

Statistics and Data Regarding the Proposed City of Tucson Rent Tax Table of Contents

Prepared for Tucson Mayor & Council
January 5, 2011

Section	Pages
2009 American Community Survey Data	2 - 8
Vacancy Statistics	9
Memorandum regarding Proposed Renters Tax and Implications for City of Tucson CDGB Funds	10 - 13
Sample Lease Agreement	14
National Multi Housing Council Report: Renters & Taxation	15 - 16

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2009 AMERICAN COMMUNITY SURVEY

Comparing Demographic and Income Data for Renters and Homeowners in the City of Tucson

Before adopting a tax on rent, the Mayor and Council should consider the following U.S. Census Bureau data to learn exactly who a rental tax would impact: minorities, young families and those with lower incomes and less education.

This data paints a clear picture of how a rental tax would make Tucson's housing *less* affordable and disproportionately impact those who can afford it least.

About the Data

The following data was taken from the 2009 American Community Survey, a survey from the U.S. Census Bureau. According to the U.S. Census Bureau, the American Community Survey is *"an ongoing survey that provides data every year -- giving communities the current information they need to plan investments and services. Information from the survey generates data that help determine how more than \$400 billion in federal and state funds are distributed each year."*

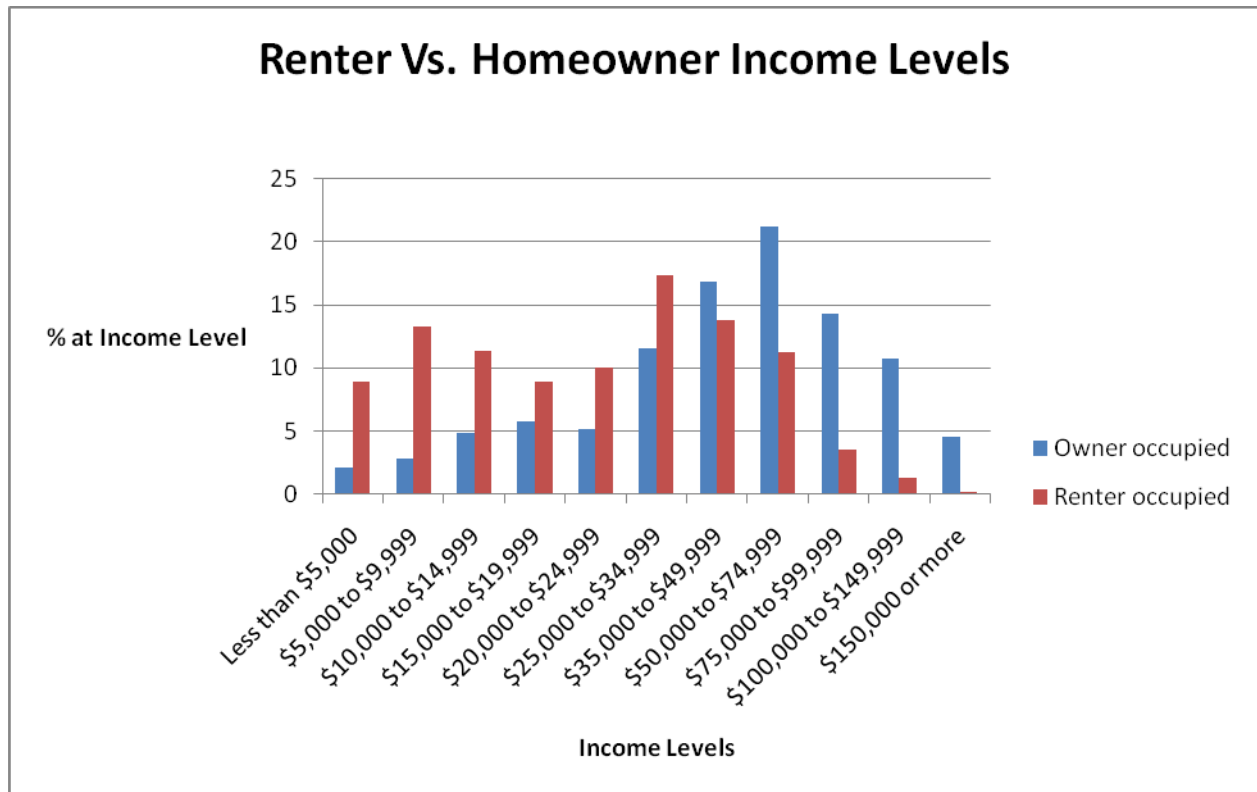
More information about the survey can be found at <http://www.census.gov/acs/www/>

Who is the City of Tucson proposing to tax?

Tucsonans with Lower Incomes

Fact: The median income for renters is less than half the income of homeowners

Median Income for all Tucson residents: \$35,565
Median Income for Homeowners: \$50,696
Median Income for Renters: \$23,692



