City of Cambridge

The Rent Control Committee conducted a public working meeting on Thursday, November 15, 1990 beginning at 5:47 p. m. in the Sullivan Chamber, City Hall.

Councillor Jonathan S. Myers, acting as Chair, convened the meeting and stated that the topic to be discussed as this meeting was Special programs for owners of Rent Control property - Special considerations for smaller property owners. Councillor Myers stated that Vice Mayor Kenneth E. Reeves was absent from the proceedings due to the illness of his mother. Present at the meeting were: Councillor William H. Walsh, Rent Control Executive Director, Terrence Morris and Deputy City Clerk John E. Flynn.

Councillor Myers provided a review of the progress instituted by the Committee in its deliberations of the rent control system. He stated that a series of recommendations would be forthcoming and would address the following areas, among others, enforcement; inventory; low rents/minimum rents;: conditions of buildings, and; additional funding infusion into buildings.

At the time the Committee heard from Mr. Morris for a presentation of the topic. Mr. Morris stated that there presently exists two special considerations for smaller property owners: one formal and one informal.

The formal consideration deals with the interest rate on capital improvements for buildings containing 35 or fewer units. At present the prevailing interest rate assigned is 15% for those buildings compared to 13% for the others. The informal consideration is two-fold: 1) Workshops are held to deal with the topic of rent adjustments - Regulation Series No. 72,75 and 76 - in an attempt to explain and clarify the process; and,: 2) Personal assistance provided on Wednesday evenings.

Mr. Morris in addressing a concern of the Small Property Owners Association (SPOA), stated that Hearing examiners were instructed to treat non-payment of rent cases as a high priority provided that no other conditions exist.

Councillor Myers inquired of the interest rate factor, being the one formal consideration, is working to the satisfaction of smaller property owners.

Mr. Morris in response stated that it is working fairly well and that the percentage is tied to the Federal index, about 4 points higher than a Treasury bill.

Councillor Myers questioned the cut-off figure of 35 units as a small property owner in relation to the entire rent control system.

Mr. Morris in response provided the following statistical breakdown:

Approximate Total number of units 16,000 of which approximately 12,000 are located in buildings containing less than twenty-one units and of those approximately 9500 are located in buildings containing less than twelve units and of those 4000 are six units. Therefore approximately 63% of the total number of units fall into this category of 35 or fewer units.

Councillor Myers inquired of the hearing schedule by the department in expediting the process between submission of a petition to its final resolution.

Mr. Morris provided the following schedule:

***Non-payment cases without conditions - hearing held immediately**

***Capital Improvements - on average 6 months**

***Regulation 76 (less than $75/Month/unit) - 4 to 6 weeks**

***Regulation 76 (more than $75/month/unit) -6 to 12 months**

Councillor Myers commented on the need to initiate or supplement a program, when dealing with capital improvement issues, to better predict the outcome of rent adjustments. Councillor Myers requested of Mr. Morris his comments on the pre-approval concept.

Mr. Morris stated that the pre-approval concept can relieve two pressure points: 1) On the part of the property owner it reduces the uncertainty of when and if he/she will recoup financial resources expended for the completed repairs; and 2) On the part of the tenant it reduces the possibility of gold platings.

The pre-approval concept would initiate a dialogue between the property owner and the tenant to determine the scope of the work, the competition bid process and agreement on costs.

Mr. Morris preceded to outline Regulation Series No. 77 - Adjustments for Non-Profit Housing Rehab Agencies as a pre-approval model that is in place and whereby rents kick in upon completion of the work at or below budget.

Councillor Walsh inquired of the job description of a hearing examiner.

Mr. Morris stated that a hearing examiner is involved with rent adjustment cases, public assistance matters, case preparation and report of findings of fact.

Councillor Walsh inquired of the job description of the compliance officer.

Mr. Morris stated the compliance officer will investigate full occupancy cases and provide outreach. He further stated that with this position the RCB will be in a more pro-active stance of enforcement of the full-occupancy ordinance.

Councillor Walsh inquired if Regulations No. 72 75 or 76 rent adjustment cases have increased or decreased over the previous calendar year.

