CITY OF CAMBRIDGE
831 MASSACHUSETTS AVENUE
CAMBRIDGE, MASSACHUSETTS 02139
TEL 499-6161

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OFFICE OF THE CITY MANAGER

RENT CONTROL BOARD
TERRENCE P. MORRIS, EXECUTIVE DIRECTOR

TO: Robert W. Healy, City Manager
FROM: Terrence Morris, Executive Director TM/LG
RE: Council Order #16, 1/22/90
DATE: January 29, 1990

In response to Council Order #16, the attached memorandum from Ms. Laurie Goetz, Assistant Director, details median dollar and percentage increases allowed in the 1990 general adjustment, according to both size of building and general adjustment class. Although the Council asked for average increases, it is felt that the "median" is a more accurate depictor. If average is still desired, please advise. Also attached is a copy of the Final Findings and Reasons for a General Adjustment of Rents which explains the overall basis for the adjustment.

The reason for the substantial variation in increases from building to building is directly related to the several applied factors. Some of the factors which determine the size of the increases granted to rent-controlled buildings are:

- when a property was first registered with rent control;
- the historical rents for a building;
- the actual taxes paid;
- actual fuel consumption for a building (if the property is heated);
- whether a property has had an individual rent adjustment for operating expenses;
- inflation in various components of the rent (i.e., maintenance and repair, payroll, insurance, water)since the last general adjustment (i.e., maintenance and repair, payroll, insurance, water). (Please note that this information is obtained from a number of sources, included the Implicit Price Deflator, various CPI indices, and actual data on operating expenses from the Rent Control database).

Please let me know if you need additional information or materials.

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RENT CONTROL BOARD

D. MARGARET DRURY, EXECUTIVE DIRECTOR

TO: Terry Morris

FROM: Laurie Goetz LG

RE: 1990 General Adjustment Increases

DATE: January 25, 1990

The statistics shown below were generated after implementation of the 1990 general adjustment.

MEDIAN INCREASES

SIZE OF BLDG.	MEDIAN INCREASE (%)	MEDIAN INCREASE ($)
1-3 UNITS, CONDOS	6 %	$ 26
4-6 UNITS	5 %	$ 17
7-14 UNITS	7 %	$ 22
15-29 UNITS	7 %	$ 25
30+ UNITS	6 %	$ 23
ALL UNITS	6 %	$ 22

GA CLASS	MED. INCREASE (%)	NUMBER OF UNITS
CLASS A	6 %	8,394
CLASS N	7 %	6,059
CLASS L	3 %	541
OTHER	8 %	38
ALL CLASSES	6 %	15,032

	MEDIAN BEFORE 1990 GA	MEDIAN AFTER 1990 GA
ALL UNITS	$ 350 - $ 374	$ 375 - $ 399
HEATED UNITS	$ 375 - $ 399	$ 400 - $ 424
UNHEATED UNITS	$ 275 - $ 299	$ 300 - $ 324

pursuant to the provisions of Regulations 72, 75, 76, and 77, the Board finds that it is reasonable to establish five (5) classes of rent controlled properties for purposes of this GA. The Classes are: A, N, L, P, and F.

a. Class A properties are units that have received individual rent adjustments approved by the Board pursuant to the provisions of Regulation 72.

b. Class N properties are units that have not received an individual rent adjustment pursuant to the provisions of Regulation 72 and for which the Board has approved either an actual or imputed FNOI+ (operating expenses minus heat and taxes plus net operating income).

c. Class L properties are units that became subject to rent control after March 31, 1976; have base years between 1976 and 1989; and have not received an individual rent adjustment pursuant to the provisions of Regulation 72.

d. Class P properties are units that have pending individual rent adjustments filed pursuant to the provisions of Regulation 72 in which 1989 is claimed as an expense year.

e. Class F properties are units that have not received an individual rent adjustment pursuant to the provisions of Regulation 72 and are units which were registered after July 1, 1989 as a result of a change from exempt to controlled status; or units for which the Board has insufficient information to classify the unit and/or to calculate the GA.

2. In order to adjust rents pursuant to this G.A., the method used in the 1984/1985 GA and the 1987 GA, and the 1989 GA is adopted.

