

# The New “Active Adult” Housing

by Wayne A. Lemmon

Housing developments targeted for the age-55-and-over slice of the demographic pie are going upscale. How will your community respond to the new opportunities and challenges these projects bring to the planning process?

## THE NEW UPSCALE SENIORS

In the late 1940s, America was feeling good. The soldiers and sailors had returned from war, and were finding old and new sweethearts. Wartime industry was converting to a vast domestic production machine. And without too much further ado, the baby boom was launched. The new Boomer generation would grow up with television, desktop computers, and rapidly expanding new suburbs. They would pioneer new inventions, new ways of doing business, and whole new industries, with increased career advancement and higher levels of earnings for the great majority. And now, the oldest members of this generation are reaching a very special age – 55 years old.

Age 55 has become special in the planning profession and homebuilding industry. This is a threshold age that has been broadly adopted as defining “active adult” living. Households in this age bracket are typically not yet old enough to retire, but are usually beyond the demands of child-raising. Housing that is specifically targeted to age-55 and older is not expected to accommodate school-age children, which, in turn, has important implications for planning public facilities and municipal budgets.

But what is particularly different about this generation is its economic stature. Overall, the Boomer generation has amassed an unprecedented level of personal affluence.<sup>1</sup> In addition to incomes, assets have also been growing. For the last seven years, the housing market has been very strong, and in some markets in just the past four years, home values have appreciated by a third or more. If an older household has been in the same house for a long time, they also may have little or no remaining mortgage debt.

Putting these factors together, we see an interesting picture. We have mature persons who are still in generally good health and have active lifestyles. Their houses often command a high price on the market, with little debt to pay off. Moreover, with children no longer at home, there are frequently empty bedrooms. For many, the upkeep on the house has also become a burden or simply a nuisance with which they no longer want to deal. Will these

households continue to live where they are, or might they prefer something else?

## NEW HOUSING FOR ACTIVE ADULTS

Many of the country’s homebuilders are betting on the “something else.” Until fairly recently, the only choices available to most mature households were to stay in-place; to find an apartment or small condo somewhere in their community; or to move to a retirement community, often in the “Sunbelt.” Long-distance moves came with some drawbacks, however. Children and grandchildren would be far away and might only be seen once a year instead of once a week. And, in general, the “retirement communities” attracted a much older profile, age 70 and up, which was not really appealing to pre-retirees aged 60 and under.

This picture has changed dramatically in recent years. Across the country, what has been termed “active adult” housing is now being offered to empty-nest households prior to retirement. Homebuilders have begun offering a whole new menu of plans and styles designed to appeal to the new, upscale mature market. The appeal is to the pre-retiree or semi-retiree. House plans and community plans emphasize active recreation and entertainment, but also feature dens and computer hook-ups. Master bedroom suites occupy a major portion of the ground floor, but upstairs bedrooms are provided for visiting children, grandchildren, and other guests. And above all, the homes reflect the style and higher income of many in the Baby Boom generation.

In addition to the house, the community as a whole is designed to be attractive

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1 U.S. Census Bureau data documents the rapid income growth for households headed by persons aged 55 to 64, in part reflecting the baby boomers now entering that age bracket. Using adjusted 2001 dollars, the mean income for this group has increased from \$41,741 in 1970, to \$47,824 in 1980, \$54,448 in 1990, and \$63,952 in 2000. This represents an increase of 53% (again, in adjusted dollars) over this 30 year period, and a 17% increase in just the most recent ten year period. U.S. Census Bureau, Historical Income Tables - Households. Table H-10.



Architectural details and enhanced landscaping contribute to an upscale image for what is still a moderately sized house, closely spaced to its neighbor.



This relatively small “media room” is in place of the larger “family room” found in other new housing. But note the wine cabinet, the granite countertop wet-bar, and marble fireplace.



The dining room may command the central location in the house with a cathedral loft ceiling. Entertaining family and guests is often the focal activity in active adult housing.

structures, it is the condominium association that is responsible for mowing the lawns, plowing the snow, and even maintaining the exteriors of the individual units. Each home has a delineated exterior area of “restricted use” which looks and feels like a typical yard area for a detached home. Because of the maintenance implications, condominium ownership format for detached houses can be very attractive for active adult communities.

Active adult communities have been embraced by jurisdictions across the country as a “good” form of residential development. In some localities, developers know that adult communities are the only kind of development for which they can get approvals. The reasons for this are three-fold:

1. Upscale adult housing is very attractive fiscally for the municipality. Private communities of this type add no new enrollment to schools. The upscale price positioning adds to the tax base and annual tax revenues, but demands very little of the town treasury, particularly if street maintenance (and, in some localities, even water and sewer services) are provided by the private community.

