



OFFICE OF THE CITY CLERK

CITY OF CAMBRIDGE

CITY HALL, CAMBRIDGE, MASSACHUSETTS 02139

(617) 349-4260

October 6, 1992

Mr. Russell B. Higley
City Solicitor
City Hall
Cambridge, MA 02139

Dear Russ:

Attached you will find an order submitted by Councillor Walsh at the City Council meeting held on September 14, 1992 relative to a report from R. Goetze, Ph.D. regarding rent control.

Subsequently this order was the subject of a Charter Right exercised by Councillor Walsh on September 14, 1992, referred to the Law Department on a roll call vote of 6-3-0 on September 21, 1992 and reconsideration filed by Councillor Walsh on September 22, 1992.

At the City Council meeting held on October 5, 1992 no action was taken on the motion of reconsideration, therefore, the action taken on September 21, 1992 referring this order to the Law Department -- stands.

If you need anymore information on this matter, please feel free to contact this office.

Thank you for your cooperation in this matter.

Very truly yours,

D. Margaret Drury
City Clerk

DMD/dl

Enc.



City of Cambridge

33.

IN CITY COUNCIL

September 14, 1992

COUNCILLOR WALSH

WHEREAS: The attached "Preliminary Findings, Rent Patterns in Cambridge", prepared by R. Goetze, PhD., GeoData Analytics, provides data which challenge the present conventional wisdom regarding housing policy within the City of Cambridge; and

WHEREAS: It is essential to examine the challenging data and its potential impact in open forum; now therefore be it

ORDERED: That the City Manager be and hereby is requested to provide a copy of Dr. Goetze's Report to the members of the Housing Cabinet, the Assistant City Manager for Community Development, the Executive Director of the Rent Control Board and to any other applicable committees which study housing in Cambridge, this for the purpose of determining the validity of the report's data content and its impact on rent control as a housing policy as well as its effect on Ordinance 966 of the City of Cambridge. Further, that Dr. Goetze's Report be directed to the Council's Rent Control Committee for study, debate and response recommendation; and be it further

ORDERED: That the City Manager be and hereby is requested to schedule a public hearing on Dr. Goetze's Report to take place within thirty (30) days, broadcast live on Cable TV and that he request the forementioned individuals be present to participate; and be it further

ORDERED: That the City Manager report back to the Council with a date certain for the public hearing as soon as possible.

Testimony: **Preliminary Findings, Rent Patterns In Cambridge**

Delivered by: Rolf Goetze, PhD

Date: August 25, 1992

Summary of Preliminary Findings

- Household population in Cambridge has declined by over 14 percent from 95,778 in 1960 down to 81,769 in 1990, according to U.S. Census statistics.
- Dwelling units have increased by nearly 19 percent from 35,330 in 1960 to 41,979 in 1990.
- Average number of persons per household declined by 28 percent, from 2.71 persons in 1960 to 1.95 in 1990.
- Total housing stock and household population changed relatively less between 1980 and 1990.
- Average number of persons per unit, now at less than 2 per household, cannot conceivably decline much further, without severe underutilization of the existing housing stock.
- Vacancy rates more than doubled, from 3.05 percent in 1960 to 6.13 percent in 1990; the vacant unit count increased 2.4 times, from 1,077 vacant units in 1960 to 2,574 in 1990.
- Local surveys suggest that since 1990 these trends have not reversed but continued.
- In 1990, 16,900 of the total 27,400 rental units, over 60 percent of the rental stock, are no longer market rate units but controlled by the City in one way or another.
- While owners of federal and state assisted developments received public subsidies, some 12,700 apartment units controlled by the Cambridge Rent Control Board (CRCB) do not.
- Median rent in the CRCB controlled units was \$386 in 1990, about 53 percent of the market rate median of \$732, which in turn differed little from the concurrent Fair Market Rents maintained by HUD (the Dept. of Housing and Urban Development) for assisted developments throughout the Boston region.
- Owners of CRCB controlled rental units receive neither HUD Fair Market Rents nor the below market interest rate (BMIR) financing provided from various taxpayer sources to owners of publically assisted housing.
- Using the Urban Consumer Price Index (CPI-U) as a yardstick, the average owner of a CRCB-controlled property is at least 23 percent worse off compared to 25 years ago, in 1967 when controls were first imposed.
- If controlled rents had been regularly adjusted to rise with the CPI from the 1967 base year, average controlled rent would have been \$517 instead of \$396 in 1990, and \$540 instead of \$428 in 1991.
- Using this CPI index, nearly \$20 million was trimmed from rents in 1991 one alone, or \$1,500 per apartment on average.
- Using this CPI index and compounding interest over the interval at passbook savings rates, the cumulative savings for tenants sums to around \$15,000 per CRCB controlled unit, -- or some \$200 million across Cambridge altogether.

Overview of Cambridge Housing Demographics, 1960 - 1990

Table 1: Population Changes in Cambridge, 1960 - 1990

Year	Population	Group Quarters	Household Population	Persons/ Household
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Table 2: Housing Changes in Cambridge, 1960 - 1990

Year	Dwellings, Total Units	Owner Occupied	Renter Occupied	Vacant Units	Vacancy Percentage
1960	35,330	7,708	26,545	1,077	3.05
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Source: U.S. Census statistics for respective decades.

Cambridge Rental Housing Distribution, Preliminary Findings, 1990

Cambridge had 27,400 rental units in 1990 (about 65 percent of its stock total of 42,000 housing units), according to the U.S. Census STF1 data. Of these rentals, using City data, some 12,700 were listed in apartments whose rents were controlled by the Cambridge Rent Control Board (CRCB), a little over 2,700 were owned and managed by the Cambridge Housing Authority (CHA), and slightly over 1,500 were in directly subsidized developments (SubsHsg) -- and rents for these three housing types are in the public record.

This leaves a little under 10,500 market rate units (Market), of which over 1,100 are owned by private institutions such as Harvard and MIT. The balance of around 9,300 includes mainly private rentals, some condominiums (partly controlled by the CRCB), as well as developments built under HUD insurance.¹

The U.S. Census STF1 data also provide 1990 rent distributions for Cambridge by \$50 rent ranges up to \$750. See the graph and table in Attachment A.²

The CRCB stock had a median of \$388 in maximum allowable rent (calculated from CRCB data). The median for the balance of market rate units is \$732, roughly the same as HUD Fair Market Rents, and some 90 percent above the median of the rent-controlled units.³

¹ Source of these counts are the 1990, U.S. Census Summary Tape File 1 (STF1) and development counts researched in Cambridge Housing Challenges, prepared by me for the City of Cambridge Community Development Dept., June 1990. When the 1990 STF3 data become available for each of the City's 94 census block groups, we will do more precise analyses.

² To generate a preliminary overview of this rental market, I have subtracted the rent-controlled apartments, the CHA public housing, and the directly subsidized units from the 1990 Census counts. This leaves the market rate units as a residual in each price range. This procedure enables us to arrive at 1990 medians as well as upper and lower quartile rents for each of these four stock categories -- accurate to +/- \$25.