Record: Memorandum to the Board, June 20, 1989
Board Minutes, June 28, 1989

3. (a) The Board finds that it is reasonable to adjust Class A properties by multiplying "other expenses" (all operating expenses minus heating fuel and real estate taxes allowed in the most recent rent adjustment approved by the Board pursuant to Regulation 72) by a factor derived from the ratio of 4.24 (which is the Board established "other operating expense" index for 1989) and a number which is the Board established "other operating expenses" index for the approved expense year. These indices are the same as the Implicit Price Deflator (IPD) from 1967 through 1983. For 1984 the index is 2.97; for 1985 it is 3.21; for 1986 it is 3.45; for 1987 it is 3.77; and for 1988 it is 4.09; Class A will also be adjusted in accordance with paragraphs 8 and 9.

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RENT CONTROL BOARD
D. MARGARET DRURY, EXECUTIVE DIRECTOR

FINAL FINDINGS OF FACT AND REASONS FOR A GENERAL ADJUSTMENT OF RENTS

Introduction

In accordance with the Agreement for Judgment in **Siegel v. Rent Control Board of the City of Cambridge,** Cambridge District Court, No. RC 23/80, December 17, 1984, the Cambridge Rent Control Board (Board) hereby promulgates these Final Findings of Fact and Reasons for a General Adjustment of Rents (GA). The public had the opportunity to submit written comments to the Board within thirty (30) days of the publication of the availability of the Preliminary Findings of Fact and Reasons on November 21, 1989.

On June 28, 1989, the Board, after giving notice pursuant to the Rent Control Act, section 8(b), held a public hearing to consider a GA. Thereafter, meetings were held to consider a GA on July 24, October 11, 18, 25, November 8 and 11, 1989. During the public hearing and meetings the Board entertained extensive public comment on all relevant aspects of the GA. On November 15, 1989, the Board adopted Preliminary Findings of Fact and Reasons for a General Adjustment of Rents.

The Board has established a Record of Proceedings (Record) which includes written minutes and tape recordings of the public hearing and Board meetings and copies of all documents received by the prepared for the Board. Reference is made to this Record in these Findings and Reasons.

The Board's intent is to implement a comprehensive GA for most classes of controlled rental units. The GA will adjust, by percent, for changes in all operating expenses and will provide a fair net operating income to the extent possible in a GA.

Findings of Fact Regarding the 1990 General Adjustment of Rents

1. As a result of changes in real estate taxes; changes in fuel costs and consumption; differing base years used for the setting of initial lawful maximum rents; and differences in rent structures as a result of rent adjustments allowed

(b) The base year net operating income allowed in the Regulation 72 rent adjustment will be multiplied by a factor which will increase the allowed base year net operating income to 85% (percent) of the change in the yearly average of the Implicit Price Deflator (IPD) from the base year to 1989. The calculation will produce the adjusted net operating income, except as provided for in the following paragraphs.

The adjusted net operating income (as produced by the above calculation) will be compared with the net operating income allowed in the most recent Regulation 72 rent adjustment approved by the Board. The greater number of this comparison will become the adjusted net operating income for the purposes of this GA.

4. The Board finds that it is reasonable to adjust Class N properties by applying a factor of 3.22 to either the 1967 actual or 1967 imputed (whichever is applicable) FNOI+ (operating expenses minus heat and taxes) because this factor will account for estimated increases in expenses and net income to the extent possible in a GA. Class N will also be adjusted in accordance with paragraphs 8 and 9.

5. The Board finds that it is reasonable to adjust Class L properties by applying factors of 1.29 (1983 = 1.00) for properties with 1976 to 1983 base years; 1.23 (1984 = 1.00) for properties with 1984 base years; 1.18 (1985 = 1.00) for properties with 1985 base years; 1.13 (1986 = 1.00) for properties with 1986 base years; 1.08 (1987 = 1.00) for properties with 1987 base years; 1.03 for properties with 1988 base year and 1.00 for properties with 1989 to each unit's FNOI+ (rents minus heat, taxes) because this factor will account for estimated increases in expenses and net income to the extent possible in a GA. Class L will also be adjusted in accordance with paragraphs 8 and 9.

Record: Memorandum to Board, October 3, 1989
Board Minutes, October 18, 25, and November 1, 1989

6. The Board finds that it is not now feasible to adjust Class F properties because there is insufficient information to provide an adjustment to operating expenses and net income for these units; or because, for units which became subject to rent control after July 1, 1989, no adjustment is warranted. To the extent that it becomes feasible, Class F properties may be adjusted.