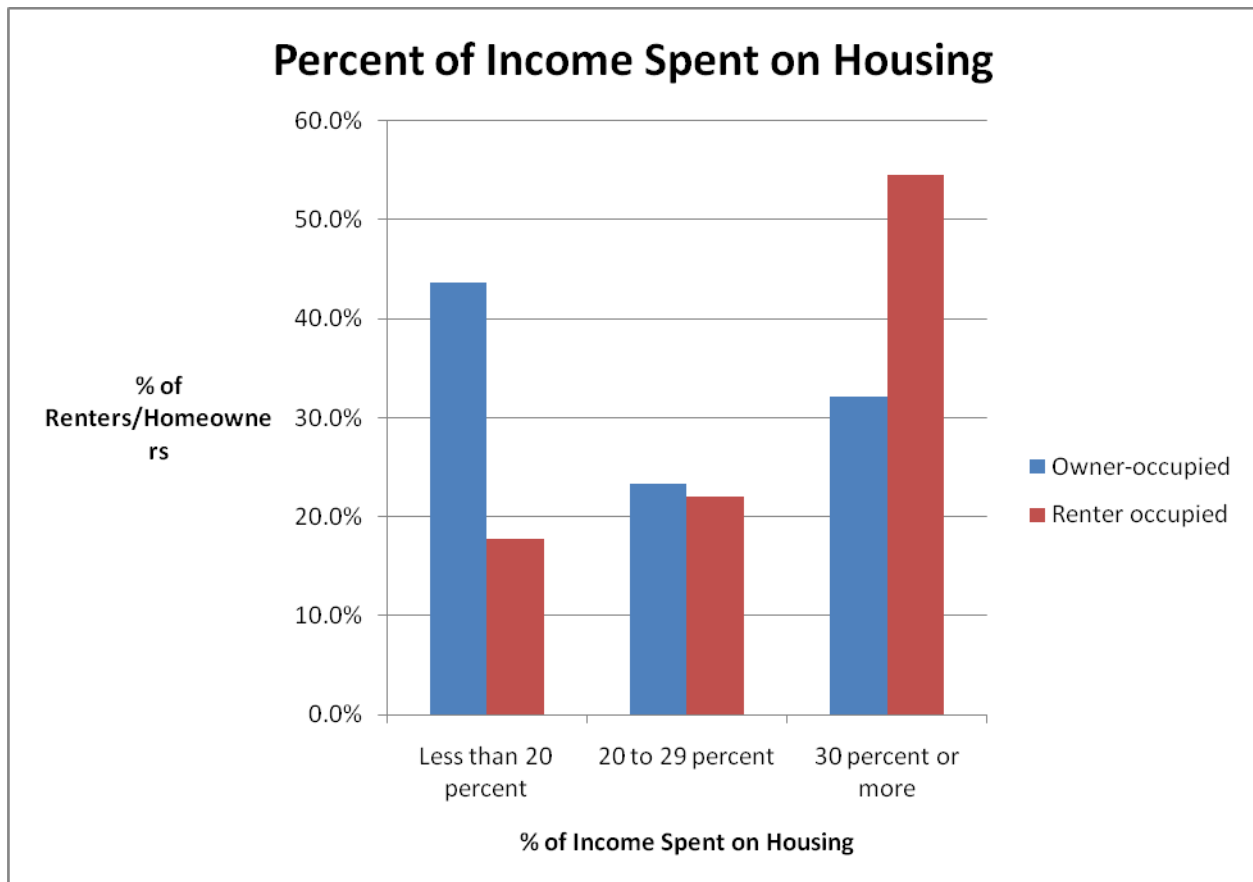
Who is the City of Tucson proposing to tax?

People who spend more of their incomes on housing costs.

Fact: Renters are more likely to spend more than 30% of their income on housing.

Spending more than 30% of one's income on housing is typically used by the government and nonprofits as a measure of housing affordability. By targeting people who spend more of their incomes on housing costs, the City of Tucson will hurt housing affordability.

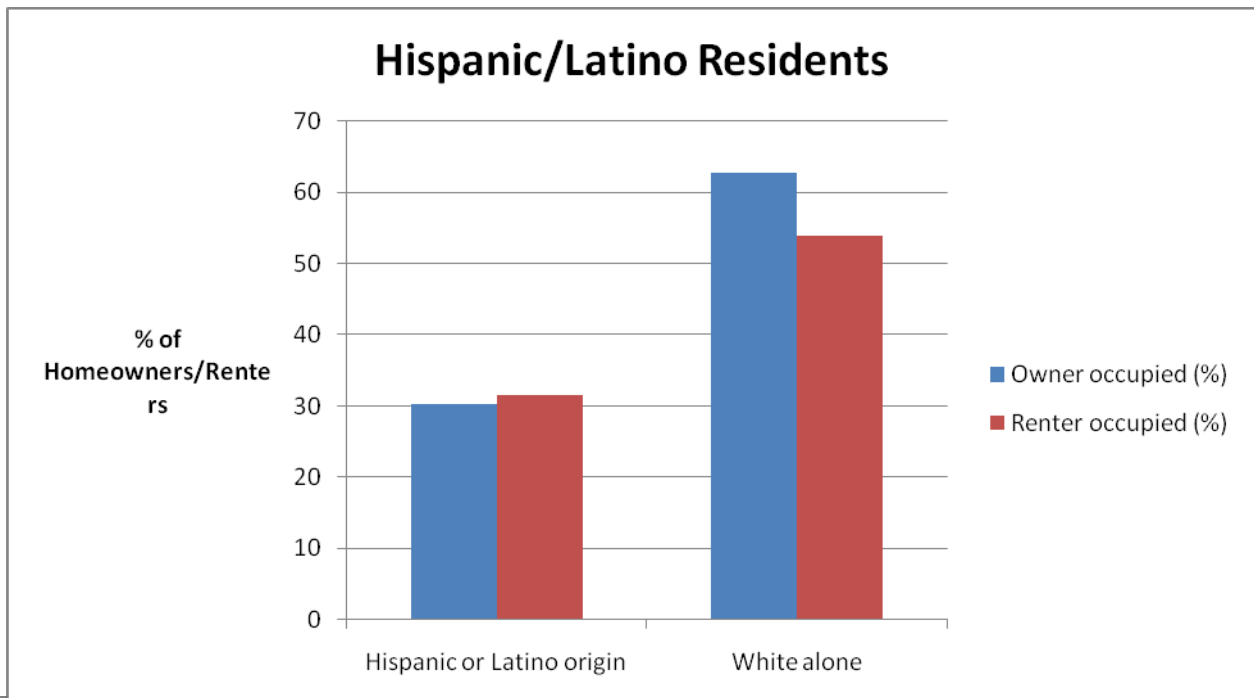
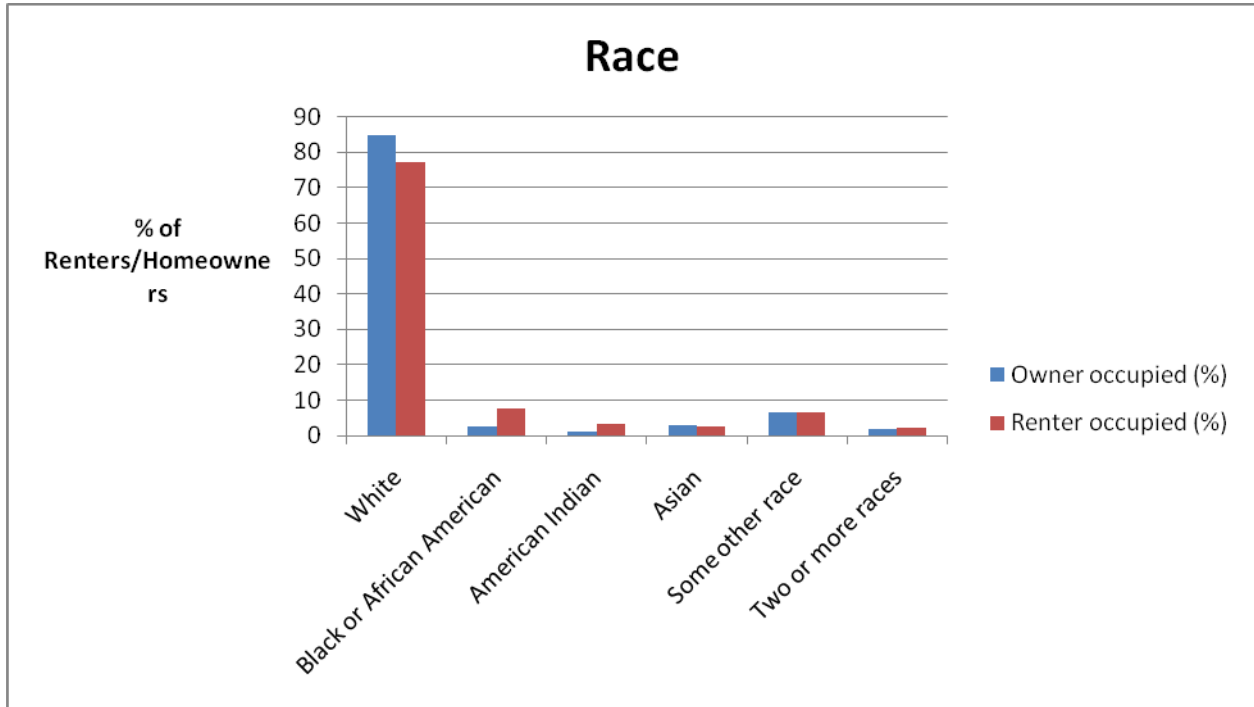
Percent of Income Spent on Housing	Homeowners	Renters
Less than 20%	44%	18%
20-29%	23%	22%
More than 30%	32%	55%



