest of the country. ACI’s research found that California has six of the lowest 10 metropolitan areas in terms of private senior housing penetration rates – including San Diego (18.8%), Sacramento (18.2%), San Jose (17.5%), Los Angeles (17.2%), San Francisco (15.5%), and Riverside (13.8%). The potential housing shortage, again based on penetration rates, is even more stark when compared to key metropolitan areas, such as Kansas City (32.0%), Dallas (31.6%), and Minneapolis (31.5%).

ACI’s study highlighted several barriers to entry for construction of new senior housing, including the high price of land, high cost to build, and the local permitting process.

One of the solutions the study offers is to build high-density housing. Building more units on the same plot of land allows a developer to spread land costs across more units, lessening the impact of land costs on the cost of each unit. This makes building campus-style senior housing a cost-effective way of increasing the state’s supply of senior housing to meet the growing demand.

Another policy solution identified in the study is a proposal offered by California Governor Jerry Brown in his most recent budget. The governor proposes additional legislation requiring ministerial "by right" land use entitlements for multifamily infill housing developments that include affordable housing. It would create a voluntary permit streamlining approval process

for developers to use. The proposal will exempt from detailed local government reviews developments already zoned and approved for housing.

The study concludes that policymakers take steps to create an environment that encourages private investment. ACI offers several possible solutions to California's senior housing shortage, including:

- Remove market barriers that inhibit investment in senior housing;
- Avoid promulgating regulations that would increase operator costs and discourage investment;
- Consider investment tax credits to encourage private investment in senior living facilities, in particular, campus-style facilities that mitigate the state's high land costs;
- Streamline the local permitting process;
- Facilitate public-private partnerships between the state and senior housing communities;
- Require greater transparency in order to strengthen consumer protections; and
- Refrain from the imposition of taxes, which will increase costs for operators and, ultimately, residents.

“The senior housing shortage is coming and policymakers need to find a way to encourage more investment to make supply meet demand,” Pociask wrote. “In California the penetration rate for senior housing is less than half that of the national average. In the face of rising demand, the state has substantial barriers and costs in place that seem to discourage investment and will ultimately repress senior living development. If action is not taken soon, the shortage will grow more pronounced as the population ages.”

About ACI

The American Consumer Institute Center for Citizen Research is a 501(c)(3) nonprofit educational and research institute that focuses on economic policy issues that affect society as a whole, and seeks to be a better and more reasoned voice for consumers by using economic tools and principles to find public policies that work best for consumers. For more information, please visit: <http://www.theamericanconsumer.org/about/>.