

Report of Sub-Committee A to PTERC (final update:10/1/03):

Subcommittee A was assigned the following tasks:

1. Determine if there has been a senior citizen exodus from the Town of Sudbury that differs appreciably from patterns of the past 20 years.
2. Study and document the link between property tax levels and the decisions of senior residents of Sudbury to remain in or leave their single family homes within the Town. Identify other factors that influence such decisions.
3. Help determine the equity issues associated with relying on the property tax as the largest source of funding for the Town of Sudbury budget.

Summary of Findings:

Conclusions:

Subcommittee A finds no conclusive evidence in the demographic trends of Sudbury's senior citizens over the period from 1980 to 2002 to suggest that recent increases in property taxes, (or changes in any other single factor), have altered the behavior of senior residents to either remain in, or move from Sudbury during the study period.

This said, Subcommittee A believes that property taxes are among a number of influences that have a significant impact on senior housing decisions. Additionally, the rapid increase in property taxes in Sudbury in recent years have certainly impacted all residents, regardless of age, living on a modest incomes and who do not have the financial assets to otherwise compensate for these rising costs.

Subcommittee A believes that these circumstances create a compelling need to develop and promote programs that provide appropriate relief to Sudbury residents based on a their financial need.

Background:

There has been much discussion in town asserting an association between the sharp increase in property taxes over the last decade and a precipitous exodus of senior citizens from Sudbury. Contrary to these assertions, an analysis of town demographic data across 4 data points – 1980, 1990, 2000, and 2002, shows that Sudbury's senior population has been steadily rising as a percentage of the town's population, even during a time when the town has seen significant growth in its total population.

Subcommittee A acknowledges that there are members of PTERC that have a different perspective on this same data. These members prefer to focus on the change in the absolute numbers of residents in a given age category as they

“age” into the next demographic category. The proponents of this perspective have correctly observed that the number of residents in a given age group show a pattern of decline over time as they age into older demographic categories. From their perspective, this decline constitutes an “exodus” and it is attributed it to the recent increase in property taxes.

While Subcommittee A acknowledges such a decline in population over time, it disagrees with the conclusions that this decline is a new phenomenon, or that rising property taxes are the reason why it occurs. The demographic data for 1980, 1990, 2000, and 2002 show that this decline is a phenomenon that occurs throughout the study period, and is a pattern that began long before the relatively recent increase in taxes.

To explore the potential link between housing decisions and taxes, Subcommittee A surveyed existing research on this topic to become knowledgeable of data that already exists, and to evaluate whether more research was warranted in order to complete our tasks.

Research conducted by government and senior advocacy organizations clearly indicate that there is a preference among seniors to “age in place”. These studies also indicate that as people age, there are many factors that conspire against the wish to age in place that can result in a senior deciding to move. These factors include health, the environment, lifestyle choices, changing service needs, the physical and financial strain of maintaining a single family residence, transportation needs, proximity to family, or financial considerations (taxes, utilities, and/or the conversion of one asset, home equity, into income earning assets that fund retirement.)

In contrast, a local Sudbury survey done in 1997 by an earlier town committee on Senior Tax Relief was considerably more dramatic in its findings. Out of 255 survey respondents, 141 residents anticipated moving from their current dwelling and 156 of the respondents cited property taxes as the number one motivation for their anticipated move. Contrast this to the fact that the 8 other possible reasons for moving listed in the survey garnered a total of only 17 responses as the prime reason to move.

Subcommittee A believes the general body of research on senior housing to be more helpful in understanding the complexity of issues facing today’s seniors. While Subcommittee A believes the 1997 Sudbury survey demonstrates that rising taxes are a serious problem, the subcommittee is reluctant to draw conclusions that are as dramatic as the survey’s results. This is because there is a universal expectation that people will respond with a positive answer if they are asked if their taxes are too high by a committee that has as its purpose the subject of tax relief, regardless of the age or the financial well being of the respondent.

