



City of Cambridge

CR # 5

IN CITY COUNCIL
April 11, 1994

COUNCILLOR WALSH
COUNCILLOR BORN

ORDERED: That the proposal submitted by Councillor Toomey as contained in Order Number Thirty-Nine of February 28, 1994 be referred to the City Manager and his Housing Cabinet for a response within two months with the request that said response be in phases so that a response to the issues raised by the proposal regarding ordinance condominiums, rent escrows and the loan pool come first, if possible, in time for the May 3rd meeting of the Rent Control Committee; and be it further

ORDERED: That the City Manager shall address the legality, practicality, costs to the City and suggestions for implementation.

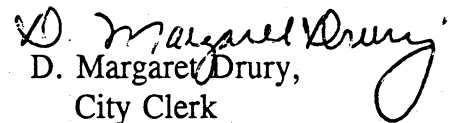
In City Council April 11, 1994.

Adopted by the affirmative vote of seven members.

Attest:- D. Margaret Drury, City Clerk.

A true copy;

ATTEST:-


D. Margaret Drury,
City Clerk

Councillor Duehay recorded in the negative on this matter.



City of Cambridge

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City of Cambridge

The Rent Control Committee held a public hearing on April 6, 1994, beginning at 5:15 p.m. in the Sullivan Chamber for the purpose of considering Councillor Timothy Toomey's proposals for rent control as outlined in Council Order No. 39 of February 28, 1994 (Attachment A).

Present at the hearing were Councillor Kathleen L. Born, Chair of the Committee, Councillor Jonathan S. Myers, Councillor Timothy J. Toomey, Jr., Councillor William H. Walsh, Councillor Katherine Triantafillou and City Clerk D. Margaret Drury.

Councillor Born convened the hearing and explained the purpose. She requested that Councillor Toomey describe his proposal.

Councillor Toomey summarized his proposal reforms, which are set forth in the attached Council Order.

Councillor Born then opened the hearing to public testimony. She noted that there were fourteen proposals, and suggested that speakers might want to number the proposals consecutively on their copies of the order and then refer to each proposal by number.

Kathleen Puckett, Cambridge, said that she has lived in Cambridge for 14 years. She especially supports elimination of the ordinated condos. There are very few low income people living in these units in Cambridge. Rent Control has caused a lot of segregation. The only way to get rent control apartments is by knowing someone, and the access for low-income people and minorities is almost nil. She supports all of the changes proposed by Councillor Toomey.

Linda Levine, 26 Mt. Auburn Street, Co-Chair of Small Property Owners Association (SPOA) addressed the proposal regarding ordinated condos. She said it favors the rich. The package proposes two or three new taxes and new bureaucracies, when what is needed is fewer taxes and less government. Is the tax on condos because the City needs revenue or to punish the offenders? A tax to get people out of the situation is basically extortion.

Robert LaTremouille, 348 Franklin Street, commended Councillor Toomey for the effort that went into his proposal. The transfer tax is an excellent idea, as is ending the institutional exemption and enforcing the full occupancy provision (6th provision).

Mr. LaTremouille said the biggest problems with the proposal include the

following. The problem with the ordinated condo provision is that it is based on the false assumption that rent control lowers tax revenues. In reality, the residential exemption, which operates as a tenant tax, wipes out this differential. In general, people who bought ordinated condos knew what they were doing. Relief is only needed if the Rent Control Board wrongly issued a certificate of exemption.

Mr. LaTremouille said that the Section 8 program already provides for an exemption for landlords who rent to the needy. He also said minimum rents are not needed. Mr. LaTremouille also said that the tax on tenants of above average income means that tenants have to go through the degrading procedure of submitting their income to the City. He added that the discount on water and sewer rates, loan program for deleading and loan fund are all good ideas.

David Sullivan, Huron Avenue, Co-Chair of Small Property Owners Association, said that many SPOA members rent to Section 8 tenants. Regarding ordinated condos, the law is bad and should be eliminated. He quoted from a magazine article on ordinated condominiums, quoting David E. Sullivan and submitted a copy for the record (Attachment B). He said the minimum rent (2d) and tenant subsidy (3d) proposals should be taken together. He said that low rents should be doable. He submitted the Council Order of 1986 regarding minimum rents and the order of June 1989 establishing the Green Ribbon Committee (Attachment C). He noted that both were passed unanimously. In 1994 landlords are even more frustrated. He also submitted a copy of the Mayor's Green Ribbon Committee (on file with report). Before doing a tenant subsidy there must be an analysis of what it would cost.