Who is the City of Tucson proposing to tax?

Minorities.

Fact: Renters are more likely to be Hispanic or Latino, African American or Native American.

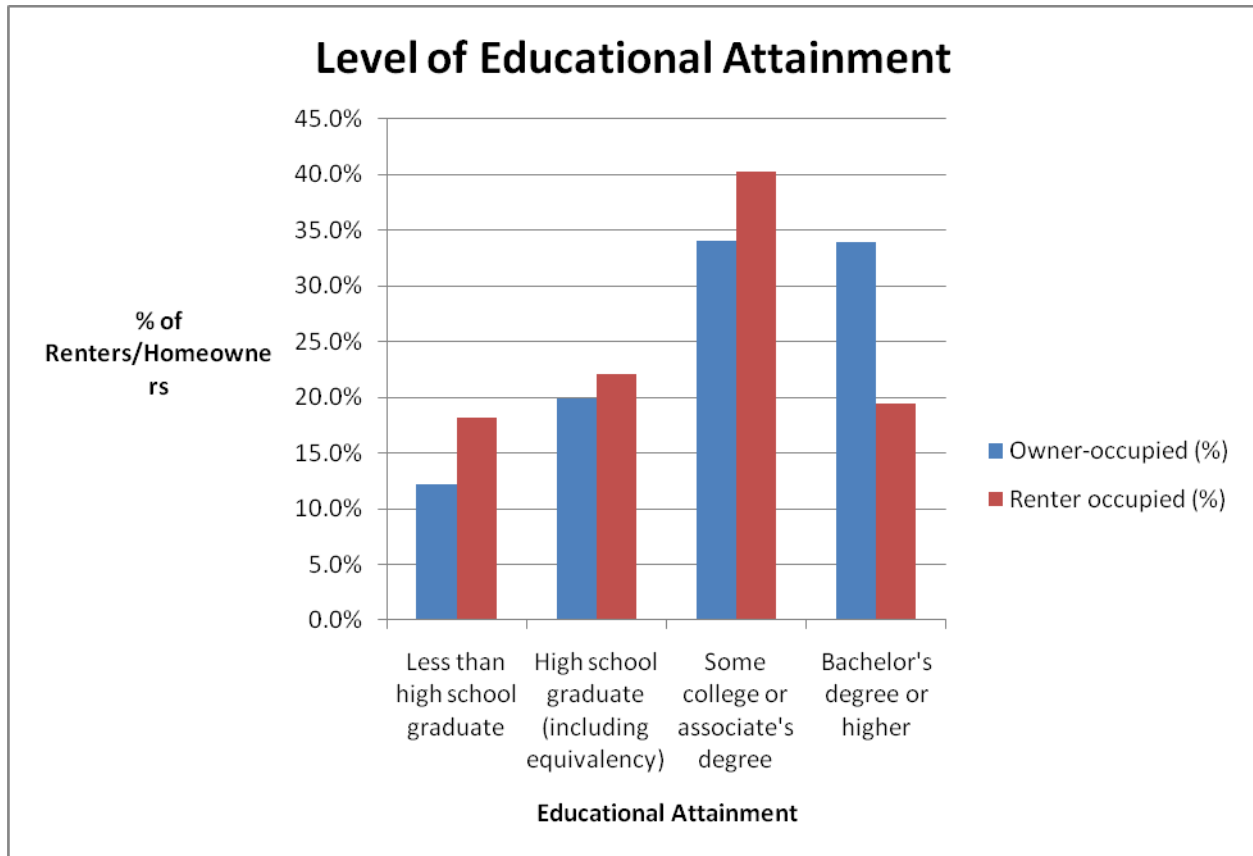


Who is the City of Tucson proposing to tax?

People who are less educated.

Fact: Renters are more likely to be high school drop outs and less likely to have college degrees.