Graph A shows these distributions visually. The CRCB-controlled units are shown as a dark mound in the foreground, the large majority renting for well below the City-wide median of \$483, while virtually all the market rate units are on the high rent side. CHA housing appears at left, at the low rent end, and the assisted, subsidized housing is a more limited resource, available to tenants at rents below the Cambridge median as well. Here, if the U.S. Census data permitted, the graph should properly continue to the right in \$50 increments, smoothing out the sharp peaks to the right of \$700.⁴

Note that the U.S. Census reports the rents paid by household heads, not the rents received by the housing provider -- thus ignoring the substantial public subsidies supporting subsidized and public housing.

An actual monthly housing cost graph, showing rents received by housing providers would be very different, with only the CRCB rent-controlled stock at the left, low-cost end, while CHA and assisted housing, subsidized units providing their owners Fair Market Rent would all shift to the right -- to join the market rate housing.

CPI vs. Controlled Rents in Cambridge, MA, 1967 - 1992

A widely accepted measure of constant purchasing power is the urban Consumer Price Index for the Boston region, the CPI-U. This is the most commonly used yardstick because it reflects the regional situation.⁵ This CPI yardstick can be applied to evaluate how the Rent Control Board has handled these surging market forces.

One way of considering the impact of rent-controls is by tracking permitted rent increases in the units continuously controlled and recorded by the CRCB since 1967. There are 5,650 such units in the CRCB database. For these, the average rent in 1967 was \$128.⁶ This "consistently regulated set" comprises about 45 percent of the total apartments regulated in 1991.

- This average, controlled rent of \$128 in 1967, allowed to increase with the urban Consumer Price Index would have been \$517 in 1990, and \$540 in 1991, a multiplier of 4.22.⁷

³ These medians are based on cumulative percentages for the rental housing within each category and then interpolated within the \$50 rent intervals used by the U.S. Census. Note that mean or average rents used below tend to be a little higher than these medians, depending on the presence of high end units renting at over \$1,000 monthly.

⁴ Note that 750+ means renting for \$750 - \$1,000; and 1000+ means renting for anything over \$1,000 monthly. The peak in the right hand side of the graph is caused by the inconsistent, wider \$250 interval, \$750 - 1,000, in the census data, and the final, right-hand column is the count of everything renting at over \$1,000 per month. Since the U.S. Census data are aggregated this way, they cannot easily be separated.

⁵ The national CPI is a broader measure, not intended to reflect living cost differentials between higher cost East and West Coast locations, and rural sections, the South, as well as areas with simpler economies. The implicit price deflator is another index not really as appropriate to monitoring regional housing markets because it too does not take regional differences into account.

⁶ Average rents are used here in place of median rents because medians are both more cumbersome to calculate and cannot then be used to generate the estimates that follow below of resources trimmed or transferred to other interests.

⁷ This is calculated by applying the CPI-U for all Urban Consumers in the Boston region, U.S. Dept. of Labor, Bureau of Labor Statistics, to the CRCB 1967 base rents.

- Allowable average rents listed by the CRCB for this "consistent set" were only \$396 in 1990 and \$426 in 1991, some \$120 and 23 percent below rents indexed to the CPI-U rate over this period – a multiplier of only 3.33.
- Furthermore, actual rents received by property owners can only be lower than allowable controlled rents, due to vacancies, collection losses, rent abatements and costs not allowable as pass-throughs.

In other words, today's average owner of a rent-controlled property in Cambridge is at least 23 percent worse off compared to 25 years ago when controls were first imposed. This 23 percent gap provides a potential measure of the over-reaching of rent controls during the intervening period.

Note that this 23 percent is measured against the CPI, not average market rents in Cambridge, or the Boston region Fair Market Rents maintained by HUD, which were in excess of \$700 in this same time period. Against the latter, controlled owners were as much as 45 percent below market.⁸

The graph, CPI vs. Controlled Rents in Cambridge, MA, 1967 - 1991, Attachment B, shows that the gap between allowable rents and the CPI became significant after 1980.⁹ Until then, during the 1970s, rents tracked closer to the rate of inflation.

- By 1982, a significant gap had emerged, and the graph reveals that rent adjustments were most restrictive between 1980-'81, and again 1984-'89.
- By 1992, the average pre-general adjustment rent was \$477 for the 5,650 unit consistent set, but only \$457 for the other 7,050 apartment units listed in the CRCB data base with controlled rents in 1991 but not consistently all the way back to 1967.
- This \$457 rent level, \$20 lower than the "consistent set," suggests that the owners not able to tie their rents back to 1967 may be even worse off.

A Preliminary Estimate of the Economic Impact of Current, Below CPI Rents

A monthly rent reduction of \$120 (below CPI rents) amounts to over \$1,400 per year on average (\$120 x 12) for each household able to live in the 5,650 apartments consistently controlled since 1967. Simply, it grants this benefit to whoever may be the current tenant – from resources to which an owner would have been entitled under CPI-indexed rents.

Summed over the 5,650 such units, this loss to owners (and income transfer to tenants) amounted to over \$8 million in 1991 alone.

Over the balance of the rent-controlled inventory (the units with average rents of only \$457), the annual transfers can be estimated to be closer to \$1,700 per unit per year (\$140/month x 12).

⁸ After the 1990 U.S. Census STF3 data are released on CD-ROM, they will be used to determine rent, vacancy and median income distributions in each of the City's 94 census block groups. The housing composition of each of these block groups is already analyzed.

⁹ This graph is based upon the "consistent set", those 5,650 apartment units that have rents entered regularly in the CRCB data base from 1967 to 1991. This is not a sample, subject to bias, but the entire set, and comprises about 45 percent of all the controlled apartments with CRCB rent data in 1992.

Aggregated over the more than 7,000 "other" rent-controlled apartments, the loss to the owners of these units was \$11.75 million in 1991 alone.

Combining these, in the year 1991 nearly \$20 million was trimmed from rents, in effect an income transfer from property owners to tenants. To repeat, this transfer is only measured against the CPI, not HUD Fair Market or local market rents.

Examined over time, this annual loss to owners/income transfer to tenants has been increasing fairly consistently since it first became evident in the late 1970s. The pattern is neither one of lean years offset by feast years, nor a discontinuity produced by the federal tax reforms earlier in the 1980s.

This cumulative withholding from owners, using the 1967 base rents indexed to the CPI-U, sums to around \$200 million dollars altogether, with compound interest at passbook savings rates. For each controlled apartment (on average) the present value of this cumulative income transfer (vs. CPI-indexed rents) is some \$15,000.¹⁰