Mr. Sullivan spoke in support of an escrow provision of rent and deregulation of a unit in exchange for renting to the target group. He added that discount water and taxes are not a good idea - they lower the management fee. Mr. Sullivan said that the remaining proposals need more clarification before SPOA can comment.

Robert Winters, 366 Broadway, said that he has mixed feelings regarding the proposals. The proposal for minimum rents being set at 75% of market regardless of conditions does not seem equitable and does not adequately account for the differences between owners of large and small properties. Regarding the eighth proposal to remove the institutional exemption, he would like more explanation. He asked whether it applies to all nonprofits like CASCAP that can pick up properties at

reduced rates due to regulations. Regarding the eleventh proposal for the City Manager to develop a program of reverse equity mortgages for low-to-moderate over age 65, it seems to assume that the rents cannot cover the cost of the property and seems to be an elaborate deficit spending idea.

Neil Rohr, 106 Berkshire Street, spoke against the proposal. He said that he hopes there will be no further meetings of this Committee until there is a decision as to whether the petition to abolish rent control will be on the ballot.

He added that this proposal would mean that rent control is no longer a cost-driven system. This is a fundamental change. There are pieces that should be considered: the escrow proposal, limited equity coops, the loan fund. Many low-income people do live in rent controlled housing, especially in East and North Cambridge. He is also curious as to whether Councillor Toomey believes that the legislature would now support a transfer tax, because it has been tried in the past without success. He agrees with Ms. Levine that the proposal would add a huge bureaucracy. He wonders where the 75% number comes from. Why not 50% or 100%? He believes that the proposal would give Cambridge the highest rents in the Commonwealth and that it would be extremely difficult to figure out how to set the rent. What about conditions and amenities? Mr. Rohr said that the proposal to escrow rent during rent disputes should be considered separately. There are real hardships for landlords and tenants when the money is being withheld and has not been put aside. The idea deserves consideration.

Councillor Born announced that she has received three letters from persons who could not be here tonight. They will be made a part of the record (Attachment D).

Councillor Born said that she cannot hold this committee hostage to what is going on at the state level. It has been a month since Councillor Toomey's proposal was referred by the City Council to this committee. She noted that the escrow, ordinated condos and extraordinary low rents have come up over and over and she hopes they can be addressed again by the committee.

Bill Noble, Franklin Street, said that this order is like the tip of an iceberg. The backup and details to these proposals should be produced.

He said that there is a basic misunderstanding of rent control in the order. Not all rental housing is under rent control. The goals and purpose of the Rent Control Act are misstated. The Act says nothing about affordability. It regulates rents, controls evictions, and, with the Rent Proposal Ordinance, regulates the removal of rent controlled units. The purpose is also to regulate "abnormally high rents."

Mr. Noble said that by exploiting capital improvement policies, many rents under rent control have been driven up to abnormally high levels of \$800, \$900.

Many cities without rent control have apartments with much worse conditions. In fact, many rent control units are kept in better shape because rent adjustments are tied to conditions.

The full occupancy ordinance is misinterpreted in this proposal. The ordinance is not intended to be punitive; it is intended to keep rent controlled units occupied. Therefore the eminent domain proposal is misguided. It is essential to keep as many units as possible and to keep them occupied. He submitted "The Case of Rent Control." (Attachment E)

Harrison Moore, owner of property at 33 Concord Avenue, 67 Walnut Road, Wenham, said that basically he supports Councillor Toomey's proposal.

Michael Turke, 24 Prescott Street, speaking on behalf of the Cambridge Tenants Union (CTU), said that CTU supports one of the ideas from Councillor Toomey's proposal, re-controlling institutional housing. CTU also supports some version of a revolving loan fund, although not in the form suggested, which would involve a tenant tax.

Mr. Turke said that there are four conceptual flaws with the proposal:

1. Rent control as a system is an effective way of providing affordable housing for large numbers of residents because it is a cost-based system. Efforts to change it to a subsidy system undermine this cost-based system.
2. To be effective as a system, rent control requires a sufficiently large number of affordable units. These proposals would lose significant numbers of units and thus weaken the system.
3. To be effective, protection for tenants must be maintained. Raising the minimum rent and allowing occupancy of ordinated condos threaten tenants.
4. The idea of creating huge financial incentives for landlords to rent to poor and disabled people is distasteful; moral suasion is preferable.