Highest Level of Education Completed	Homeowners	Renters
Less than high school graduate	12.2%	18.2%
High school graduate (including equivalency)	19.9%	22.1%
Some college or associate's degree	34.1%	40.3%
Bachelor's degree or higher	33.9%	19.5%

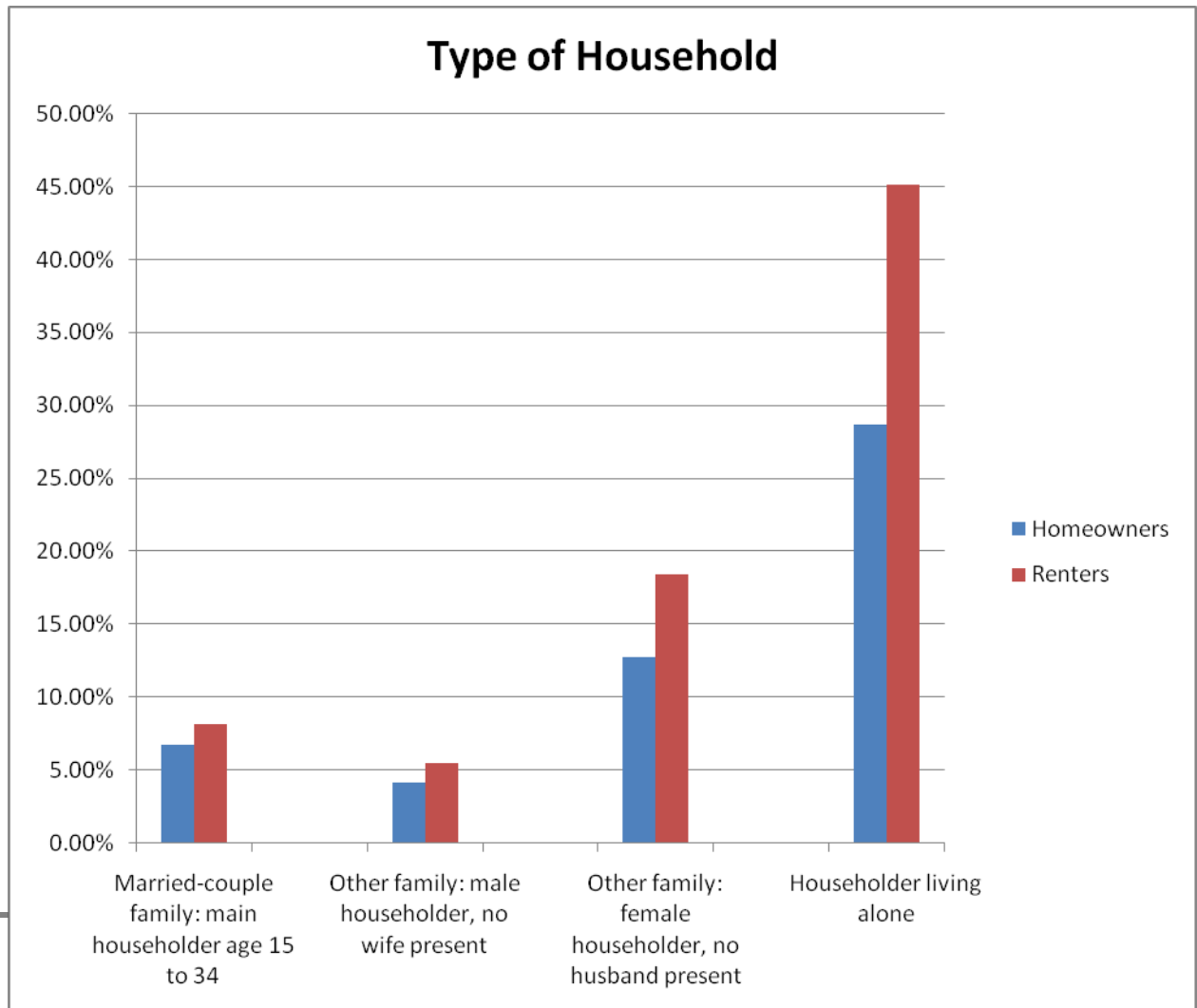


Who is the City of Tucson proposing to tax?

Single parents, young families and people who live alone.

Fact: Renters are more likely to be households with only a male or female present, young families and people who live alone.

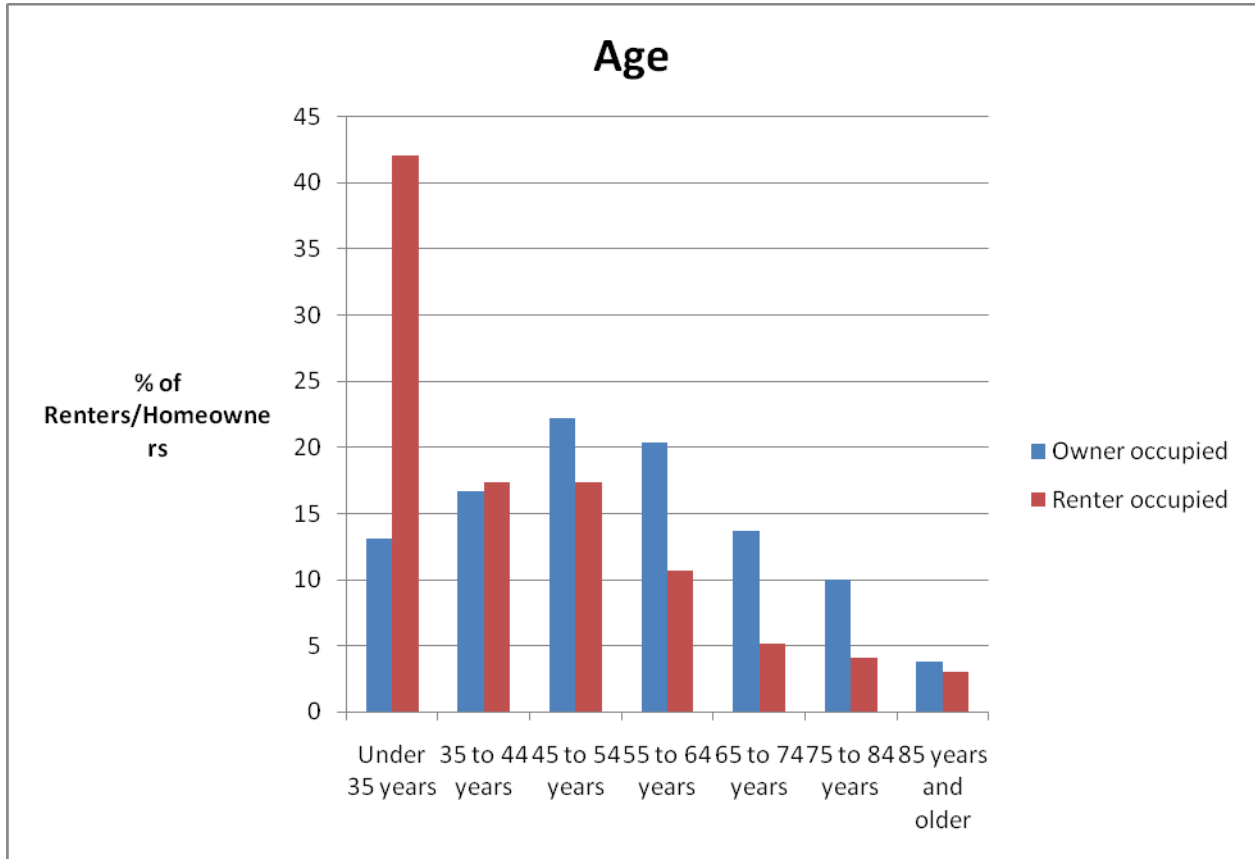
Type of Household	Homeowners	Renters
Married-couple family: main householder age 15 to 34	6.7%	8.1%
Other family: male householder, no wife present	4.1%	5.5%
Other family: female householder, no husband present	12.7%	18.4%
Householder living alone	28.7%	45.1%



Who is the City of Tucson proposing to tax?