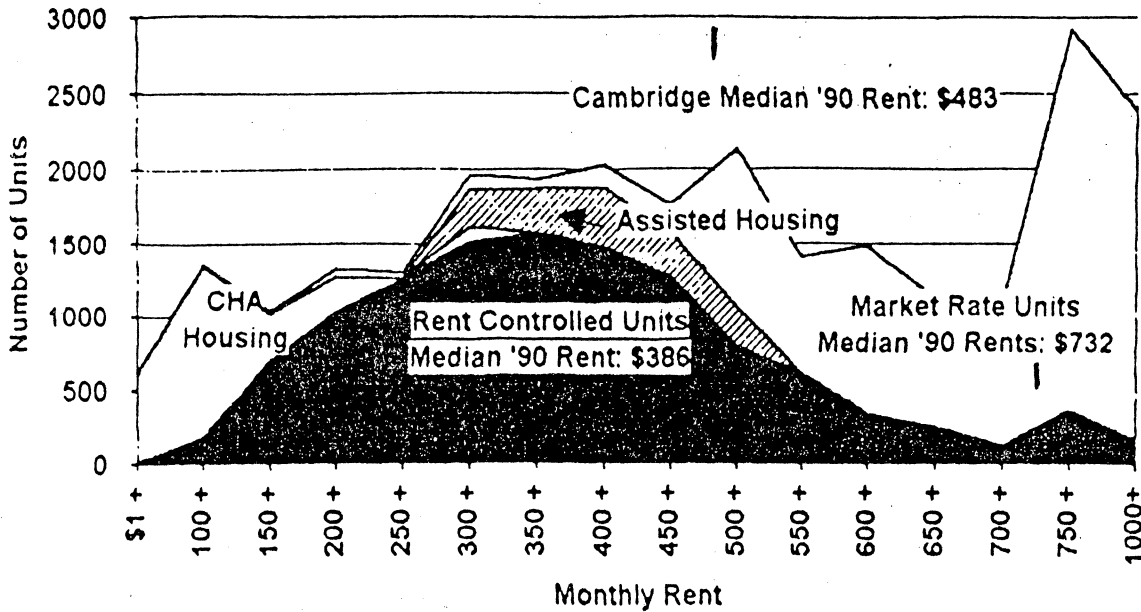
While the political pressures to limit rent increases to the Consumer Price Index in hot markets are understandable, it is hard to find justifiable grounds for depressing them below this widely accepted index of constant purchasing power.

A final note: I intend to complete a fuller analysis as soon as STF3 U.S. Census data covering each of the 94 Census block groups in Cambridge for 1990 are released on CD-ROM, (promised before the summer is over). These will permit an analysis far more detailed and reliable than the Cambridge Housing Study of 1987, known as the Abt Survey of only 1,483 households city-wide. Since the STF3 1990 U.S. Census data are based on the long forms, filled out by one household in six in April 1990, they provide a far more reliable base for determining household incomes, sizes and rent burdens, as well as race/ethnicity, age of head, and mobility (length of residence in same unit).

¹⁰ Measured with respect to HUD's Boston Region Fair Market Rents, the loss/transfer can conservatively be estimated to be at least twice as large — probably over \$30,000 per unit and \$400 million city-wide — but calculating this more precisely for comparable units requires the detailed Census STF3 data by census block group that are not yet available.

Cambridge Rental Housing Distribution, 1990

Goetze, GeoData Analytics, RCR90A

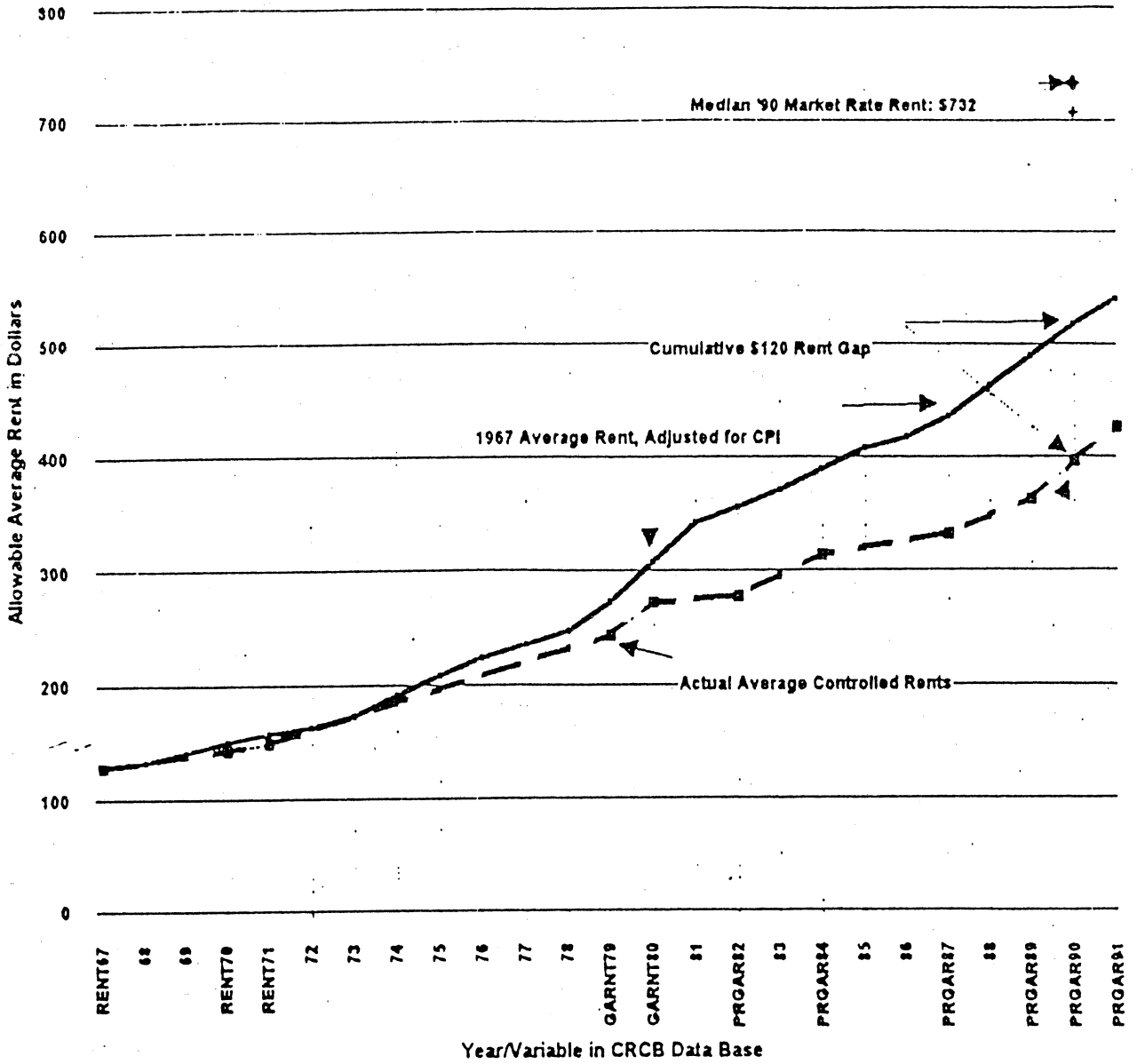


'90 RENTS	'90 CRCB TOTAL	Dlst	'90 USCensus TOTAL	'90 CHA TOTAL	'90 SubsHsg TOTAL	'90 MARKET TOTAL	Market Minus CRCB
\$0 TO \$1	988		504	328		176	
\$1 TO 100	18	20	626	586		20	
100 TO 150	178	193	1,376	1,163		20	
150 TO 200	710	770	1,099	309		20	
200 TO 250	1,034	1,121	1,412	241		50	
250 TO 300	1,258	1,364	1,409	5		40	
300 TO 350	1,515	1,643	2,089	102	250	94	
350 TO 400	1,571	1,704	2,066		300	62	
400 TO 450	1,478	1,603	2,151		400	148	
450 TO 500	1,279	1,387	1,867		300	180	
500 TO 550	800	868	2,205		270	1,067	
550 TO 600	620	672	1,458			786	
600 TO 650	339	368	1,513			1,145	
650 TO 700	251	272	1,147			875	
700 TO 750	127	138	1,119			981	
750 - 1000	356	386	2,953			2,567	
OVER 1000	165	179	2,408			2,229	
ALL	12,687	12,687	27,402	2,734	1,520	10,461	
LOWER QUART:	\$289		\$319	\$101	\$372	\$604	(\$315)
MEDIAN RENT:	\$386		\$483	\$127	\$426	\$732	(\$346)
UPPER QUART:	\$490		\$689	\$152	\$482	\$967	(\$477)