Mr. Turke said that the proposal for setting minimum rents at 75% of market will produce very high rents. Most rents fall into a distribution and across the state there are many rents at the lower end. This would eliminate the lower end and create as a minimum rent for Cambridge one that is higher than the median rent statewide. He submitted Cambridge Housing, the 1990 Census Report, prepared by the CTU (Attachment F).

Constance Thibeault, 42 Linnaean Street, Steering Committee, CTU, spoke in support of a housing access office and said it should be included in the proposal.

Peter Shapiro, landlord counselor, Just-A-Start, resident of Jamaica Plain, spoke in support of an escrow policy. He said that a lot of work has been done by various people in the City that would lead to a sound policy. He said that landlords get a feeling that rent control is forcing a particular morality down their throats. He questions what needs to be done to regain stability in the system. He said that, similar to treaty negotiations during a war, even if the ballot question is successful there needs to be serious thought about what to do for low and moderate income people. If the petition goes on the ballot the City should begin thinking about how to solve the problem. For the landlords as well as the tenants, there are many strong principles at stake. Even while landlords and tenants are in high conflict, there is strong self interest in settling these issues. A simple "yes" or "no" to rent control does not solve the problem. Mediation and creative problem solving are necessary. There is a strong interest for both sides to say "let's explore options" to at least protect poor tenants.

Councillor Born said that when you are in a war, the sides don't know when the war will end, so treaty negotiations occur. In this situation, the ballot question will be answered at a date certain, so the negotiation situation is not a close analogy.

Don Lesley, 21 Lee Street, 3L said that he is the owner and occupant of a rent controlled unit. Two years ago when he lost his job and thought he had to move he was distressed to find there would be no relation between his monthly costs and what he could rent the unit for.

Councillor Triantafillou asked when he bought the unit. He answered that he bought in 1990 and had no intent to rent it at the time. He knew what the rent would be when he bought it.

Sharon Anderson, 32 Copley Street, a non-rent controlled tenant, said that she owns a real estate appraisal firm. She said that there is a severe lack of re-investment in small buildings. Owners cannot secure funding. Often the rent controlled buildings she looks at do not support the value that a landlord needs to borrow to rehab the buildings. It is important to stay on track and not get derailed by arguments about each other's morality.

Councillor Myers said that rent control is the most vexing political problem of the City. Councillor Toomey should be commended for bringing forward this proposal. There are not any easy steps in the situation. He sees deeply held and ingrained positions by many members of the community. Mr. Shapiro and Ms. Anderson have made interesting comments. He said that we should try to tap into and utilize some

of the energy and creativity of the people testifying at this hearing. It is important to ensure that everybody's viewpoint gets on the table. He added that appreciated the positive tone of all of the participants and speakers at the hearing. Councillor Toomey's proposal opens the door for discussion. He proposed that the Chair try to find a structure to move some of the proposals forward. He does not agree with Neil Rohr that nothing should go on until the ballot question is resolved, although he takes the concerns seriously.

Councillor Born identified proposals 1, 4 and 9 as topics upon which the Committee might have a fruitful decision. She suggested a meeting May 3, 1994 at 5:30 to take up one or two of those proposals.

Councillor Myers said that he prefers keeping the proposal in committee to look in more depth at some of the pieces.

Councillor Toomey said that he would prefer that the Committee send it to the City Council with a favorable recommendation, so that it can go the City Manager for the additional work. His motives are to enable low and moderate income people to stay in Cambridge. If the petition to end rent control goes on the ballot, low and moderate income tenants will be in charge. Cambridge has to show the rest of the state that something is being done. Rent control is a social program to protect tenants of limited means. He agrees that there should be a housing access office.

Councillor Born asked what Councillor Toomey would want the City Manager to do with the proposal. Councillor Toomey said that he would expect a report as to what is feasible and doable.

Councillor Myers agreed that it would be useful to have input from the City Manager and the Housing Cabinet.

Councillor Triantafillou said that she appreciates Councillor Toomey taking the initiative to put together this proposal. She noted that a full hearing on these issues is occurring. She agreed that the formality of the hearing process does not necessarily bring people to the table for an exchange of ideas. She encourages that exchange of ideas.

Councillor Triantafillou said that there are three areas that are not addressed by these comments: the access office, the functioning of the Cambridge Rent Control Board itself and the issue of repairs and loan funds. She would like to see unemployed youth involved in doing these repairs.

