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Building Scene

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Marilyn Fitchett editor/591-2300

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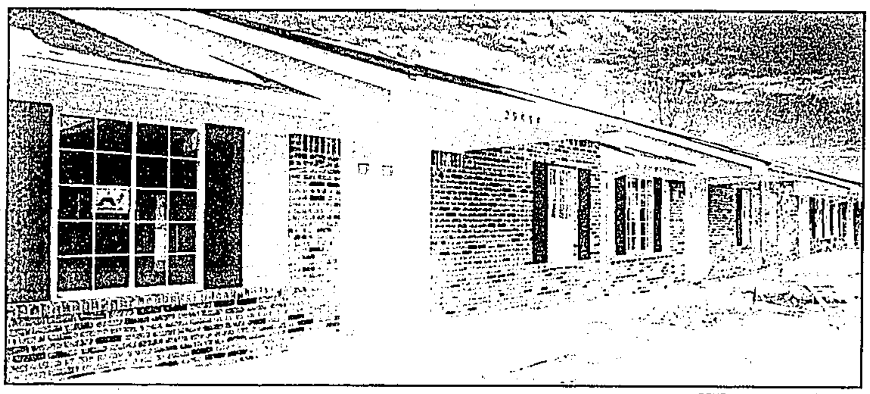
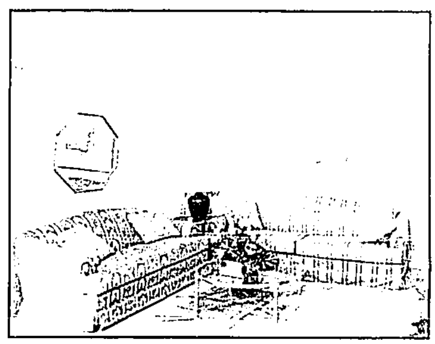
Retirement communities becoming a trend



DOUG BUSALLA/staff photographer

The Pendleton Club senior condominiums, located in Farmington Hills near Middlebelt and 11 Mile roads, eventually will have 41 ranch-style, one- and two-bedroom units. At right, an interior of the model.



By Gerald Frawley
Staff writer

There was a time when senior citizens and older adults of moderate means lived in older neighborhoods, trailer parks and retirement homes.

But today, there are more options. Adult communities — made up of condominiums, cooperatives and senior citizen apartments — may not be the rage yet, but some are predicting they will be.

Pendleton Club in Farmington Hills, developed by JMB Associates, is one of the most recently built adult community alternatives.

The project has been well-accepted and the developer will look for opportunities for similar projects, said Ian Anderson, JMB Associates executive vice president.

THERE ARE many older people whose children have left home who don't want to take care of a big house, he said.

A smaller condominium is easier to care for and offers older residents the opportunity to take extended trips.

"We haven't done a market study but we felt satisfied an awful lot of people are interested in this," he said.

Thirteen of the 41 units in the condominiums have already been sold — without the benefit of a model.

"For people to buy something from plans, that's pretty good," he said.

"Everything has worked out better than even we expected. We will certainly consider building more — we feel we've found a significant niche in the market," he said.

THE IDEAL site for adult communities is difficult to find, he said.

It has to be low-priced so residences can be affordable, in or near areas that appeal to older adults and large enough for builders to turn a profit.

"Our market is for older people who want to live in a senior environment but don't need medical or special care," he said.

"Our residents are interested in trading equities — they don't need the bigger homes after their children have left, but they want something that is smaller, affordable and easy to maintain."

Farmington Hills' adult community ordinance restricts such communities to 62-year-old residents, he said, which has been the biggest problem.

"We've had a couple people ask if we could sneak them in."

BUT ADULT communities are hardly a new idea. The concept has been around for more than 20 years but few developers are willing to limit their potential customer base, said Diane Boegler of Colonial Acres Realty.

Colonial Acres Realty handles the sales of units for several adult communities in western Oakland County and eastern Washtenaw County.

"There's actually a lot of need for something like this," Boegler said.

Empty nesters — or mobile adults, as they are called today — are quite taken with the idea of living in a community without young children.

"The comment made by most residents is they love their grandchildren but they don't want things associated with kids," Boegler said.

THE COMMUNITIES allow extended visits for grandparents who want to spent blocks of time with their grandchildren.

And leasing a cooperative saves a resident more than $10,000 on buying comparable living quarters, Boegler said.

Cooperatives are similar to condominiums but residents take out extended 99-year leases rather than buy the units, she said.

Leases can be transferred to others in the event of death or moving, she said.

Federal law permits restricting such communities for adults 55 and older as long as special facilities and activities are gauged to that age group, she said.

Blood pressure checks are offered in community clubhouses.

Adult communities are not for the ill or infirm, Boegler said.

"We get calls and inquiries all the time from people thinking we're something we're not. At 55 years old, you have very active people," Boegler said. "It's a cliche but age is just a state of mind."