Source: 1990 U.S. Census, STF1, CRCB 2/92 data, analyzed by R. Goetze

ATTACHMENT B:

CPI vs. Controlled Rents in Cambridge, MA. 1967-1991





City of Cambridge

Calendar Item # 4

~~33.~~

IN CITY COUNCIL

~~September 14, 1992~~

September 21, 1992

COUNCILLOR WALSH

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WHEREAS: It is essential to examine the challenging data and its potential impact in open forum; now therefore be it

ORDERED: That the City Manager be and hereby is requested to provide a copy of Dr. Goetze's Report to the members of the Housing Cabinet, the Assistant City Manager for Community Development, the Executive Director of the Rent Control Board and to any other applicable committees which study housing in Cambridge, this for the purpose of determining the validity of the report's data content and its impact on rent control as a housing policy as well as its effect on Ordinance 966 of the City of Cambridge. Further, that Dr. Goetze's Report be directed to the Council's Rent Control Committee for study, debate and response recommendation; and be it further

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ORDERED: That the City Manager report back to the Council with a date certain for the public hearing as soon as possible.

**REFERRED TO THE CITY SOLICITOR
RECONSIDERATION FILED BY COUNCILLOR WALSH ON THE
REFERRAL.**

C. Right # 4

Exec Session 9/21/92

Present: M. Reeves, E. Cyr, C. Wolf, C. Myers, C. Duchy,
C. Sullivan, C. Walsh, C. Tomney, C. Russell
Don Drisdell, Steve Deutsch, M. Drury

E.W. Cost of litigation

E.W. Asked ask letter spec. pump. staked

Don Drisdell: Entitled Steve Deutsch - desisted litigation

C. Walsh not paper Exec session

: S. D. Advice against publishing

whether to

C. Wolf M Back to open session UU/9-0

	Yea	Nay	Ab.	Pro
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C. Cyr				
C. Duchy				
C. Myers				
C. Russell				
C. Sullivan				
C. Tomney				
C. Walsh				
C. Wolf				
M. Reeves				

City of Cambridge

MASSACHUSETTS

In City Council

9/21

199

①
C. Cyr
Charter Right #4
M. Executive Sessn

YEA	NAY	ABSENT	PRESENT	
✓				Mr. Ed Cyr
② ✓	① ✓			Mr. Francis H. Duehay
✓				Mr. Jonathan S. Myers
① ✓	② ✓			Mrs. Sheila T. Russell
① ✓	② ✓			Mr. Walter J. Sullivan
✓				Mr. Timothy J. Toomey, Jr.
	✓			Mr. William H. Walsh
✓				Ms. Alice K. Wolf
✓				Mayor Kenneth E. Reeves

① 7 2
 ② 6 2
~~③ 6~~

City of Cambridge

MASSACHUSETTS

In City Council _____ 199

②

#4

Call the Question

YEA	NAY	ABSENT	PRESENT	
✓				Mr. Ed Cyr
✓				Mr. Francis H. Duehay
✓				Mr. Jonathan S. Myers
	✓			Mrs. Sheila T. Russell
	✓			Mr. Walter J. Sullivan
	✓			Mr. Timothy J. Toomey, Jr.
	✓			Mr. William H. Walsh
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✓				Mayor Kenneth E. Reeves

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City of Cambridge

MASSACHUSETTS

Charter Right # 4

In City Council

9/21

1992

C. Cyr moved; Referred to
C.M + Law Dept City Solicitor

YEA	NAY	ABSENT	PRESENT	
✓				Mr. Ed Cyr
✓				Mr. Francis H. Duehay
✓				Mr. Jonathan S. Myers
	✓			Mrs. Sheila T. Russell
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✓				Mayor Kenneth E. Reeves

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(4)

City of Cambridge

Charter RT

#4

Susp. of rules

MASSACHUSETTS

In City Council

9/21

1992

YEA	NAY	ABSENT	PRESENT	
✓				Mr. Ed Cyr
✓				Mr. Francis H. Duehay
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CPI vs. Controlled Rents in Cambridge, MA, 1967 - 1992

A widely accepted measure of constant purchasing power is the urban Consumer Price Index for the Boston region, the CPI-U. This is the most commonly used yardstick because it reflects the regional situation.⁵ This CPI yardstick can be applied to evaluate how the Rent Control Board has handled these surging market forces.

One way of considering the impact of rent-controls is by tracking permitted rent increases in the units continuously controlled and recorded by the CRCB since 1967. There are 5,650 such units in the CRCB database. For these, the average rent in 1967 was \$128.⁶ This "consistently regulated set" comprises about 45 percent of the total apartments regulated in 1991.

- This average, controlled rent of \$128 in 1967, allowed to increase with the urban Consumer Price Index would have been \$517 in 1990, and \$540 in 1991, a multiplier of 4.22.⁷

³ These medians are based on cumulative percentages for the rental housing within each category and then interpolated within the \$50 rent intervals used by the U.S. Census. Note that mean or average rents used below tend to be a little higher than these medians, depending on the presence of high end units renting at over \$1,000 monthly.

⁴ Note that 750+ means renting for \$750 - \$1,000; and 1000+ means renting for anything over \$1,000 monthly. The peak in the right hand side of the graph is caused by the inconsistent, wider \$250 interval, \$750 - 1,000, in the census data, and the final, right-hand column is the count of everything renting at over \$1,000 per month. Since the U.S. Census data are aggregated this way, they cannot easily be separated.

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⁶ Average rents are used here in place of median rents because medians are both more cumbersome to calculate and cannot then be used to generate the estimates that follow below of resources trimmed or transferred to other interests.

⁷ This is calculated by applying the CPI-U for all Urban Consumers in the Boston region, U.S. Dept. of Labor, Bureau of Labor Statistics, to the CRCB 1967 base rents.

- Allowable average rents listed by the CRCB for this "consistent set" were only \$396 in 1990 and \$426 in 1991, some \$120 and 23 percent below rents indexed to the CPI-U rate over this period -- a multiplier of only 3.33.
- Furthermore, actual rents received by property owners can only be lower than allowable controlled rents, due to vacancies, collection losses, rent abatements and costs not allowable as pass-throughs.

In other words, today's average owner of a rent-controlled property in Cambridge is at least 23 percent worse off compared to 25 years ago when controls were first imposed. This 23 percent gap provides a potential measure of the over-reaching of rent controls during the intervening period.

Note that this 23 percent is measured against the CPI, not average market rents in Cambridge, or the Boston region Fair Market Rents maintained by HUD, which were in excess of \$700 in this same time period. Against the latter, controlled owners were as much as 45 percent below market.⁸

The graph, CPI vs. Controlled Rents in Cambridge, MA, 1967 - 1991, Attachment B, shows that the gap between allowable rents and the CPI became significant after 1980.⁹ Until then, during the 1970s, rents tracked closer to the rate of inflation.