Mr.Morris stated that Regulation 72 cases have decreased while Regulation 75 and 76 cases have increased over that time frame.

Councillor Walsh citing Ms. Anthony's (Chair, RCB) support for a means test inquired of Mr. Morris' opinion on the matter.

Mr. Morris stated that he preferred an excise tax be assessed on wealthier tenants with the proceeds of the tax going into a fund to rehab distressed buildings.

Councillor Walsh in a follow-up inquired of the methodology or formula that would be employed in determining such an excise tax.

Mr. Morris stated that one method could be a fixed percentage based on either income or rent or the assessed value of the controlled unit. Mr. Morris stated that another idea afloat is a fixed percentage increase across the board with low income tenants being exempted.

Councillor Walsh inquired of the number of sabbatical leaves granted by the RCB.

Mr. Morris stated that six or so have reached his desk and not all applications are academics.

At this time the Committee heard from Mr. Peter Shapiro, Just-A-Start Corp.,(JAS) who offered the following programs:

1) Education of owners and tenants through workshops and consultations. (Suggested topics for the workshops-sanitary codes; deleading; eviction process).

2) Counsel - Legal education, rent control process, nuisance problems.

Mr. Shapiro stated that in his position with JAS he deals with some 400 landlords (200-extensive 200-brief) per year counselling and providing a presentation of options available to them. Of the 200 extensive matters, 90% are rent control related.

Mr. Shapiro further stated that he favors mediation as a vehicle to resolve issues.

The Committee then heard from Mr. Skip Schloming, 102 Inman Street who outlined his criticism of the general adjustment process. He further stated the need for a set of standards to be established as well as a public list of capital improvements that would be approved in the next rent process.

At this time the Committee heard from Ms. Antiop Perlegas, 39 Hammond Street who stated the need for a organization similar to S.P.I.L. to represent small property owners before the Rent Control Board. Ms. Perlegas noted the high legal fees being paid by property owners because of constant delays by tenants.

The Committee then heard from Mr. Michael Turk, 24 Prescott Street and Co-Chair of the Cambridge Tenant's Union who offered the following ideas for consideration:

1) Notification of board regulatory decisions in layman's language;
2) Revolving Loan Fund;
3) Outreach; and
4) Management Fee - demonstrate costs - receive it.

At this time, Mr. John F. Natale, Co-Chair SPOA read from a prepared statement. (Copy Attached)

The following individuals stated their support for an expedient hearing and reporting process:

Ms. Eileen Sullivan
248 Huron Avenue

Ms. Linda Levine
26 Mt. Auburn Street

Mr. Paul Jefferson
27 Whitney Avenue.

The meeting adjourned at 8:56 p.m.

For the Committee

Councillor Jonathan S. Myers

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Small Property Owners Association

287 Huron Avenue • Cambridge, MA 02138 • 491-2699 • 864-7725

Kenneth Reeves
Chair Rent Control Subcommittee
City Hall Cambridge, Ma. 02139

November 15,1990

Dear Vice Mayor Reeves,

On the subject of "Special considerations for small property owners", we should like to make the following recommendations. This short list identifies three items of special importance to small owners that may be correctable by this subcommittee within its short time frame.

1. Management Fee. The management fee presently allowed is only 6.5% of controlled rent. This represents only $26/month on the median rent controlled apartment that rents for $400/month .

Management firms typically charge a minimum of $50/month per apartment or 6% of market rents whichever is greater and this is for only arranging for someone else to do the work. Small property owners typically do all this work him/herself; the small owner is the cleaner, the electrician, the plumber, the roofer, the carpenter, the painter. Because it is impractical and probably impossible to keep an accurate log of all of one's time, the owner fails to be reimbursed properly.

In 1967, the fee was 6.0% on market rents; our rents are now about 40% below market so the real Management fee is only 2.6%. Further, rent control owners have much more management to do. In 1967 owners were not burdened with all the additional demands of detail record keeping, filing forms for rent increases and/or evictions, preparations for preliminary hearings and for board hearings, delays, time with lawyers...although attorney fees are not accepted by the board as "legitimate", they are bills that nonetheless must be paid and dealing with one's attorney is a real management activity. An increase of only 0.5% in 23 years, from 6% to 6.5%, is unreasonable.