MORE BUILDERS will develop adult communities because the main reason they've been holding back — a small market — is not a problem, Boegler said. With a rapidly aging population, the market for adult communities will swell.

First, however, businesses trying to address the older market must dispel the misunderstanding people have about adult communities, Boegler said.

"A lot of potential residents say they will take a look but they're not sure it's for them. Then they get here and see it's not a retirement community."

J & J Slavik Inc., one of the Detroit-areas leading developers, has invested heavily in adult residential developments of a different sort.

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Reverse mortgage plan gives flexibility to seller

(AP) — For Margaret Gregory, 83, of San Diego, her monthly Social Security check wasn't enough to meet her expenses. Her savings account was being gobbled up to pay monthly bills. But after negotiating a reverse mortgage, Gregory now receives an additional $500 each month from the equity on her condominium.

According to Mature Outlook magazine, she has kept her independence and gained financial stability by using this newer type of mortgage plan.

"My savings kept diminishing, so I thought a reverse mortgage would make it possible for me to maintain my current lifestyle, remain in my home and enjoy life," said Gregory.

A reverse mortgage is a home loan that works in reverse because the money goes from the lender to the homeowner instead of the homeowner having to pay the lender each month.

That means the homeowner gets all or part of the equity out of the home in cash while the homeowner continues living there. The title and ownership of the home both are retained.

Payment can be a set amount each month or a line of credit. Most homeowners opt for monthly payments to supplement other retirement income.

THE LENDING institution that holds the reverse mortgage gets back the money paid to the homeowner — including principal, interest- and other costs — when the house is sold. How much money the homeowner receives and how much the lender receives from the sale is established when the reverse mortgage is taken out.

That is where things get complicated and additional costs are incurred.

Borrowers should carefully examine all the costs involved with a reverse mortgage before they close, cautioned Ken Scholen, director of the National Center for Home Equity Conversion.

Although the interest rate charged is the most visible cost to the borrower, it is not the only cost, Scholen said.

Costs can vary from lender to lender and include closing costs, origination fees, interest on loan advances and insurance fees for loan guarantees.

In some plans, if the homeowner wants to receive a larger monthly payment, a percentage of the appreciation of the home is added to the cost when the loan is repaid.

Scholen advised people to get all loan costs combined into a single rate, the Total Annual Percentage Rate. The TAPR reflects the total amount owned at loan maturity when charged on monthly loan advances over the term of the loan.

KEEP IN mind that with a reverse mortgage the homeowner is actually borrowing money by reducing the available equity in the home, said Scholen. Consumers should consider reverse mortgages that have the "equity conservation" feature.

Equity conservation allows the consumer to specify how much of the home value is to be mortgaged. This is critical when a financial plan depends on using the home equity for protection against any financial consequences of problems and changes down the road.

Consumers should insist the reverse mortgage be "nonrecourse." That means the homeowner can never owe more than the value of the home and the lender cannot seek repayment from other assets of the homeowner.

The amount of monthly payments is determined by several variables, including value of the home, the homeowner's age and marital status, the amount of future appreciation the owner is willing to share, interest rates and historical appreciation of real estate in the area, says William Texido, president of Providential Home Income Plan in California.

Payments received from a reverse mortgage are not considered taxable income and do not affect Social Security or Medicare benefits.

"The biggest drawback about reverse mortgages is a lack of knowledge," said Scholen. "Most lawyers, bankers and financial planners have never seen this instrument. We are in the early stages of its development."

This financial product is so new that many borrowers were unable to get this type of home loan.

"Until mid-1989, reverse mortgages were unavailable in many states and few financial people understood them," said Scholen.

BUT SINCE then the federal government has entered the market and three private companies are offering reverse mortgage programs, he explained.

The federal program began in July of last year. Called the Home Equity Conversion Mortgage Demonstration, the program is backed by the Federal Housing Administration (FHA) and offers loans through 50 approved lenders.

The program's strict guidelines could, however, prevent some homeowners from using the full amount of equity available in their homes.

For a listing of the 50 approved lenders and more information about the FHA program, call 1-800-245-2691.

Limit to requirements for plat approval

condo queries

Robert M. Meisner

I am a developer trying to develop a mobile home subdivision. The county has required that I pave the public road abutting my property as a prerequisite to approval of my preliminary plan for a mobile home park. The road commission indicated that the road on my preliminary plans is an ingress and egress road for the site and that I must pay for the paving of it or elect to initiate an improvement by way of a special assessment method. The county refuses to assume the cost of paving the access road. Can the road commission impose the cost of county road improvements on me as a local developer?

In a recent decision, the Michigan Court of Appeals held that the county does not have statutory authority to require improvement of an access road as a prerequisite for approval of a developer's preliminary plat plan.

The court said that if the county is attempting to require improvement of such access road as a prerequisite for approval of the developer's preliminary plan, this is a taking of private property for which compensation is required if the county requires that it be taken as part of the roadway access.

The court said that the government may not use its police power to require a property owner to refrain indefinitely and without payment from using and enjoying his land