Subcommittee A also compared the average Sudbury household tax bill to that of “like” towns, (Concord, Wayland, Acton) and found that Sudbury taxes have been escalating at a much faster rate. Subcommittee A believes that this has the following implications for PTERC, even though these implications are beyond the scope of Subcommittee A’s assignment:

- a. We do not believe that seniors are given the information they need from the town to adequately plan for their financial future given the unique circumstances faced by retired residents on fixed incomes. Senior residents deserve to have planning guidelines from the Town. Only one conclusion is possible for any resident on a modest fixed income who simply extrapolates their future taxes based upon the large tax increases of the previous 5 years: their future is unmanageable. Subcommittee A does not believe in blind extrapolations. We have confidence in Town managers to manage the tax burden responsibly, but in the absence of planning guidance, the recent tax trends can’t help but cause tremendous concern among Sudbury Seniors.
- b. We do not believe town residents understand the detail behind what drives spending, where there are choices that can be made, what are the implicit spending priorities, or how wisely tax revenue is being spent. We think this lack of understanding exists in spite of very reasonable efforts by the town and school committees to make the community knowledgeable of these issues. The disparity between Sudbury’s tax burden and that of surrounding towns will create increasing difficulty for town managers unless there is a greater level of understanding of the detail and thought behind proposed budgets.
- c. Subjectively, we believe the tax burden on all residents has grown to the point where it has become a significant issue, particularly for individuals regardless of age who are on fixed and/or modest incomes and who prefer to remain in Sudbury. Our Subcommittee does not know where it is appropriate to draw the line in creating programs to assist those in need. On one side of the line are individuals who may be forced to move to a lower cost location, either due to poor financial planning, or through unfortunate personal circumstances (where it is not feasible for the town to act as an “insurer of last resort”). On the other side of the line are residents who have planned accordingly and have been fortunate enough to set aside the assets needed to sustain, with a previous degree of certainty, their future as a Sudbury resident. These residents are now seeing their carefully planned financial cushion severely eroded by rapidly rising property taxes. We believe the town should find ways to assist such residents based upon their level of need.

Finally, Subcommittee A was asked to determine the equity issues associated with relying on the property tax as the largest source of funding for the Town. After much discussion, we concluded that the State of Massachusetts has established that the property tax is an accepted method to allocate the burden of

taxation based upon a resident's ability to pay. We believe this may be a relic of an agricultural past when wealth was more accurately reflected in the value of an individual's land holdings. We discussed many other approaches, including those based on discretionary income, net worth, usage based mechanisms for distributing tax burden, or shifting burden from residential to commercial property. Very quickly, we realized that each approach had its upside and downside, not unlike the current system.

Subcommittee A also discussed the role of the commercial sector, and whether they should share a greater portion of the tax burden to provide relief to seniors. Subcommittee A believes it would be inappropriate for homeowners to look to commercial property as a way to address this issue. The commercial base in Sudbury is too small to be able to make a meaningful contribution to this effort without a significant increase in their tax rates. Subcommittee A believes that commercial tax rates should reflect the tradeoff between the Town's objectives for commercial development, and the commercial sector's responsibility to pay their fair share of the cost of sustaining the community in which they do business and prosper. We do not believe they should be mandated to subsidize initiatives intended to address larger social issues.

Subcommittee A's recommendation is for PTERC to find pragmatic solutions to help Sudbury residents who suddenly find themselves in serious financial difficulty due to rising property taxes, and who otherwise should have reasonably expected to be able to afford to live in Sudbury had these dramatic increases not occurred. These solutions should be acceptable within today's frameworks. We should be "turning the knobs that can be turned", by making funding decisions at a local level, and providing relief to residents in financial need.

Details:

1. The Numbers – population growth, demographics, and taxes:

In order to determine trends in Sudbury’s senior population, the sub-committee undertook a study of data from the 1980, 1990 and 2000 US Census, as well as the 2002 Town Census. Data was analyzed on two dimensions, first by the absolute number of persons in each age group and second by the relative size/percentage of each age group to the whole.

The total population of Sudbury grew more quickly during the 1990’s as shown below. The town’s growth and resultant issues were well documented by the Strategic Planning Committee in the 1999 Master Plan document.

<u>Year</u>	<u>Population</u>
1980	14,027
1990	14,358
2000	16,841
2002	17,423

The census data breaks down the population by age group, and Chart 1 (at the end of this document) shows the numbers of persons in each age group. There are two adult age groups that have declined in size since 1980; the 15-24 and 25-34. The 35-44, 45-54, 55-64, and 65 and over groups have shown fairly steady growth over the period, with only the 35-44 group showing a slight decline in 2002. The data shows that the 55-64 group grew from 1,000 to 1,850 between 1980 to 2002, while the 65 and over group grew from 700 to 1600. The data does not support the conclusion that there is an exodus in these age groups. To the contrary, the population in Sudbury is aging, and the numbers of younger adults has fallen over the study period.