- By 1982, a significant gap had emerged, and the graph reveals that rent adjustments were most restrictive between 1980-'81, and again 1984-'89.
- By 1992, the average pre-general adjustment rent was \$477 for the 5,650 unit consistent set, but only \$457 for the other 7,050 apartment units listed in the CRCB data base with controlled rents in 1991 but not consistently all the way back to 1967.
- This \$457 rent level, \$20 lower than the "consistent set," suggests that the owners not able to tie their rents back to 1967 may be even worse off.

A Preliminary Estimate of the Economic Impact of Current, Below CPI Rents

A monthly rent reduction of \$120 (below CPI rents) amounts to over \$1,400 per year on average (\$120 x 12) for each household able to live in the 5,650 apartments consistently controlled since 1967. Simply, it grants this benefit to whoever may be the current tenant -- from resources to which an owner would have been entitled under CPI-indexed rents.

Summed over the 5,650 such units, this loss to owners (and income transfer to tenants) amounted to over \$8 million in 1991 alone.

Over the balance of the rent-controlled inventory (the units with average rents of only \$457), the annual transfers can be estimated to be closer to \$1,700 per unit per year (\$140/month x 12).

⁸ After the 1990 U.S. Census STF3 data are released on CD-ROM, they will be used to determine rent, vacancy and median income distributions in each of the City's 94 census block groups. The housing composition of each of these block groups is already analyzed.

⁹ This graph is based upon the "consistent set", those 5,650 apartment units that have rents entered regularly in the CRCB data base from 1967 to 1991. This is not a sample, subject to bias, but the entire set, and comprises about 45 percent of all the controlled apartments with CRCB rent data in 1992.

Aggregated over the more than 7,000 "other" rent-controlled apartments, the loss to the owners of these units was \$11.75 million in 1991 alone.

Combining these, in the year 1991 nearly \$20 million was trimmed from rents, in effect an income transfer from property owners to tenants. To repeat, this transfer is only measured against the CPI, not HUD Fair Market or local market rents.

Examined over time, this annual loss to owners/income transfer to tenants has been increasing fairly consistently since it first became evident in the late 1970s. The pattern is neither one of lean years offset by feast years, nor a discontinuity produced by the federal tax reforms earlier in the 1980s.

This cumulative withholding from owners, using the 1967 base rents indexed to the CPI-U, sums to around \$200 million dollars altogether, with compound interest at passbook savings rates. For each controlled apartment (on average) the present value of this cumulative income transfer (vs. CPI-indexed rents) is some \$15,000.¹⁰

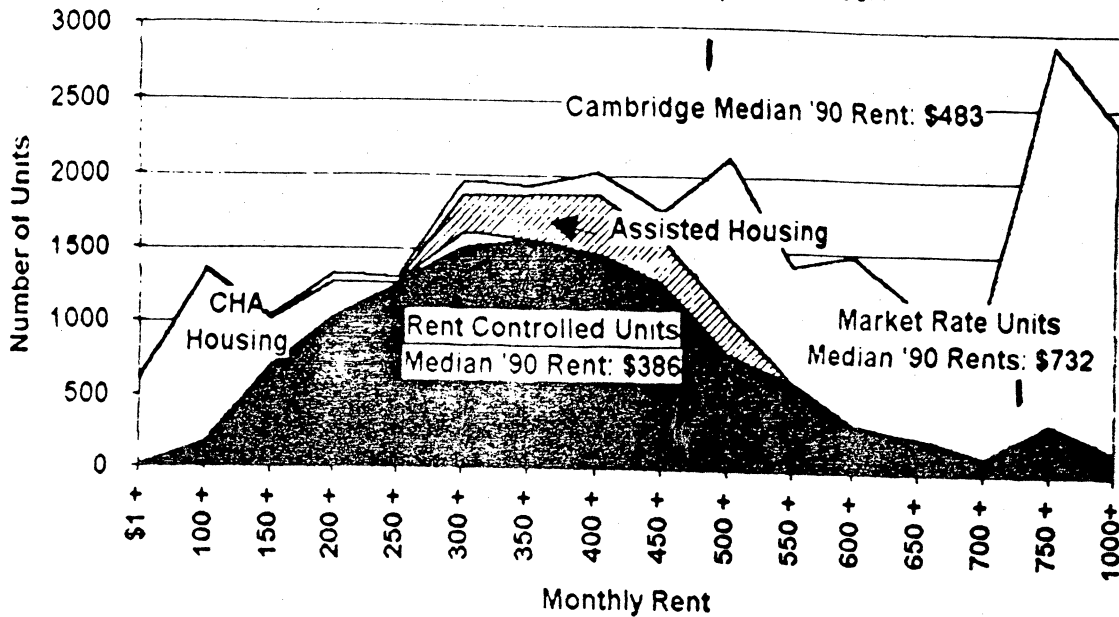
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A final note: I intend to complete a fuller analysis as soon as STF3 U.S. Census data covering each of the 94 Census block groups in Cambridge for 1990 are released on CD-ROM, (promised before the summer is over). These will permit an analysis far more detailed and reliable than the Cambridge Housing Study of 1987, known as the Abt Survey of only 1,483 households city-wide. Since the STF3 1990 U.S. Census data are based on the long forms, filled out by one household in six in April 1990, they provide a far more reliable base for determining household incomes, sizes and rent burdens, as well as race/ethnicity, age of head, and mobility (length of residence in same unit).

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Cambridge Rental Housing Distribution, 1990