Councillor Walsh said that he concurs with Councillor Toomey. He would like to see the proposal go to the City Manager for comments as soon as possible with the request that the City Manager give back to the City Council a timetable for when his

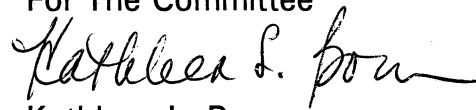
actions will be taken.

Councillor Walsh moved that the proposal be referred to the City Council with with the recommendation that the City Council send it to the City Manager and the Housing Cabinet for report to come back as to the legality, practicality, cost to City and suggestions for implementation of the order. The motion was passed unanimously.

Robert LaTremouille, 348 Franklin Street, said that he talked to Boston Metro Housing and SPOA leaders at the time about the issue of Section 8 housing and he arranged an appointment with a SPOA leader that was canceled by the SPOA person.

The meeting was adjourned at 7:17 p.m.

For The Committee



Kathleen L. Born
City Councillor



City of Cambridge

39.

IN CITY COUNCIL
February 28, 1994

COUNCILLOR TOOMEY

WHEREAS: For more than 20 years, Cambridge's rental housing stock has been regulated by its Rent Control Ordinance and implementing regulations; and

WHEREAS: The goal of the ordinance was to address a housing emergency and to provide affordable and decent housing for its low-to-moderate income individuals and families and seniors on fixed incomes as well as eliminate speculation by large investors in Cambridge's housing stock; and

WHEREAS: Through the years, many deserving tenants in need of affordable housing for whom rent control was meant to help have been shut out of rent controlled units while people with above average incomes have been benefiting from a social policy geared to help low-to-moderate income individuals and families and seniors on fixed incomes; and

WHEREAS: Our housing stock has continued to deteriorate because a number of small property owners lack the money to perform necessary repairs; and

WHEREAS: The perceived inequities of the rent control system must be addressed now before forces outside the control of Cambridge government mandate the termination of all protection of rents for low-to-moderate income individuals and families, and seniors on fixed incomes; therefore be it

① ORDERED: That the City Manager be requested to develop a program that would provide a public benefit from the fact that any exemption for so-called "ordinance condo" owners would substantially increase the value of the condominium, said program to provide an exemption to any "ordinance condo" owner provided that said owner pay a fee calculated on the differential of the appraised value before and after exemption with all funds collected thereby used for a fund restricted to house low-to-moderate income individuals and families, and seniors on fixed incomes, and further provided that said program would include procedures to ensure that all property subject to the City's rent control ordinance lost by illegal removal be regained, including those so called "ordinance condos" for which the owner does not secure an exemption; and be it further

② ORDERED: That the City Manager be requested to develop rules and regulations which would provide owners with minimum rent controlled rents based on 75% of fair market value; and be it further

③ ORDERED: That the City Manager be requested to develop a program which would ensure that no tenant in the City pay more than 30% of gross income for housing with the differential between the rent controlled rent and the tenant's share paid through a City supplement financed by such mechanisms as a transfer tax on the sale of industrial, commercial and luxury residential property, a fee paid by certain upper income tenants in rent controlled apartments or other financing mechanism; and be it further

④ ORDERED: That the City Manager be requested to develop a program and necessary legislation to authorize, within the rent control system, the segregation and maintenance of rent payments in separate accounts to ensure both tenants and owners fiscal security upon the disposition of cases pending before the Rent Control Board; and be it further

⑤ ORDERED: That the City Manager be requested to develop a program to allow for the deregulation of one unit in each owner occupied building of up to 6 units if said owner rents to person either age 65 or over, or physically challenged whose income falls below federally established low income guidelines; and be it further

⑥ ORDERED: That the City Manager be requested to develop procedures whereby the City's full occupancy ordinance be strictly enforced, with eminent domain taking undertaken if required as a last resort, with necessary renovations to buildings acquired by eminent domain financed by the mechanism established by the City, with the return of said buildings to private ownership under rent control regulations through public auction; and be it further

⑦ ORDERED: That the City Manager be requested to develop a program to provide for discount water and sewer rates to owners occupants who rent to low-to-moderate income tenants or seniors on fixed incomes at below established rent controlled rent; and be it further

⑧ ORDERED: That the City Manager be requested to develop regulations and necessary legislation which will remove the institutional exemption of otherwise rent controlled units; and be it further

⑨ ORDERED: That the City Manager be requested to develop a program which would develop a loan guarantee pool for improvements to rental units for the redress of code violations; and be it further