Chart 2 shows the same demographic data by age group as a percent of the total population. This view filters out the impact of overall population growth and allows more direct analysis of trends over time. The 45-54 age group is alone in growing steadily. The 15-24 and 25-34 groups show a decline, and the 35-44 group appears to have peaked in 2000 at 20%. The 55-64 group is at it’s highest percentage in 2002 at 11%, having grown from 7% in 1980, and the 65 and over group represents 10% of the population in 2000 and 2002, up from 5% in 1980.

Chart 3 shows the trend in the average property tax paid in Sudbury compared to similar surrounding towns. Sudbury taxes are clearly growing at a faster rate than other “like” towns. (Subcommittee A makes no judgment whether the rate of growth is appropriate or not, we only conclude that it exists.)

Based upon the facts in Charts 1, 2 & 3, Subcommittee A concludes the following regarding the senior population and taxes. The senior population has grown and

shows no signs of leveling off. Seniors also make up a greater percentage of Sudbury's residents than they have in the past. There has not been a reversal in these demographic trends in spite of the significant increase in Sudbury's property taxes over this same period.

It is impossible to predict the future, but Subcommittee A believes that if the taxes continue to grow at the rates the town has experienced over the past several years, it is likely they will reach a level where the tax burden will have a visible impact on future demographic patterns in Town even though there is no evidence of such an impact to date.

2. Why do Seniors Move?

Assessing Senior housing needs and the factors influencing them is a complex task that has been tackled by much larger committees, at higher levels of government, academia and business, possessing much greater resources and having more time to work, than that afforded to Subcommittee A. The Subcommittee decided the most productive course would be to leverage these sources. The Subcommittee also believed it is to the town's advantage to learn from research that is unbiased by local controversy.

A number of links are presented below that contain information relevant to the work of Subcommittee A. These include healthcare industry interests, senior citizen advocates, prestigious academic research organizations, and government agencies. The picture that emerges is

1. All things being equal, people prefer to age in place.
2. As people age, their needs change. The kinds of services they need change. Their ability to access needed services can change. Physical features of their residence, previously well suited for a younger family, often require updating or modification as people age.
3. Lifestyle changes – weather preferences, outdoor activities. Urban/village settings vs. suburbs or country environments.
4. The desire to be closer to remote family members becomes stronger, or may even become a necessity.
5. Financial status changes. Portfolios and income return may change. Housing costs – maintenance, utilities, and taxes, are all subject to escalation. A viable financial plan built on one set of assumptions is vulnerable to changes in those assumptions.
6. Health status changes.
7. Government policy influences decisions – reimbursement rates differ for different approaches to assisted living and long-term care that may be a disincentive to remain in one's home.

So the issue of senior housing needs is complex and dynamic. No single influence seems to be a universal determining factor. Issues are different from individual to individual, and from one region to the next.

Below are links to documents reviewed by Subcommittee A:

http://www.todaysseniors.com/caregivers/why_retirement_community.shtml

There are many reasons why a senior adult may choose to move to a retirement community . . .

<http://www.karenmartin.us/seminars.html> - interesting in that they have a seminar titled: "Why Seniors Move: Excerpts from Interviews with Seniors in Transition"

<http://ohioline.osu.edu/ss-fact/0143.html>: intro to this article: Older adults who relocate usually do so as a result of life opportunities (such as retirement), life changes (such as widowhood), and health changes. Older adults prefer to "age in place" or stay in their current home and neighborhood. Seniors usually move to locations that are perceived as highly desirable and have other older adults in close proximity. Not all such moves are to warmer climates, as some older adults relocate to retirement communities or choose to remain in the same community

<http://www.housingzone.com/topics/pb/sales/pb00da605.asp> - some interesting statistics are quoted in this article – "Certain destination areas are, however, expected to gain more than their current share of the elderly population. The Joint Center research found that by 2025, the following states will substantially outpace the national rate: Alaska, Arizona, Colorado, Georgia, Idaho, Montana, New Mexico, Nevada, North Carolina, Oregon, South Carolina, Texas, Utah, Washington and Wyoming. California, Florida and Texas together are expected to account for 29 percent of the total increase in the senior population. The states that will significantly lag national growth trends include Connecticut, District of Columbia, Illinois, Massachusetts, Michigan, New Jersey, New York, Pennsylvania and Rhode Island."

http://www.usa-retirement.com/articles/Retirementarticle_27.html - an interesting article because it speaks to the many factors that influence folks to move – it is not as simple as pointing to any one issue. And "Serow studies migration patterns of the elderly and he believes little has changed since the end of World War II."