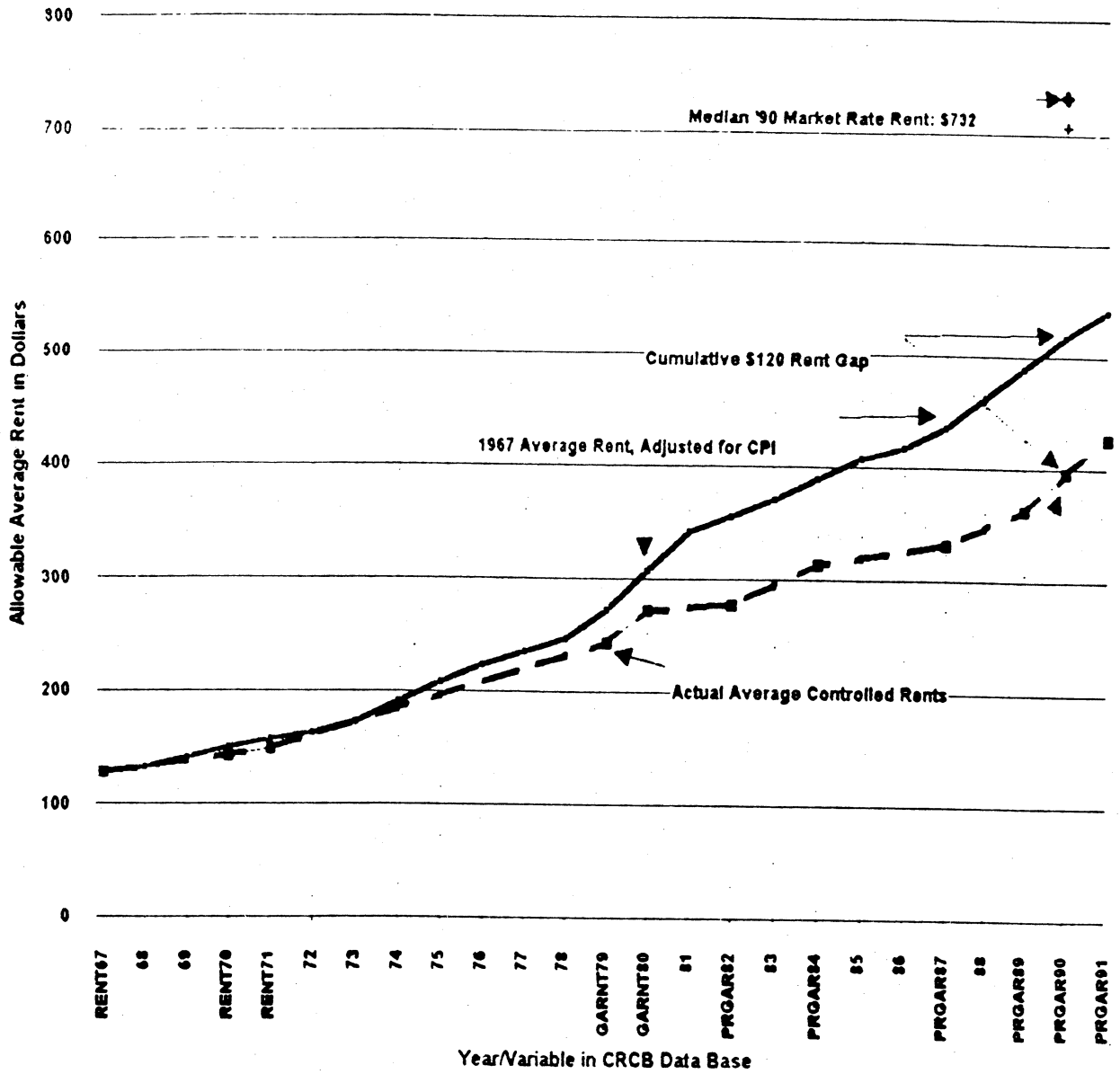
Goetze GeoData Analytics RCR90A



'90 RENTS	'90 CRCB TOTAL	Dist	'90 USCensus TOTAL	'90 CHA TOTAL	'90 SubsHsg TOTAL	'90 MARKET TOTAL	Market Minus CRCB
\$0 TO \$1	988		504	328		176	
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OVER 1000	165	179	2,408			2,229	
ALL	12,687	12,687	27,402	2,734	1,520	10,461	
LOWER QUART:	\$289		\$319	\$101	\$372	\$604	(\$315)
MEDIAN RENT:	\$386		\$483	\$127	\$426	\$732	(\$346)
UPPER QUART:	\$490		\$689	\$152	\$482	\$967	(\$477)

Source: 1990 U.S. Census, STF1, CRCB 2/92 data, analyzed by R. Goetze

CPI vs. Controlled Rents in Cambridge, MA. 1967-1991





The Small Property Owners Association of Cambridge

287 Huron Avenue
Cambridge, MA 02138
(617) 354-5533

RECEIVED BY
OFFICE OF CITY CLERK
1992 SEP -8 PM 4:41
CAMBRIDGE MA.

September 4, 1992

Cambridge City Council
City Hall
795 Mass. Ave.
Cambridge, MA 02139

RE: Request for a Public Hearing

To the Honorable City Council:

As part of our efforts toward providing hard data in support of our lawsuit, our Association has engaged Dr. Rolf Goetze to analyze the housing market in Cambridge and its evolution over the past 30 years. Dr. Goetze is a professional researcher with the highest credentials and integrity. He is, in fact, well known to Cambridge as he produced Cambridge Housing Challenges for the city in 1989.

Two of Dr. Goetze's preliminary findings are compelling:

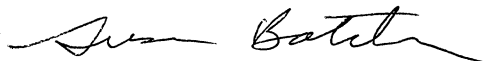
1. Based on the vacancy rate of 6.13% and persons per household of less than two, there is no housing emergency. In fact, from his data, one can make the argument that there never was an emergency.
2. Rent Control rents are absurdly below market rents which is no surprise. But they are also very much below the Consumer Price Index (CPI) which is a surprise. There is absolutely no justification for depressing rents below inflation. Rent control owners have already lost, by transferring to their tenants, over 2 million dollars with respect to the CPI (assuming only a 5% interest rate).

Unlike the often quoted Abt survey of 1987 which was based upon only 1,483 households, the Goetze report is based on the actual data from all 12,700 rent controlled units.

Our Association requests a televised hearing on these findings before the full city council, at the earliest possible date. Dr. Goetze will be there at the hearing to answer any questions.

We trust that the council, when fully informed of the magnitude of injury inflicted on rent control property owners, will take swift and remedial action to correct the damages.

Sincerely,



Susan Batchelder
Corresponding Secretary

attachment: Dr. Rolf Goetze housing study



The Small Property Owners Association of Cambridge

287 Huron Avenue
Cambridge, MA 02138
(617) 354-5533

RECEIVED BY
CITY CLERK
892 SEP -8 PM 4:43
CAMBRIDGE MA.

September 4, 1992

Ms. Margaret Drury, City Clerk
Office of the City Clerk
795 Mass. Ave.
Cambridge, MA 02139

Dear Ms. Drury:

We petition you to distribute copies of the enclosed letter requesting a televised public hearing to members of the city council. Also please include a copy of the enclosed housing study prepared by Dr. Rolf Goetze.

Sincerely,

Susan Batchelder
Corresponding Secretary

enclosures: 2

Consent Comm. # 40

Comm. from Susan Batchelder, Corresponding Secretary, Small Property Owners Association, requesting a televised public hearing before the full City Council relative to a survey of the housing market in Cambridge.

*Referred to Non-Consent
Order # 33.*

InCity Council,

Sept. 14, 1992



City of Cambridge

W/C
23

IN CITY COUNCIL

Councillor Walsh

September 14, 1992

- WHEREAS: The attached "Preliminary Findings, Rent Patterns in Cambridge", prepared by R. Goetze, PhD., GeoData Analytics, provides data which challenge the present conventional wisdom regarding housing policy within the City of Cambridge; and
- WHEREAS: It is essential to examine the challenging data and its potential impact in open forum; now therefore be it
- ORDERED: That the City Manager provide a copy of Dr. Goetze's Report to the members of the Housing Cabinet, the Assistant City Manager for Community Development, the Executive Director of the Rent Control Board and to any other applicable committees which study housing in Cambridge, this for the purpose of determining the validity of the report's data content and its impact on rent control as a housing policy as well as its effect on Ordinance 966 of the City of Cambridge. Further, that Dr. Goetze's Report be directed to the Council's Rent Control Committee for study, debate and response recommendation; and be it further
- ORDERED: That the City Manager schedule a public hearing on Dr. Goetze's Report to take place within thirty (30) days, broadcast live on Cable TV, and that he request the forementioned individuals be present and prepared to participate; and be it further
- ORDERED: That the City Manager report back to the Council with a date certain for the public hearing as soon as possible.