Young people.

Fact: Renters, on average, are much younger than homeowners.



**Apartment Vacancy Rates and
Major U.S. City Rankings
June 2010**

	Rank			Rank			Rank			Rank	
	2007	2007 VAC		2008	2008 VAC		2009	2009 Vac		2010	2010 Vac
Atlanta	8.2	5		10.3	4		11.3	5		11.6	6
Austin	6.7	15		7.7	14		11	8		10.6	10
Boston	5.7	24		6	25		6.6	32		6.8	31
Charlotte	6	23		8.2	9		11.2	7		11.5	7
Chicago	4.8	29		5.4	30		7	26		7.3	25
Cincinnati	7	11		6.8	24		7.8	23		8.1	23
Cleveland	5.6	25		6	25		7	26		7.3	25
Columbus	7.3	8		8.2	9		8.9	17		8.8	20
Dallas/Fort Worth	6.1	21		7.3	18		9.1	16		9.5	15
Denver	6.9	12		7.6	17		9.2	15		9.6	13
Detroit	6.4	19		6.9	22		7.7	24		7.9	24
Fort Lauderdale	5.5	26		6.9	22		8.5	20		9.3	16
Houston	8.8	2		10.1	5		12.3	3		12.6	3
Indianapolis	8.3	3		7.7	14		9.4	12		9.2	17
Jacksonville	9.9	1		12.2	1		13.9	1		14.5	1
Kansas City	6.7	15		7.7	14		8.7	19		8.9	19
Las Vegas	6.1	21		8.1	11		11.3	5		12	5
Los Angeles	3.6	42		4.5	37		5.8	36		6	36
Louisville	7.2	9		7	20		7.3	25		7.1	28
Miami	4	37		5	35		6.3	35		6.8	31
Milwaukee	4.1	34		3.7	42		5.2	38		5.5	37
Minneapolis-St. Paul	4.1	34		4.4	38		5.1	41		5	42
New Haven	4.1	34		4.1	39		4.5	43		4.8	43
New Jersey	3.4	43		3.9	41		5.2	38		5.4	39
New York City	2.1	44		2.3	44		3.5	44		3.4	44
Oakland	5.1	27		5.3	31		7	26		7.2	27
Orange County	3.7	40		5.1	34		6.9	29		6.7	33
Orlando	7.2	9		10	6		10.6	10		11.2	8
Philadelphia	4.2	32		5.7	28		6.5	33		6.6	34
Phoenix	8.3	3		11.1	2		12.3	3		12.6	3
Portland	4.2	32		5.2	32		6.8	30		7	29
Riverside-San Bernardino	6.3	20		7	20		9.4	12		9.8	12
Sacramento	6.5	18		7.2	19		8	21		8.6	21
Salt Lake City	4.3	31		5	35		6.5	33		6.9	30
San Antonio	6.6	17		9	7		10.9	9		10.4	11
San Diego	3.7	40		4.1	39		5.2	38		5.4	39
San Francisco	3.9	38		3.6	43		5.1	41		5.4	39
San Jose	3.9	38		5.2	32		5.7	37		5.5	37
Seattle	4.4	30		5.8	27		7.9	22		8.4	22
St. Louis	6.8	14		7.8	13		9.4	12		9.1	18
Tampa	6.9	12		8.7	8		10.5	11		10.8	9
Tucson	8.2	5		11	3		12.5	2		12.7	2
Washington, D.C.	5.1	27		5.5	29		6.7	31		6.5	35
West Palm Beach	8	7		7.9	12		8.8	18		9.6	13

MEMORANDUM

Drafted by Judy Drickey-Prohow, Attorney with the Law Office of Scott Clark. Judy is a Special Magistrate with the City of Tucson and has over 30 years of experience working with Fair Housing issues.

Prior to going into private practice, Judy spent 28 years with the Civil Rights Division of the Arizona Attorney General's Office as an assistant attorney general, senior litigation counsel and compliance section chief counsel. In that position she drafted the Arizona fair housing act and litigated many of the early fair housing cases in Arizona.

Judy also was chair of the State Bar Labor & Employment Law Section and co-chair of the National Association of Attorney General's Civil Rights employment law subcommittee.

As a recipient of federal housing grants under the Community Block Grant Development (CDBG) Fund, the HOME Program and Homeless programs, among others, the City of Tucson took on an obligation to affirmatively further fair housing in this community. That obligation is neither minimal nor can it be satisfied by token promises. Under the current administration, the United States Department of Housing and Urban Development (HUD) is taking a very close look at the efforts made by grantees to comply with these requirements.

OBLIGATION TO AFFIRMATIVELY FURTHER FAIR HOUSING (AFFH)

Provisions to affirmatively further fair housing (AFFH) are principal and long-standing components of HUD's housing and community development programs. These provisions flow from the mandate of Section 808(e)(5) of the Fair Housing Act which requires the Secretary of HUD to administer the Department's housing and urban development programs in a manner to affirmatively further fair housing.

Specifically, the CDBG program contains a regulatory requirement to affirmatively further fair housing based upon HUD's obligation under Section 808 of the Fair Housing Act and mandates that grantees certify their agreement to do so. The HOME program regulation states the statutory requirement from the Comprehensive Housing Affordability Strategy (CHAS) that recipient jurisdictions must affirmatively further fair housing. Through these programs HUD's goal is to expand mobility and widen a person's freedom of choice.

HUD requires State and local jurisdictions that administer these programs to not only certify that they will affirmatively further fair housing but also to commit to removing barriers to fair housing in their communities and avoid imposing

additional barriers that will limit the availability of housing choice. Jurisdictions are required to document AFFH actions in the CDBG and CHAS annual performance reports that are submitted to HUD.