<http://www.talkinghistory.org/collison.html> - This is a moving audio segment from Public Radio about a senior move. Its good to hear because it talks about the impact of the decision to move – (its focus is not on the "whys" behind the move though in this case it is for concerns of being near caregivers) – but it does talk about what a tough decision it is to move away from your community. The story to listen to is: "Mom's Good Move" (2000)

<http://www.news.harvard.edu/gazette/2000/02.24/housing.html>: Article titled: "Living Longer Presents Housing Challenges, According to New Report". The article references a report that we should explore acquiring: *Housing America's Seniors*, the final report of a two-year study by the Harvard Joint Center for Housing Studies, examines a variety of issues that will face the next generation of seniors. Accommodating home modifications and creating more housing choices are among the housing market's principal challenges, according to the report.

<http://www.jchs.harvard.edu/research/senior.html> This is the web site of the Harvard Joint Center for Housing Studies. It helps underscore the complexity of the issues surrounding seniors.

http://research.aarp.org/il/four_walls.html Results of a study examining age 45+ Americans' expectations regarding their homes, the communities in which they live, and the services that are available in their communities that could help them remain independent, comfortable, and safe as they grow older. (May 2003)

http://research.aarp.org/il/beyond_50_il.html The gap between what age 50+ people with disabilities say they need and what is available raises concerns that the United States is ill prepared to meet their desire for independence and control, both today and in the future. (April 2003)

<http://www.aoa.dhhs.gov/eldfam/Housing/Housing.asp> - AoA is the Federal focal point and advocate agency for older persons and their concerns.

<http://www.aoa.dhhs.gov/prof/Statistics/profile/2002profile.pdf> - A profile of elderly Americans. An interesting statistic is that upon reaching the age of 65, seniors are less likely to change residence than other age groups. In 1999, 4.2% of elderly households had moved since 1998, compared with 16.5% of persons under 65.

http://www.seniorscommission.gov/pages/final_report/finalreport.pdf - Following one year of independent research on housing, service and demographic issues and a series of nationwide hearings, the Seniors Commission presented its report to Congress on June 28, 2002. The Seniors Commission finds that with the aging of the World War II Baby Boom generation, the current lack of appropriate housing and services for seniors will be even more critical, unless policy changes are made. To address what is referred to as a "Quiet Crisis", the Commission is offering Congress more than 50 specific policy recommendations. From the exec summary: "*Senior Americans, whether rich, poor, or somewhere in the middle, face many barriers to an old age in which very basic human desires for physical safety, appropriate health care, and maximal independence are met. For some, crucial family supports will disappear as they outlive spouses or children move to distant places. For others, limited resources will prevent them from identifying and purchasing needed services. Many will lose their homes —*

long a symbol of their independence — due to rising property taxes and maintenance costs. Living alone, isolated from services and perhaps coping with disabilities that prevent social interactions, a large and growing number of seniors will face triple jeopardy: inadequate income, declining health and mobility, and growing isolation.”

http://www.nreionline.com/ar/real_estate_challenging_commonly_held/

According to this article: virtually everyone wants to remain in his or her home for as long as possible. Until recently, research findings on this topic have been consistent - almost every older adult wants to remain in his or her home for as long as possible. A very recent (1996) survey by the Center for Mature Consumer Studies at Georgia State University, however, found that nearly 30% of respondents in a sample of nearly 1,500 persons aged 55 and older indicated that they plan to live in a retirement community. This is a substantially higher percentage than identified in previous studies and, in the author's opinion, still provides a distorted perspective due to the very broad age range of persons sampled. A better view of seniors would likely come from a sample of seniors aged 70 or 75 and older, rather than age 55 and older, because few people consider service-enriched seniors housing for themselves prior to age 75.