7. The Board finds that an adjustment of Class P is not warranted because these units have pending individual rent adjustments

pursuant to the provisions of Regulation 72 which use 1989 expenses as a basis for determining fair adjustments in operating expenses and net income allowable and thus will provide adjustments in operating expenses and net income for the same period as that covered by the GA.

Record: Memorandum to Board, June 20, 1989
Board Minutes, July 28, 1989

8. The Board finds that, because this GA will, to the extent possible, provide adjustments in operating expenses and net income for 1989, the same period as covered by Regulation 72 and 73 petitions filed in 1990, landlords must choose between implementing the increase allowed in the GA or filing for an individual adjustment for 1989 operating expenses and net income (with the exception of petitions pursuant to Regulation 72-02(c)), unless more than fifty percent (50%) of the units in the property have rents of less than $200 per month following application of the 1990 general adjustment formulas, or unless the rents of the property are capped in the 1990 GA.

Record: Memorandum to Board, November 1, 1989
Board Minutes, November 8, 1989

9. The Board finds that it is reasonable to adjust real estate taxes by substituting the new fiscal 1990 residential property tax assessment times the 1990 residential property tax rate for previously allowed taxes.

10. The Board finds that it is reasonable to adjust heating and/or heating and hot water fuel expenses in the following manner: for most heated properties adopting the fuel usage allowed in the 1989 GA. The Board finds that obtaining new fuel usage figures over a period of three GAs is reasonable. Thus, the Board finds that new fuel usage figures for one third of the heated properties should be obtained in this GA. In addition, the Board finds that such new figures should be obtained for units that had individual rent adjustments pursuant to the provisions of Regulation 72, 75, 76, or 77, where substantial energy efficiency improvements were made, because it is likely that these properties have a different fuel usage than that allowed in the 1989 GA. In instances where insufficient information regarding fuel is received by the Board, fuel will not be included in this GA. The Board further finds that because of dramatic increases which occurred in December, 1989 in oil fuel prices, the fuel allowances will be increased to account for the increased cost.

11. The Board finds that in order to encourage owners of buildings where the landlord provides heat and/or heat and hot water to reduce fuel consumption and provide more energy efficient buildings, fuel efficiency guidelines are reasonable. For

purposes of this GA, fuel efficiency guidelines have not been changed from the previous GA, in accordance with the Board's policy. The fuel efficiency cut-offs are as follows: 1.35 ccf's of gas usage per square foot and .97 gallons of oil per square foot per year of heated area.

Record: Memorandum to Board, June 20, 1989
Board Minutes, July 28, 1989
Memorandum to Board, January 3, 1990
Board Minutes, January 3, 1990

12. The Board finds that because a general adjustment provides for only an estimate in the change in operating expenses and net income, rents will be limited by a cap of 15% or thirty dollars ($30), whichever is greater, over the current maximum lawful rent, with one exception: no cap will be placed on a unit when the substitution of 1989 fiscal real estate taxes alone, referred to in paragraph 8, results in a rent increase that exceeds the cap. However, in such an instance, the unit will receive no adjustment for any other operating expenses, nor will the unit receive an adjustment to net income.

Record: Memorandum to Board, November 1, 1989
Board Minutes, November 8, 1989

13. The Board finds that, if the tenant timely files the Board's Affidavit of Conditions, it is reasonable to render any general adjustment increase uncollectible if Board enumerated sanitary or other code violations exist in the controlled rental unit, until those violations are cured within the time limits set by the Board.

Record: Memorandum to Board, June 20, 1989
Board Minutes, July 20, 1989

Approved by the Cambridge Rent Control Board on January 3, 1990 by a vote of 3 in favor, 1 against, and 1 present.

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CITY OF CAMBRIDGE

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TEL. 498-9011

EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

RICHARD C. ROSSI
Deputy City Manager

February 5, 1990

To The Honorable, The City Council:

In response to Awaiting Report Item No. 15, regarding the General Adjustment of Rents, please find attached a response from the Executive Director of the Rent Control Board.

Very truly yours,

Robert W. Healy
City Manager

RWH/mev
enclosure

Agenda # 5 8-106

Awaiting Report Item Number 15 regarding
General Adjustment of Rents.

In City Council,

February 5, 1990

Referred to Rent
Control Committee

Copy sent to Rent
Control Comm 2/7/90 ae