(ATTACHMENT)

Testimony: Preliminary Findings, Rent Patterns in Cambridge

Delivered by: Rolf Goetze, PhD

Date: August 25, 1992

Summary of Preliminary Findings

- Household population in Cambridge has declined by over 14 percent from 95,778 in 1960 down to 81,769 in 1990, according to U.S. Census statistics.
- Dwelling units have increased by nearly 19 percent from 35,330 in 1960 to 41,979 in 1990.
- Average number of persons per household declined by 28 percent, from 2.71 persons in 1960 to 1.95 in 1990.
- Total housing stock and household population changed relatively less between 1980 and 1990.
- Average number of persons per unit, now at less than 2 per household, cannot conceivably decline much further, without severe underutilization of the existing housing stock.
- Vacancy rates more than doubled, from 3.05 percent in 1960 to 6.13 percent in 1990; the vacant unit count increased 2.4 times, from 1,077 vacant units in 1960 to 2,574 in 1990.
- Local surveys suggest that since 1990 these trends have not reversed but continued.
- In 1990, 16,900 of the total 27,400 rental units, over 60 percent of the rental stock, are no longer market rate units but controlled by the City in one way or another.
- While owners of federal and state assisted developments received public subsidies, some 12,700 apartment units controlled by the Cambridge Rent Control Board (CRCB) do not.
- Median rent in the CRCB controlled units was \$386 in 1990, about 53 percent of the market rate median of \$732, which in turn differed little from the concurrent Fair Market Rents maintained by HUD (the Dept. of Housing and Urban Development) for assisted developments throughout the Boston region.
- Owners of CRCB controlled rental units receive neither HUD Fair Market Rents nor the below market interest rate (BMIR) financing provided from various taxpayer sources to owners of publically assisted housing.
- Using the Urban Consumer Price Index (CPI-U) as a yardstick, the average owner of a CRCB-controlled property is at least 23 percent worse off compared to 25 years ago, in 1967 when controls were first imposed.
- If controlled rents had been regularly adjusted to rise with the CPI from the 1967 base year, average controlled rent would have been \$517 instead of \$396 in 1990, and \$540 instead of \$426 in 1991.
- Using this CPI index, nearly \$20 million was trimmed from rents in 1991 one alone, or \$1,500 per apartment on average.
- Using this CPI index and compounding interest over the interval at passbook savings rates, the cumulative savings for tenants sums to around \$15,000 per CRCB controlled unit, -- or some \$200 million across Cambridge altogether.

Overview of Cambridge Housing Demographics, 1960 - 1990

Table 1: Population Changes in Cambridge, 1960 - 1990

<u>Year</u>	<u>Population</u>	<u>Group Quarters</u>	<u>Household Population</u>	<u>Persons/ Household</u>
1960	107,716	11,938	95,778	2.71
1970	100,379	11,859	88,520	2.35
1990	95,322	12,434	82,888	2.01
1990	95,802	14,033	81,769	1.95

Table 2: Housing Changes in Cambridge, 1960 - 1990

<u>Year</u>	<u>Dwellings, Total Units</u>	<u>Owner Occupied</u>	<u>Renter Occupied</u>	<u>Vacant Units</u>	<u>Vacancy Percentage</u>
1960	35,330	7,708	26,545	1,077	3.05
1970	37,648	6,990	29,421	1,237	3.29
1980	41,278	8,889	29,947	2,442	5.92
1990	41,979	11,959	27,446	2,574	6.13

Source: U.S. Census statistics for respective decades.

Cambridge Rental Housing Distribution, Preliminary Findings, 1990

Cambridge had 27,400 rental units in 1990 (about 65 percent of its stock total of 42,000 housing units), according to the U.S. Census STF1 data. Of these rentals, using City data, some 12,700 were listed in apartments whose rents were controlled by the Cambridge Rent Control Board (CRCB), a little over 2,700 were owned and managed by the Cambridge Housing Authority (CHA), and slightly over 1,500 were in directly subsidized developments (SubsHsg) -- and rents for these three housing types are in the public record.

This leaves a little under 10,500 market rate units (Market), of which over 1,100 are owned by private institutions such as Harvard and MIT. The balance of around 9,300 includes mainly private rentals, some condominiums (partly controlled by the CRCB), as well as developments built under HUD insurance.¹

The U.S. Census STF1 data also provide 1990 rent distributions for Cambridge by \$50 rent ranges up to \$750. See the graph and table in Attachment A.²

The CRCB stock had a median of \$386 in maximum allowable rent (calculated from CRCB data). The median for the balance of market rate units is \$732, roughly the same as HUD Fair Market Rents, and some 80 percent above the median of the rent-controlled units.³

¹ Source of these counts are the 1990, U.S. Census Summary Tape File 1 (STF1) and development counts researched in Cambridge Housing Challenges, prepared by me for the City of Cambridge Community Development Dept., June 1990. When the 1990 STF3 data become available for each of the City's 94 census block groups, we will do more precise analyses.

² To generate a preliminary overview of this rental market, I have subtracted the rent-controlled apartments, the CHA public housing, and the directly subsidized units from the 1990 Census counts. This leaves the market rate units as a residual in each price range. This procedure enables us to arrive at 1990 medians as well as upper and lower quartile rents for each of these four stock categories -- accurate to +/- \$25.

Graph A shows these distributions visually. The CRCB-controlled units are shown as a dark mound in the foreground, the large majority renting for well below the City-wide median of \$483, while virtually all the market rate units are on the high rent side. CHA housing appears at left, at the low rent end, and the assisted, subsidized housing is a more limited resource, available to tenants at rents below the Cambridge median as well. Here, if the U.S. Census data permitted, the graph should properly continue to the right in \$50 increments, smoothing out the sharp peaks to the right of \$700.⁴

Note that the U.S. Census reports the rents paid by household heads, not the rents received by the housing provider -- thus ignoring the substantial public subsidies supporting subsidized and public housing.

An actual monthly housing cost graph, showing rents received by housing providers would be very different, with only the CRCB rent-controlled stock at the left, low-cost end, while CHA and assisted housing, subsidized units providing their owners Fair Market Rent would all shift to the right -- to join the market rate housing.

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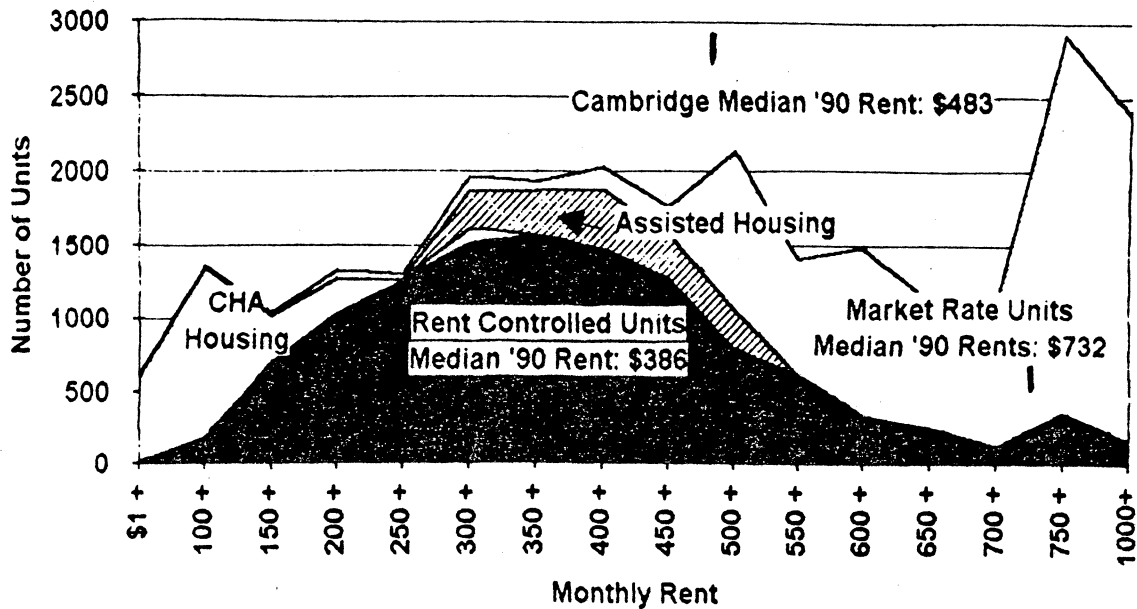
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Goetze, GeoData Analytics, RCR90A