The extent of the AFFH obligation has never been defined statutorily; however, HUD defines it as requiring a grantee to:

- Conduct an analysis to identify impediments to fair housing choice within the jurisdiction
- Take appropriate actions to overcome the effects of any impediments identified through the analysis
- Maintain records reflecting the analysis and actions taken in this regard.

As part of these obligations, a jurisdiction receiving HUD money under any of these programs must certify that it will affirmatively further fair housing. Although the grantee's AFFH obligation arises in connection with the receipt of Federal funding, its AFFH obligation is not restricted to the design and operation of HUD-funded programs at the State or local level. The AFFH obligation extends to all housing and housing-related activities in the grantee's jurisdictional area whether publicly or privately funded.

AFFIRMATIVELY FURTHERING FAIR HOUSING

An Analysis of Impediments (AI) is the primary tool used to review the status of fair housing in a community and to identify potential barriers to fair housing in both the public and private sectors. The AI Involves:

- A comprehensive review of a State or local jurisdiction's laws, regulations, and administrative policies, procedures, and practices
- An assessment of how those laws, etc. affect the location, availability, and accessibility of housing
- An assessment of conditions, both public and private, affecting fair housing choice for all protected classes, and
- An assessment of the availability of affordable, accessible housing in a range of unit sizes.

In making the assessment, the entity must identify (a) any actions, omissions, or decisions taken because of race, color, religion, sex, disability, familial status, or national origin which restrict housing choices or the availability of housing choices, and (b) any actions, omissions, or decisions which have the effect of restricting housing choices or the availability of housing choices on the basis of race, color, religion, sex, disability, familial status, or national origin.

Because HUD recognizes that housing discrimination is no longer limited to facially discriminatory policies and practices, it requires a community to determine whether there are any barriers in the public or private sector that limit the availability of housing based upon the protected characteristics in the Fair

Housing Act. Under HUD guidelines, restrictive barriers may include among others: public policies, practices and procedures involving housing and housing-related activities; building codes, fees and charges; growth limits; zoning and land use policies; tax assessment/abatement practices; tax policies; policies affecting growth limits; demographic patterns; and other policies that affect the return on residential investment.

ENFORCEMENT OF AFFH REQUIREMENTS

Although HUD has been somewhat lax, in the past, about enforcing the AFFH requirements it has recently taken several important steps to ensure that communities that accept HUD money are complying with their obligations under the grants.

The most notable of these enforcement actions involved a lawsuit filed by the United States Department of Justice (DOJ) against Westchester County, NY in 2008. In that case the United States accused Westchester County of violating the federal False Claims Act by providing false certifications and claims for payment under CDBG grants in which it asserted that Westchester County was in compliance with its AFFH obligations, when in fact it had only provided lip service to those obligations.

In settlement of that lawsuit the Justice Department required Westchester County to spend \$50 million of its own money to construct affordable homes and apartments in areas with underrepresentation of racial and ethnic minorities. Under the formula used in the case, affordable housing was defined as housing designed so that working families would not have to spend more than a third of their gross income on housing. Because Black and Hispanic residents have a disproportionate need for affordable housing, this lack of affordable housing was considered to have the effect of discriminating on the basis of race and national origin.

Although the Westchester case was settled more than a year ago, Westchester remains under the supervision of a federal monitor and its costs for complying with the consent decree have increased to more than \$86 million.

The Justice Department has recently brought similar lawsuits against the Town of Skokie, IL and against a community in Maryland. In recent presentations, representatives from HUD have indicated that they are closely monitoring the policies and practices of a number of other communities to determine whether their practices also constitute a violation of the federal False Claims Act in this regard.

AFFORDABLE HOUSING IN ARIZONA

The 93rd Arizona Town Hall (November 2008) focused on the issue of affordable housing in Arizona. At that time the best assessment was that a minimum of 591,000 Arizona households were financially in distress. Of this number 53% were renters. Most distress was attributable to the “cost burden” which was defined as paying than 30% of household income for housing costs.

This cost burden, needless to say, disproportionately affects low income renters. The 2000 census reported that almost half of Tucson residents are renters. Of those renters more than 40% are paying 35% or more of their monthly income for rent alone. Recent census figures mirror past studies showing that this distressed population is disproportionately Hispanic, Native American and African-American.

A proportion of this distressed population is already living in substandard rental housing while a larger percentage are residing in housing that already exceeds their financial means. As more financial burdens are placed on this population, by way of sales or other taxes and fees, the availability of affordable housing in Tucson will continue to shrink and renters will find increasingly fewer affordable choices within the city limits. By its nature, this trend is likely to drive more and more racial and ethnic minorities and persons with disabilities into other communities where rents and taxes are lower and therefore more affordable for them. The end result of this is likely to be increased segregation of Tucson communities in violation of the requirement that Tucson affirmatively further fair housing, and could result in increased scrutiny and potential litigation, similar to Westchester County and Skokie, IL, as well as loss of substantial federal funding under CDBG and HOME funds.

While, of course, any tax increase has the potential for further burdening the working poor, a tax specifically directed at renters is particularly onerous because it targets those persons who are least able to afford it. A renter’s tax, by its nature, will also invariably place a heavier burden on racial and ethnic minorities and persons with disabilities than it does on the general population. This additional burden appears to be a clear violation of the city’s obligation to affirmatively further fair housing.

APARTMENTS RENTAL AGREEMENT

(Company), as Manager and Agent (hereinafter called "Lessor") for the Owner rents to Lessee(s), jointly and severally, Apartment No. «Apt Number» of Arboretum Apartments, located at (Address), Tucson, AZ 85750 to be used solely for the purpose of a personal residence by (name of each occupant):

- | | |
|------------------------------|------------------------------|
| (1) <u>«Resident Name 1»</u> | (2) <u>«Resident Name 2»</u> |
| (3) <u>«Resident Name 3»</u> | (4) <u>«Resident Name 4»</u> |
| (5) <u>«Resident Name 5»</u> | (6) <u>«Resident Name 6»</u> |
| (7) <u>«Resident Name 7»</u> | |

Occupancy is limited to those persons named above. No one else may occupy the apartment. Persons not listed above must not stay in the apartment for more than fourteen (14) days per month without prior written consent from Lessor.

- Note - Resident may obtain a copy of the Arizona Residential Landlord and Tenant Act (ARLTA) from the Arizona Secretary of State.
- Note - Resident(s) hereby stipulate(s) and agree(s) that service of any notice pursuant to ARLTA at the above-listed address is sufficient to acquire *in personam* and *in rem* jurisdiction over all of the signors of this agreement regardless if any signer(s) might not actually reside in the apartment unit.