3. Property Taxes and Equity

Subcommittee A believes the issue of property taxes and equity is a matter of “pick your poison”. The State uses property values as the primary mechanism for funding schools and town operations. The theory is that an individual's ability to pay is a function of the assessed value of owned property. There is plenty of room to criticize this mechanism as less relevant to a person's ability to pay than other measures – such as discretionary income, or the value of all owned assets. Each mechanism has its own pros and cons. Add to this a dimension of personal and social philosophy – or the question of who should pay for what. For example, should a childless couple pay taxes to support schools? Should a person who does not drive, pay the same contribution towards roads as a person who does? Which costs should be shared because there is benefit to society as a whole? Who decides what qualifies as being of general benefit to society, versus personal benefit to a segment of the population? What should government be involved in? What should be the domain of private industry? And on, and on, the debate goes.

Subcommittee A has been an active participant in the discussions led by the other subcommittees, and during the briefing by state representatives and the representative from the state treasury. Subcommittee A has concluded that the issue of tax equity is moot in the context of the processes allowed by the state to raise revenue. Attempting to effect fundamental change at a state level is a noble effort, but an effort that is impacted by many factors beyond Sudbury's control and one that may take years before it delivers concrete benefits to residents who need assistance today.

To the extent that Sudbury has a sovereign right to exercise its discretion to help certain of its citizens, this is a “knob that we can turn” and the dimension of the tax issue where PTERC should focus. Subcommittee A looks forward to the final reports of the other PTERC subcommittees, and the focusing of PTERC’s efforts on developing programs that Sudbury can implement to assist senior residents on fixed incomes that are experiencing hardship due to rising property taxes.