10 ORDERED: That the City Manager be requested to develop a loan program for de-leading, encapsulating or any other allowable alternatives for owner occupied buildings with rent controlled units; and be it further

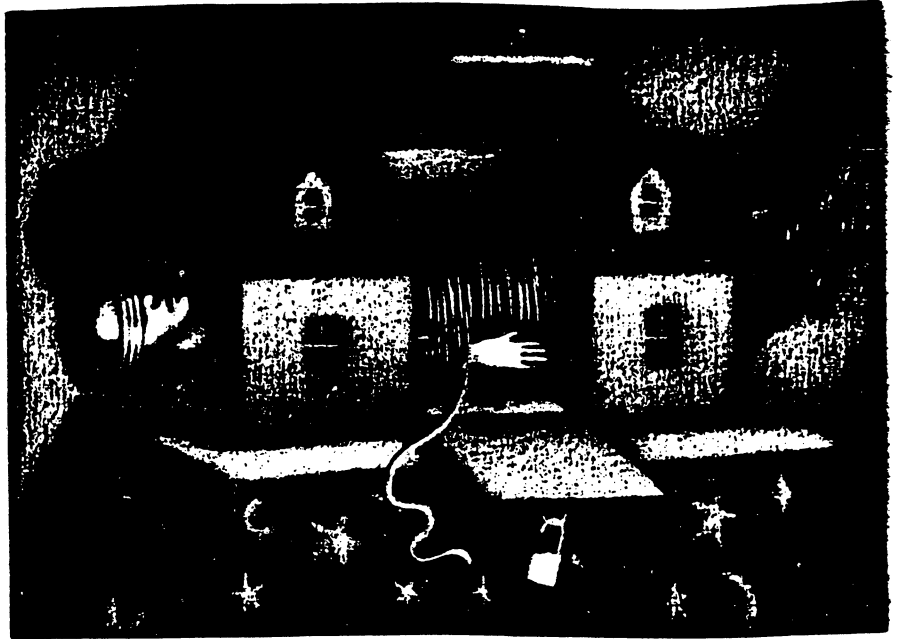
11 ORDERED: That the City Manager be requested to develop a program to provide a City guarantee of reverse equity mortgages to allow low-to-moderate income owner occupants age 65 or over to renovate and maintain their owner occupied rent controlled property for the rest of their lives; and be it further

12 ORDERED: That the City Manager be requested to develop a program to provide tenants with limited equity options including shared equity with investors, and down-payments and renovation financing guaranteed by the City; and be it further

13 ORDERED: That the City Manager be requested to develop a program that would require tenants at or above average incomes living in rent controlled units to pay a fee to support programs for capital improvements, rent supplements and mortgage guarantees for rent controlled buildings; and be it further

14 ORDERED: That the City Manager be requested to develop a program and necessary legislation to provide for a transfer tax on industrial, commercial and luxury residential property, exempting the first \$300,000 of sales price to support programs for capital improvements, rent supplements and mortgage guarantees for rent controlled buildings.

B



Crime Wave Rocks Cambridge!

*There's a new breed of lawbreaker in town:
those who dare to live in their own condos*

THERE ARE several things you learn fast when condominium hunting in Cambridge. For starters, if you want a cozy, fire-placed one-bedroom within walking distance of Harvard Square, it'll cost at least a hundred grand. Fortunately, you can save a lot of money if you buy a so-called ordinated unit. Unfortunately, it's illegal to live in an ordinated unit if you own it. Fortunately, there exists a well-oiled machine of realtors, lawyers, and mortgage officers who will help slip you into your ordinated unit anyway, and even counsel you not to worry too much about the fishy business, since everybody's doing it, and no one seems to mind.

"Down with rent control!" a typical classified ad reads. "This 1 bdrm condo is free from red tape. . . . Wrap it up for \$132,000." That's generally ten to twenty thousand dollars higher than the going rate for comparable units that tuck the quiet abbreviation "Ord." in their ads. "Ord." makes a condo attractive — because it's cheaper — and unattractive — because you're not allowed

to move in after the sale. But there are ways around that. As one realtor's fact sheet puts it: "To owner-occupy one of these is impossible; a parent, business, trust or investor may buy it and may then rent it to the person of their choice, charging only the rent-controlled amount registered for the unit." That's the sort of analysis that takes the *im* out of *impossible*.

YOU HAVE TO back up a bit to trace just how Cambridge created such an odd little law; how, through no particular malice on anyone's part, a catch-22 evolved that would do the Pentagon proud. The story begins, of course, with *Chapter One*: in 1970, faced with a shortage of affordable rental housing, the city adopted strict rent-control laws. Today these laws cap rents on more than half the city's 30,000 rental units.