1. LEASE TERM: The initial term of the Lease Contract beginning «Begin Date» and ending at midnight on «End Date» for an unfurnished apartment and Lessee(s) shall pay rent, tax, charges and deposits as set forth below. This Lease Contract will automatically renew month-to-month unless either party gives at least thirty (30) days written notice of termination or intent to move out as required by paragraph 33(A).

	OTHER CHARGES AND DEPOSIT (S):	
Rent	<u>«Market Rent»</u>	Security Deposit <u>«Security Deposit»</u>
Pet Rent (Does not apply to assistive animals)	<u>«Pet Rent»</u>	Pet Deposit <u>«Pet Deposit»</u> (Does not apply to assistive animals)
Parking Rent	\$ <u>N/A</u>	NONREFUNDABLE Administration Charge <u>«Admin Fee»</u>
Water, Sewer, and Trash Charge	<u>«Water Sewer Trash»</u>	NONREFUNDABLE Pet Charge <u>«Pet Fee»</u>
Other	<u>«Military Discount»</u>	
Subtotal	<u>«Total Rent Due»</u>	UTILITIES:
City Sales Tax	\$ <u>N/A</u>	Electricity: Paid By: <u>Lessee</u>
<u>(Applicable rate subject to change during lease term)</u>		Water, sewer & trash charges: Paid by: <u>Lessee</u>
		Other: Telephone, Cable, etc.: Paid by: <u>Lessee</u>
TOTAL MONTHLY RENT	<u>«Total Rent Due»</u>	

INITIAL

3. RENT AND CHARGES: The rent shall be \$ «Total Rent Due» per month plus applicable sales taxes, payable in advance and without demand at the on-site manager's office on or before the **1st day of each month**. Rent is payable with one personal check, cashier's check, certified check or money order in the exact amount due and NO CASH will be accepted for rent. Lessee will pay as additional rent: (1) an initial late charge of **\$50.00 on the 4th** day of the month, plus a late charge of **\$10.00 per day after** that date until paid in full; (2) a charge of **\$50.00** for each check returned for non-payment, plus initial and daily late charges from due date until acceptable payment in the form of a certified/cashier's check or money order is received; (3) An administrative fee of **\$25.00** will be assessed for the preparation and service of notices of breach or of termination; (4) the costs of repairs caused by damages due to an act of neglect by Lessee or Lessee's guest; (5) a **\$100.00** assessment for bringing an unauthorized pet on the property AND any applicable pet fee/deposit will be due and payable immediately; (6) all rental taxes and any increases in all rental taxes upon 30 days written notice from landlord. Lessee's failure to pay rent or other charge(s) due may provide basis for termination of this Rental Agreement at the option of Lessor. Lessee further agrees that Lessor has the exclusive right to determine how Lessee's payments are applied towards the various monetary obligations of the Rental Agreement (e.g., rent, unpaid deposits, charges and/or pet permit violations).

4. PERSONAL CHECKS. Lessor will not accept personal checks for payment on or after the 4th day of the month, nor will Lessor accept payments by more than one check or via a check from a third party. Additionally, if a Lessee has two (2) checks returned for non-sufficient funds or are otherwise dishonored, Lessee will be required to make rental payments by either money order or cashier's check.

5. UTILITY COSTS/SALES TAX ADJUSTMENTS DURING LEASE TERM: Lessor shall have the right, upon 30 days written notice to Lessee, to increase the total rent due by an amount reasonably related to any increase in the cost of utilities and/or any change or increase in City sales tax.

6. PARKING/VEHICLE POLICIES: Lessee agrees that only vehicles identified below may park on the property without separate written consent from Lessor. Trailers and Boats are unauthorized and will be towed if found on the property unless there is separate written consent from Lessor.

MAKE/MODEL	TYPE	YEAR	LICENSE NO.	STATE	SPACE #
<u>«Make_Model_1»</u>	<u>«Vehicle_Type_1»</u>	<u>«Year_1»</u>	<u>«License_1»</u>	<u>«State_1»</u>	<u>«Parking_Space_1»</u>
<u>«Make_Model_2»</u>	<u>«Vehicle_Type_2»</u>	<u>«Year_2»</u>	<u>«License_2»</u>	<u>«State_2»</u>	N/A

Lessor may assign parking spaces or areas for Lessees and guests. Lessor may also designate: (1) Parking areas; (2) Whether trailers, boats, or campers may park and whether inoperable, abandoned or unauthorized vehicles will be towed at the owner's expense after a 24-hour notice is posted on the vehicle. Vehicles parked in fire lanes, reserved parking or undesignated parking will be towed (with 24 hours notice) at owner's expense. The 24-hour notice does not apply to vehicles that are parked in a space assigned to another Lessee, parked in a marked tow-away or parked to impede traffic or trash collection easements. Vehicles parked in this manner will be towed away immediately without warning at owner's expense. If Lessor pays Lessee's towing expense, such expense shall be deemed as additional rent owed and be immediately due and payable. Guests must only park in designated spaces - never on sidewalks, in landscape areas or apartments and must not damage asphalt, etc. Vehicles parked on the property must park "head in" only and show current registration. Lessor may elect to charge as additional rent a \$100.00 fee for repeat offenders. Please limit your speed within the community to 10 mph.

7. AUTOMOBILES: Notwithstanding the Parking/Vehicle Policies set forth above, the following additional restrictions shall apply: (1) One vehicle per licensed Leaseholder; (2) All vehicles must have a current state registration, be in operable condition, and registered in the Lessor office; (3) Inoperable cars (cars with flat tires, broken windows, etc.) will not be permitted on the premises; (4) Any vehicle(s) deemed abandoned in the sole judgment of the Owner or which are not registered will be towed at the vehicle owner's expense after a 24-hour notice has been placed on the vehicle; (5) Any vehicle(s) illegally parked in a fire lane, blocking an entrance, exit, driveway, dumpster, or parked illegally in a designated parking space will be immediately towed, without notice, at the owner's expense; (6) Lessees may **NOT** wash or repair a car in the parking lot or empty ashtrays/trash from their cars into the parking lot or on property; (7) If recreational vehicles are permitted on the property, they must be parked in the area designated by Lessor; (8) Handicapped-designated parking spaces are solely for the use of vehicles displaying the appropriate placards or license plates.