Chart 1 - Sudbury Population by Age -

1980 1990 2000 2002

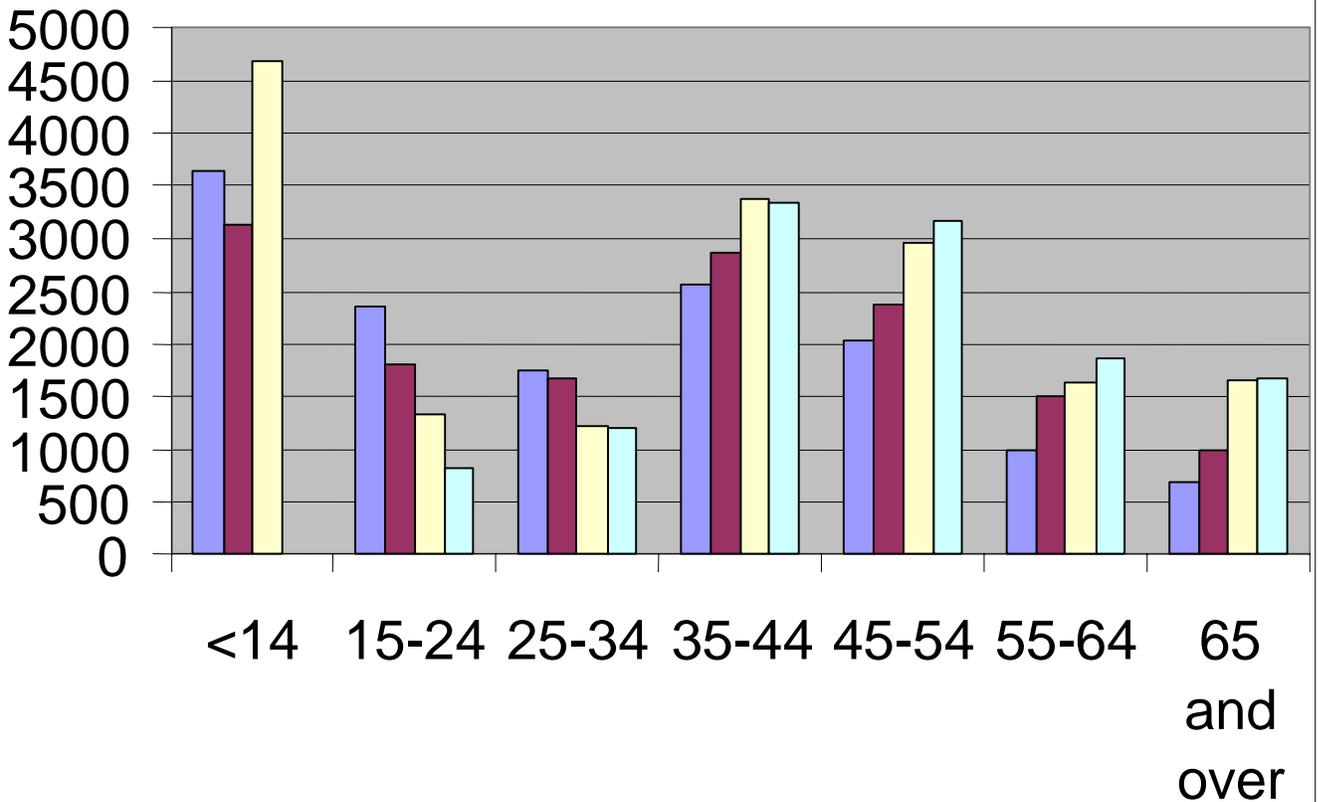


Chart 2 Sudbury Population by Age - %

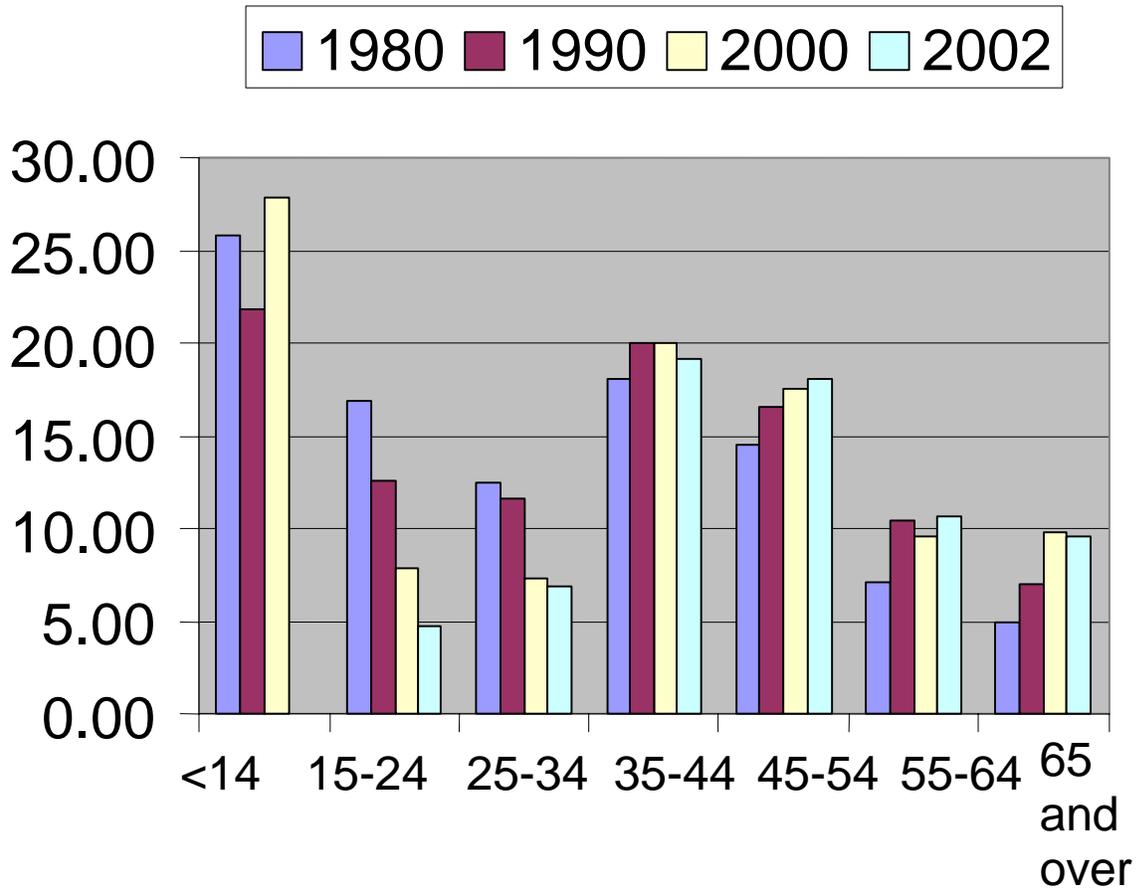


Chart 3 - Single Family Tax Bill