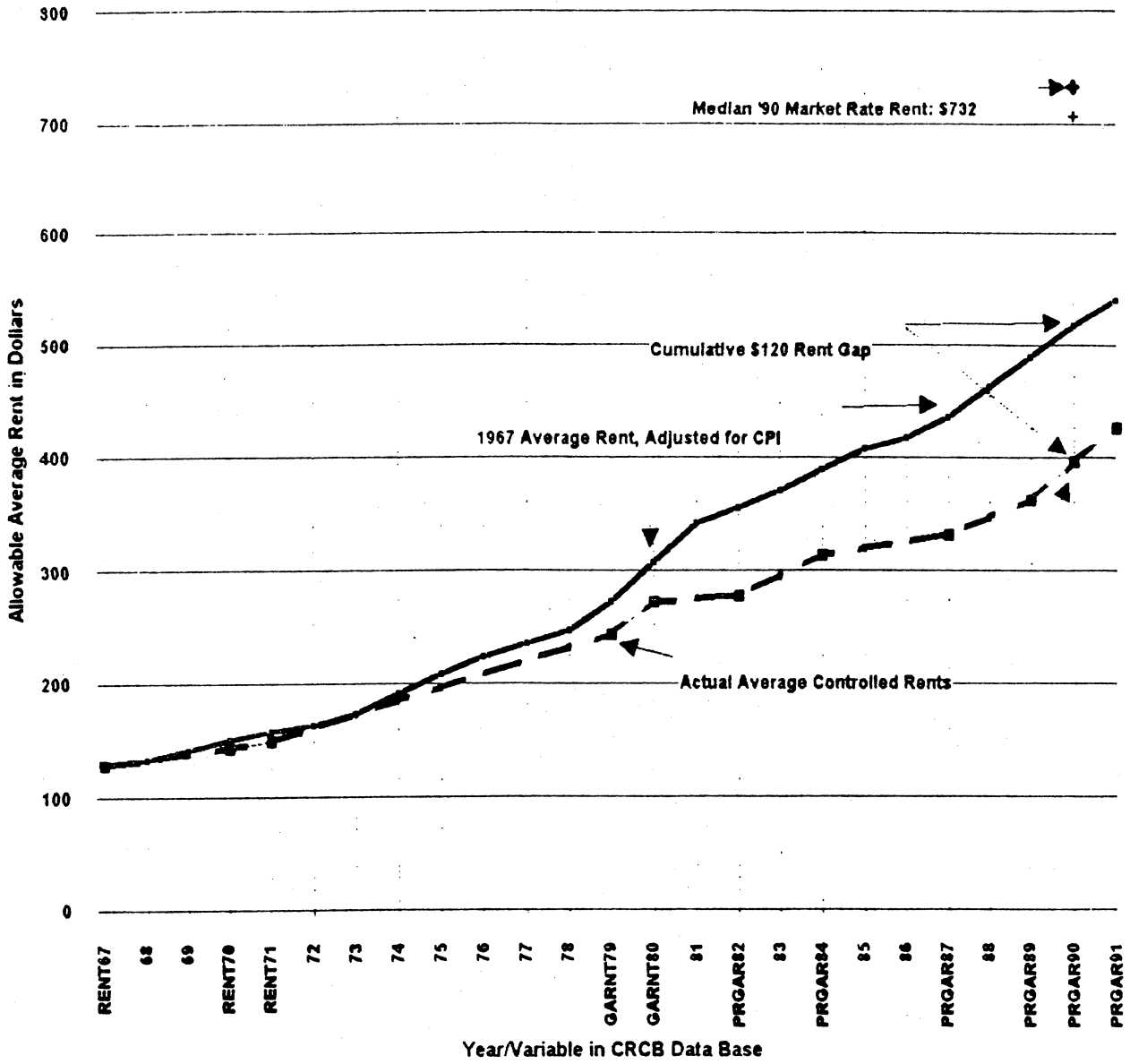


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Source: 1990 U.S. Census, STF1, CRCB 2/92 data, analyzed by R. Goetze

ATTACHMENT B:

CPI vs. Controlled Rents in Cambridge, MA. 1967-1991





City of Cambridge

33.

IN CITY COUNCIL

September 14, 1992

COUNCILLOR WALSH

WHEREAS: The attached "Preliminary Findings, Rent Patterns in Cambridge", prepared by R. Goetze, PhD., GeoData Analytics, provides data which challenge the present conventional wisdom regarding housing policy within the City of Cambridge; and

WHEREAS: It is essential to examine the challenging data and its potential impact in open forum; now therefore be it

ORDERED: That the City Manager be and hereby is requested to provide a copy of Dr. Goetze's Report to the members of the Housing Cabinet, the Assistant City Manager for Community Development, the Executive Director of the Rent Control Board and to any other applicable committees which study housing in Cambridge, this for the purpose of determining the validity of the report's data content and its impact on rent control as a housing policy as well as its effect on Ordinance 966 of the City of Cambridge. Further, that Dr. Goetze's Report be directed to the Council's Rent Control Committee for study, debate and response recommendation; and be it further

ORDERED: That the City Manager be and hereby is requested to schedule a public hearing on Dr. Goetze's Report to take place within thirty (30) days, broadcast live on Cable TV and that he request the forementioned individuals be present to participate; and be it further

ORDERED: That the City Manager report back to the Council with a date certain for the public hearing as soon as possible.

Cal Hill

Councillor Walsh re: Report from R.
Goetze, PhD. regarding rent control.

*9/21/92 Order deferred
to the Law Dept.
6-3-0.
Reconsideration filed
by Councillor Walsh*

In City Council,

September 14, 1992

*Charter Right exercised
by Councillor Walsh*

RECEIVED BY
OFFICE OF CITY CLERK
MOTION FOR RECONSIDERATION SUBMITTED BY COUNCILLOR
1992 SEP 22 PM 2:16
CAMBRIDGE MA.

Wm H Walsh

Date

Councillor Walsh's intention to move reconsideration of the vote taken to refer to the City Solicitor an order submitted by Councillor Walsh regarding the report from R. Goetz, Ph.D. regarding rent control.

Wm H Walsh

Signature

5-791
Councillor Walsh's intention to move
reconsideration of the vote taken on
September 21, 1992 referring to the
City Solicitor the report from R.
Goetze, Ph.D. regarding rent control.

In City Council,
~~Sept. 21, 1992~~
Oct 5, 1992

10/5/92 No action taken
on Reconsideration

Action taken on
Sept. 21, 1992 Referring
report to City Solicitor
stands

10/6/92 Sent to the Law
Dept. (d)