8. COVERED PARKING: Lessee acknowledges that carports are reserved for use only by the Lessee renting or assigned to such space. Lessee further understands that unauthorized cars parked in a reserved or an assigned covered parking space by a Lessee, occupant or guest will be subject to towing without notice at the vehicle owner's expense. **Lessees should inform their guests of these provisions.** If an unauthorized vehicle is parked in uncovered parking, please contact the Lessor Office so we may tag the car for 24-hours prior to having it towed at the vehicle owner's expense.

Lessee Signature Date

Lessee/Guarantor Signature Date

Lessee Signature Date

Lessor (Authorized Agent for the Owner) Date

NMHC Research Notes: Apartments and Property Taxes

From the National Multi Housing Council website:

<http://www.nmhc.org/Content/ServeContent.cfm?ContentItemID=3430>

One of the most common misperceptions about apartment residents is that they do not pay local real estate taxes. This point of view often appears in letters to the editor of local newspapers opposing some proposed apartment development. The opinion reflects a belief that apartments do not pay their own way in communities and contributes to a policy bias in favor of single-family housing in jurisdictions nationwide.

Evidence from various national surveys shows that property taxes are one of the largest expense items for apartments and that apartments pay property taxes at a much higher rate than do single-family homes. When combined with the fact that apartments, compared to single-family houses, put fewer claims on the public services financed through local property taxes -- schools and roads in particular -- it appears that in many jurisdictions apartment residents are subsidizing their single-family neighbors.

The Cost of Property Taxes to Apartments

Local real estate taxes are one of the biggest costs of operating multifamily rental housing. Data from the Institute of Real Estate Management's *1998 Income and Expense Report for Conventional Apartments* indicate that property taxes account for 15.5 percent of total operating expenses for elevator apartment properties and 17.0 percent for garden apartments. The median property tax per apartment was \$617 for elevator buildings and \$451 for garden apartment communities. Regional variations in taxes are substantial. For garden apartments, the median per unit tax ranges from a low of \$315 in the Plains states to a high of \$877 in the Northeast.

Residents, Not Apartment Managers, Pay the Tax

Another misperception is that the apartment owner, and not the resident, pays the property tax. While the property owner or manager writes the check, ultimately the resident pays. Like any other cost of providing housing, property taxes are borne by the users of the housing. Market competition may keep property managers from immediately passing on higher tax costs by raising rents, but if rents do not cover the costs of providing that housing, some suppliers will withdraw from the market and new construction will slow. As a result, rents will increase until they once again cover the property tax and other costs.

Apartments Are Taxed More Heavily Than Houses

Housing taxation is complicated. Owner-occupied houses and rental properties are subject to various provisions of the federal tax code and many state tax laws. At the local level, the property tax is the principal vehicle for taxing real estate. Property taxes normally are administered by local governments and the proceeds are spent by them.

There are as many methods of setting and administering property taxes as there are local taxing authorities. Methods of determining property value differ, as do ways of computing the tax once that value is set. The bottom line, however, is how much tax is paid relative to the market value of the property (i.e., what it would sell for). Market value is a summary measure of the flow of housing services provided by that structure and location. Just as with a single-family home or a condominium unit in a multi-unit structure, a value can be assigned to individual rental apartments. The value of the apartment property is the sum of the values of these individual apartments. The ratio of tax to market value measures the tax paid relative to the amount of housing being "consumed."

By this measure of tax paid as a percent of market value (which is commonly called the "effective tax rate"), several national surveys document that apartments are taxed at a

significantly higher rate than are single-family structures. The U.S. Census Bureau's 1995-96 Property Owners and Managers Survey reports a median tax to value of 1.3 percent for multi-unit rental properties and 1.1 percent for single-unit rental properties, based on respondents' estimates. Due to very high tax rates on some multifamily properties, the difference in mean tax rates is much greater than the difference in medians. Earlier, the Census Bureau's 1991 Residential Finance Survey found a similar discrepancy between owner-occupied single-family homes and rental apartments. In that national survey, the median effective tax rate was 1.0 for both property types, but the mean tax rate for apartments was 3.2 percent, nearly double the 1.7 percent mean for owner-occupied homes.

Big Differences in Some States

Evidence of the higher tax burden borne by apartments comes from a study by the Minnesota Taxpayers Association (MTA) [\[1\]](#). The MTA study also documents the wide variation in tax practices across the country. In the largest urban area in each of the 50 states, the MTA utilized local tax experts to estimate what the tax would be on an apartment property with a market value of \$600,000 and a single-family home with a value of \$70,000. MTA then divided the tax by the property value to calculate the effective tax rate (ETR) for each property. For apartments, the ETR averaged 1.83 percent, ranging from a high of 4.3 percent in New York to a low of 0.32 percent in Hawaii. For single-family homes, the average ETR was a much lower 1.30 percent, with a high of 3.2 percent in Michigan and a low of 0.09 percent in Massachusetts. MTA found apartments to be taxed more heavily than houses in every state.

The table at the end of the report shows the relative taxation of apartments and single-family homes. In New York, for example, each dollar of market value of apartments is taxed 14.91 times as heavily as each dollar of market value of houses.

Should Apartment Residents Pay More?

The real estate property tax is a significant part of the revenue available to local governments. In 1999 and 2000, 23 percent of local government revenue, and 71 percent of local tax revenue was from property taxes. [\[2\]](#)

Property taxes finance a range of municipal services, but two of the biggest expenses are schools and roads. In 2000, education accounted for 38 percent of total expenditures by local governments. Roads were an additional four percent. [\[3\]](#)

Apartments place lower demands on both schools and roads than do single-family houses. As of 2003, only 17 percent of all occupied apartments have one or more children of school age (5 to 18); and of those households with children, the average number is 1.6. Among owner-occupied single-family homes, 30 percent have school age children; and of those households that have children, the average number is 1.7. Similarly, apartment residents average only 1.0 motor vehicles per household, while owner-occupied houses average 2.1 vehicles [\[4\]](#). In some other big-ticket categories of local government expense, apartments make claims no greater than those of single-family homes. Water, sewer, and waste management are examples. Even in these categories, the clustering of apartments arguably makes them less expensive to service than are single-family homes.

These national surveys document that apartment residents are taxed more heavily than homeowners for the housing they "consume," but make fewer claims on key local services. Part of the reason for this inequitable outcome is the misperception of what apartment renters pay and what they get from local governments. Perhaps the more direct reason for the disproportionate taxation of apartments is that, in most local jurisdictions, homeowners outnumber apartment renters at the ballot box.