2. Socially, families are able to stay together if there is an attractive alternative to grandma and grandpa moving out of the area. Long-time community leaders remain with the community. Of course, there can always be too much of a good thing. Localities that have weighted their demographics towards older age groups can, in the long term, create a constituency that may not identify with schools or social need agendas.

3. The typical active adult development features relatively small lots or, in condominium situations, closely spaced

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This community facilities building is about 55,000 square feet in size, and includes an indoor pool, a ballroom with a catering kitchen, and many special purpose rooms for exercise, hobbies, and meetings.

for the active adult market. While this often includes the kind of nature walk trails and enhanced landscaping also found in many family-oriented communities, two other factors come into play for

mature market developments. One is the “community amenities” package. Family-oriented communities may offer some tot lots and an outdoor swimming pool. Larger adult-oriented communities, however, frequently offer very large, full featured community facilities.

The other key factor for the mature market is creating a low maintenance or maintenance-free environment. This is often achieved by establishing the community as a condominium, rather than by selling houses on fee-simple lots. Even if the homes are single-family de-tached

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dwelling units. Compared to traditional single-family detached subdivisions, active adult communities leave more open space for a given number of dwellings.

### ISSUES FOR PLANNERS

Active adult communities are not simply subdivisions with homes owned by empty nesters. They are in fact a different form of development that carries some important implications and issues for planners and land use regulators:

#### Age-Restricted vs. Age-Oriented

Age-restricted communities require imposition of a restriction on the deed record for the property (or in the condominium declaration or articles of incorporation) that the home can only be sold to a household meeting the stated age requirement. Age-oriented communities do not have such restrictions and, in theory, homes can be sold or resold to anyone. However, developments with the design and planning features (including small common-area yards) associated with active adults are not likely to attract families with children.

Age-oriented communities are thus relying on the market response to their design to achieve their mature market orientation. Some municipalities, however, want these communities to adhere to specific age restrictions. Interestingly, most developers do not like age restrictions. They would rather not prevent a viable prospect (such as a 52-year-old childless couple) from buying their product. Moreover, they believe that the features of the development will be effective in focusing the market on 55-and-overs. Also, some potential buyers may be concerned as to the resale potential of their house if they can't sell it to anyone who can pay the price.

#### Detached Condominiums vs. Subdivisions

Developing a community of detached homes as condominiums can require some mental adjustments on the part of both buyers and local governments. Homebuyers may readily embrace the idea of handing off their lawn mowing and maintenance to the condo

association, but may have to come to grips with not having a back yard in which to plant a vegetable garden or do what they please. Similarly, while local governments may embrace not having to plow the new streets or extend new sewer lines, they may feel uneasy about the condominium association functioning in ways that resemble a separate community government.<sup>2</sup>

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### REGULATORY ROADBLOCKS

For the fiscal reasons noted earlier, active adult communities can be quite attractive to upscale, low-density suburban jurisdictions. However, these are frequently the very same jurisdictions that have implemented minimum lot size restrictions or other zoning regulations that prevent higher density development. There is a presumption behind such regulations that higher density equates to lower values. Since active adult communities are typically higher density / higher value propositions, they may be at odds with restrictive zoning.

For example, setback and minimum lot size requirements can prevent the type of active adult housing described in this article. In addition to the maintenance benefits for homeowners, one reason developers have used the condominium form of development (instead of selling individual houses on fee simple lots) is to circumvent municipal setback and mini-

<sup>2</sup> While it is beyond the scope of this article to discuss the growing impacts of private community associations, one should note their rapidly increasing numbers. In 1970, under 3% of U.S. housing units were part of a community association (including condominiums, cooperatives, and planned communities). By 1998, this had mushroomed to nearly 15% of all housing units. Condominiums represent over 30% of community associations. *Community Association Factbook* (Community Associations Institute 1999).

mum lot size requirements. In some areas, however, this creates further problems as regulations designed around multifamily condominium buildings fit poorly when applied to single family detached homes.<sup>3</sup>

In other areas, these developments make use of "planned unit development" or "planned residential development" provisions of the local zoning ordinance, which allow more flexibility in site layout and design, and also permit the clustering of housing units on certain portions of the site. Just as often, however, communities that have favored large lot development have resisted cluster-style zoning.

### SUMMING UP:

Demographic trends underlie an increasing demand for "active adult" housing designed to meet the needs of mature, childless households, age 55 and older. This can be a very attractive form of development for local communities. It is, however, a specialized type of housing with a unique combination of opportunities and constraints. Local zoning laws, site planning standards, and approval procedures may have to be updated if your community is to participate in this new wave of housing development. ♦

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<sup>3</sup> In some cases, dimensional requirements contained in local zoning or subdivision regulations, which may apply to individual lots, do not apply to condominium developments. Some localities also have specific regulations applicable to condominium developments, such as parking and bedroom count standards, that apply poorly to single-family detached architecture.