

# Age-Restricted Housing in New England

by Peter Francese  
New England  
Economic Partnership



Forty years ago President Johnson signed the Fair Housing Act prohibiting discrimination in housing based on a person's race, color, national origin, religion, sex, disability, or familial status (families with children). Although other federal laws prohibit age discrimination in employment, age discrimination was not addressed in the Fair Housing Act.

**Using age-restricted housing to reduce the number of school children cannot succeed. The total cost of running a school district is not materially affected by year-to-year fluctuations in the number of students.**

In fact, subsequent amendments enacted in 1988 and 1995 codified that any housing specifically restricted to "older persons" (defined as anyone 55 or older or, in some cases, 62 or older) would be exempt from the provision that protected families with children from discrimination.

**Age-Restricted Communities Increase**

Age-restricted communities designed specifically for retirees have been part of the housing landscape in Florida, Arizona, and other snowbird states for decades. Those communities were designed for people who wanted certain recreational and therapeutic amenities in their retirement years and did not want to live near the noise and traffic they associated with children.

Those sunbelt states where age-restricted developments have been popular recognized long ago that they would also have to permit the construction of a great many units of unrestricted and affordable workforce housing, if only to house the workers who would care for their fast-growing elderly population. The states also saw the widespread availability of affordable housing for

all ages as the key element to ensure future job growth and economic development not related to health care.

By contrast, age-restricted housing in New England has become one of the legal tools (along with large-lot zoning) that can be employed to limit, or exclude altogether, the number of affordable units attractive to young families with children. The main reason why age-restricted housing has become so widespread in this region is that it is perceived by municipalities as a way to control the rising cost of public education.

The idea put forth has been that by reducing the percentage of housing units with children a town can lower the number of children in public schools and therefore lower school-related property taxes. Part of the argument is also that the occupants of age-restricted housing will pay their property taxes but make few if any demands on the town. Both of those widely held beliefs are based on fallacies.

Little if any consideration is given to the need for workers or job growth by largely residential New England towns. This is because it is widely perceived that most of the benefits of economic development accrue to the state or a region while most of the costs of public education and other municipal services are borne by people paying property taxes in each relatively small town.

There is a fundamental difference between sunbelt states and New England in the structure of government. Florida, for example, has about 18.5 million year-round residents living in 67 counties. Compare that number with New England's 14.3 million year-round residents, who coincidentally also live in 67 counties. The key difference is that, according to the 2007 Census of Governments, Florida has 95 school districts, between one and two per county. In contrast, New England has 700 to 1,300 school districts, depending on how they are counted—10 to 20 per county.

Considering how common it is that a small New England town with fewer than 10,000 residents supports an entire pre-K through 12<sup>th</sup>-grade school system (plus a highway, fire, and police department), it should not be a surprise that so many are searching for any way to get control of their extraordinarily high and rising property taxes.

**Fallacies about Municipal Savings**

The truth is that using age-restricted housing as a means to reduce the number of children and thus lower local property taxes cannot succeed. The total cost of running a school district or a municipality is not materially affected by year-to-year fluctuations in the number of students or citizens.

Cape Cod's Barnstable County, Massachusetts, for example, has 15 school districts, which served about 26,800 students in the 2006-2007 school year, 13 percent fewer than in the 2000-2001 school year. Despite the drop of more than 4,000 students in that period, spending for public education in those districts increased 26 percent from 2000 to 2006. Although Barnstable County may be an extreme example, a similar story of declining enrollments combined with rising spending can be found across New England.

The point is that trying to bring down school spending by reducing the number of school-age children simply does not work. Factors such as state and federal mandates, the rising cost of employee pay and benefits (including health insurance), and the rising cost of fuel are far more important than the number of students in determining the expense of operating a school district.

**Mandates, the rising cost of employee pay, and the like are more important than the number of students in determining the expense of operating school districts.**

The second fallacy regarding age-restricted housing holds that the older occupants, many of whom are senior citizens, will pay full property taxes but not make any demands on the municipality. In fact, two types of cost shifting are occurring, both of which reallocate costs away from the elderly to younger taxpayers.