We recommend that the management fee be increased from 6.5% to 12% for owners of up to 12 units and to 10% for owners of more than 12 units.

2. Sabbatical Leave. The present Sabbatical Leave program is of very little help to small property owners. To our knowledge, no member of our Association has used the program. It is of use only to owners who can leave town for 2 years, usually academics; we cannot leave town. With changes, however, the program could be of great help.

We believe that owner/occupants who have lived in their unit for a reasonable period of time, say two or three years, should be permitted a one-time, one per lifetime, one per building exemption for their own unit. This would allow an owner to move out without selling the building and collect market rent, thus giving relief to owners who collected little rent for long periods of time and now either need more space or wish to retire elsewhere. Many owners are now financial prisoners in their own home. In this concession to small owners, no present tenant is affected, no present tenant is evicted and only a limited and small number of units are affected. If all owner/occupants simultaneously opted for it, about 332 units would be involved.

3. **Time Limits.** Despite attempts over the past several years to speed up the rent increase process associated with Reg. 72, Reg.75 or Reg. 76., it still takes 6 to 24 months. There is no particular incentive for the Board to speed up the process because the increase is not effective retroactive to the date of filing but is effective on the decision date of the Board plus an additional 30 day plus notice to the tenant. Status quo is the tenant's advantage and the Board's employees,who are heavily oriented toward tenant protection, rarely make efforts to accelerate the process. Elsewhere in the world, when one individual holds the money of another individual, the holder pays interest. A similiar process should be in place here.

We recommend that a 60 day limit be imposed on the processing of all individual rent adjustments. If the adjustment is not made within 60 days, interim rents should be installed at the level applied for by the owner with the difference later being corrected when the Board computes the allowed amount or that, alternatively, the city pay owners interest on their money at the same rate it is extracted from those owners who are late with their water bill payment, that is,18%.

Rspectfully submitted

John F. Natale
Co Chair SPOA

cc: Members of the Council Rent Control Subcommittee
Members of the Rent Board
Terry Morris, Executive Director Rent Board
Local Affairs Committee
John Flynn, City Clerk

Small Property Owners Association

287 Huron Avenue
Cambridge, MA 02138
November 12, 1990

Rent Control Subcommittee
City Hall
Cambridge, MA 02139

Attention: John Flynn, Assistant City Clerk

Gentlemen:

We would like to comment on the matter of special considerations for small property owners.

Our Reform Agenda has been previously submitted to this committee and thus will not be repeated in this letter. Perhaps our biggest concern is the frustration we encounter attempting to deal with the system, those who manage it and those who refuse to correct it. We merely seek fairness. When we mention reform, we are accused of attacking the system and wanting to dismantle it.

We ask hearing examiners to be more accountable for their actions. They should expedite cases. The continuance of the status quo benefits the tenant. Hearing examiners should be given time limits to write up cases and their work should be evaluated by the Executive Director on a periodic basis. This evaluation should be reported to the Board. We ask this committee to require hearing examiners to provide us with accountability as a "Special Consideration".

We provide Harvard students, workers, faculty and their families with housing. Harvard Law School supports a program that provides free legal assistance to tenants and refuses to support a similar program for landlords. We ask this committee to request Harvard Law School to provide a similar "Special Consideration" for small property owners or provide none at all.

If the city continues to try to solve its housing problems by placing unfair burdens on us, there will eventually be no small property owners in the city, there will be no low income tenants in rent controlled apartments and there will be an eight member pro-tenant city council. We do not believe that this will make Cambridge a better place in which to live.

We request the following "Special Considerations" from this committee: Fairness and a sincere interest in improving the system.

Very truly yours,

David P. Sullivan
Co-chairperson

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COMMITTEE REPORTS

Rent Control Committee Report for a hearing held on Nov. 15, 1990 to discuss special programs for owners of Rent Control property - Special considerations for smaller property owners.

In City Council,

February 11, 1991

Report accepted
&
Placed on file