The first type of cost shifting occurs when legislation is passed to relieve senior

citizens of the burden of paying some or all of their property taxes. Over 100 towns in New Hampshire, for example, now provide property tax abatements to home owners 65 or older on the basis of their income and assets. Those tax abatements collectively shifted more than \$20 million in property taxes to younger New Hampshire home owners in 2007, up from under \$12 million in the 2000 fiscal year. Since 2000, the amount of those abatements has been increasing 10 percent per year compounded annually. Meanwhile, approximately 3,500 units of age-restricted housing have been built in the state since 2000, according to a late 2006 survey by the New Hampshire Housing Finance Authority.<sup>1</sup>

The second type of cost shifting occurs in the price of health insurance. Any corporate, not-for-profit, or municipal employer in New England can testify to the fast-rising cost of health insurance. One of the reasons given is that hospitals and other health-care providers are paid at below their costs by patients covered by Medicare or Medicaid. As the numbers of such patients rise, health-care providers shift more of the cost of medical services to patients covered by private insurance, who tend to be nonelderly.

### Social Costs

The social costs of permitting age-restricted housing rather than workforce housing are less quantifiable but no less real. Since most age-restricted housing in New England is permitted at higher densities than workforce housing, it is often less expensive than other housing. But when young adults go looking for a place to live, they are prohib-

ited from buying or renting affordable age-restricted homes.

My opinion, formed after interviews with scores of young adults, is that many are leaving the region because other states offer a warmer welcome for them and their children. For whatever reason, there is a growing imbalance in age distribution. According to Census Bureau estimates, the number of New England residents ages 30 to 39 declined by 13.7 percent to 1.9 million between 2000 and 2006. If it had declined at the same rate as for 30-to-39-year-olds nationwide (5.4 percent, a rate associated with fewer births after the postwar baby boom), New England would by mid-2006 have had approximately 2.1 million residents of 30 to 39 years old, or nearly 200,000 more.

Another way to measure the unusually rapid aging of the region is to look at the change in median age. From 1990 to 2006 New England's median age went up 5.3 years from 33.6 to 38.9 years old, compared with a 3.6-year increase for the nation. The Census Bureau reports that in 2007, Maine (median age 41.6) and Vermont (40.8) were the nation's two oldest states. Also by that measure, all six of the New England states are now among the nation's 10 oldest states. The change in age distribution leads to the question, How much is related to age-restricted housing, an influx of retirees seeking such housing, and an outflow of young families unable to find someplace affordable among freed-up properties of local retirees?

### Time to Change Direction

Communities that exclude affordable workforce housing but welcome age-restrict-

ed housing may want to reconsider, given the impact on the region's ability to retain young workers. States in other regions seem to understand better the importance of having enough young workers to sustain economic growth. They attract our young adults by having a sufficient supply of housing for them.

Fifty years ago it was legal and even acceptable to exclude people from purchasing a home on the basis of their skin color or their religion. We as a society have come to believe that such discrimination is not only morally wrong but bad economic policy. Perhaps 50 years from today we will look back on the widespread age discrimination we practice in housing in New England and wonder why it took so long to recognize the damage it was doing to our economy and our sense of justice.

---

**Peter Francese** is the director of demographic forecasts for the New England Economic Partnership. He can be reached at [peter@francese.com](mailto:peter@francese.com).

### Endnote

<sup>1</sup> See [http://www.nhhfa.org/rl\\_age.cfm](http://www.nhhfa.org/rl_age.cfm) for data. A report is forthcoming.

► This Communities & Banking article is copyrighted by the Federal Reserve Bank of Boston. The views expressed are not necessarily those of the Bank or the Federal Reserve System. Copies of articles may be downloaded without cost at [www.bos.frb.org/commdev/c&b/index.htm](http://www.bos.frb.org/commdev/c&b/index.htm).

You May Be Paying  
Too Much For  
Your Mortgage

Federal Reserve Bank of Boston



# TheInformedHomebuyer.org

The Federal Reserve Bank of Boston has a consumer resource center for information on mortgages and foreclosures.

To learn more, visit us at :

[www.TheInformedHomebuyer.org](http://www.TheInformedHomebuyer.org)



FEDERAL RESERVE BANK OF BOSTON