Chapter Two: despite rent control, in the late 1970s the city saw condo conversions gobbling up affordable rentals and countered with an ill-conceived rule now known as ordinance 966. This made it illegal (with rare exceptions) for

a condo owner to live in his condo, if his condo was converted from a rent-controlled apartment after August 10, 1979. The idea, of course, was to keep newly converted condos available for rental. The idea failed. "Two things became clear very quickly," says City Councillor David Sullivan. "One, innocent buyers were being victimized by unscrupulous sellers who weren't telling them that they had no right to occupy their units under the law; and two, it was very difficult for the city to police the owner occupancy of those units." Sullivan's study of the issue led to . . .

Chapter Three: an attempt to tidy up the mess. An amendment clamped down on condo conversions and in effect made it illegal, after July 1981, to create ordinated condos. Which means that the city's entire crop of ordinated units sprang up between the summers of '79 and '81. Then, in July 1986, came the Polednak exception (*Chapter Four* — still with me?). This state supreme court ruling removed ordinance 966 from condos whose owners had both occupied them and purchased them before August 1, 1981. In one swoop Polednak pardoned droves of illegal owner-occupants and freed many condos from the ordinance. But not all.

The culmination of this twisted tale is that there is a remnant of condos whose owners aren't supposed to live in them. How many? No one knows for sure, but estimates from realtors, lawyers, and politicians range from three to four hundred. The owners of these units must install tenants, from whom they must collect no more than the maximum set by Rent Control — up to \$375 or so for a one-bedroom with fireplace, which is perhaps half the rent on a similar noncontrolled unit, and much less than half of the owner's likely mortgage payment. Clearly an ordinated condo, on paper at least, is not the shrewdest investment. And presumably the units are not being snapped up by Good Samaritans planning to rent to low-income tenants.

So WHO is buying them? No one is sure of that, either, but local realtors and real estate attorneys say that between seventy-five and ninety percent of ordinated condos are oc-

cupied by — surprise — their owners. "The way people get around the ordinance," volunteers a receptionist at a local branch of a national real estate firm, "is to set up a trust where you rent it to yourself." Oh. Without pressing, you can get names of attorneys who will draw up your trust and lenders who will finance your purchase without asking awkward questions. But is that approach legal? "There's some uncertainty about that," says one realtor, voicing an opinion common among his colleagues. "Technically, no, but for all practical purposes, yes."

In theory, the penalties for illicitly living in one's own home can be severe: fines of up to \$500 a day, depending on how you read the law (that's a million-dollar tab if you moved in in 1982). There is also the possibility, according to Rent Control's mind-numbing regulation book, of the city's "taking the unit(s) by power of eminent domain in order to restore the unit(s) to service as housing for people with low and moderate incomes." But no one has ever been evicted under the ordinance.

And although the black-market owner-occupants are no secret, the chances of anyone stepping up enforcement are slim. "It's troubling," concedes Rent Control executive director Margaret Drury. But her board has plenty of administrative headaches already. In a city where city council elections often revolve around housing issues, and council debates on rent control draw loud overflow crowds, the status quo has its appeal for rule makers on all sides. "Rent Control could tighten the regulations," says City Councillor William Walsh. "They don't because, especially in the case of ordinated units, they feel there would be such a political rebellion, they don't want to test it in court."

David Sullivan, Walsh's frequent adversary on the council, agrees, but for different reasons. "I don't think there's going to be any attempt to crack down on these units," he says, "because it simply isn't worth the resources that it would take the city to do so. And the remedy would have to be to essentially kick people out of their homes, which I don't think anyone wants to do."

— Gardiner Morse

CCR-101



City of Cambridge

Calendar Item No. 1

-13-

IN CITY COUNCIL

~~January 13, 1986~~

January 27, 1986

COUNCILLOR DUEHAY
 COUNCILLOR GRAHAM
 COENCILLOR D. SULLIVAN
 COUNCILLOR WOLF

WHEREAS: The continuation of strong, effective rent control in Cambridge depends in part on whether all landlords receive a fair net operating income, as required by both the Constitution and the Rent Control Act, while protecting tenants against excessive rents; and

WHEREAS: Additional steps can be taken, consistent with continued strong tenant protection, to ensure that this goal is met, particularly for small landlords; therefore, be it

ORDERED: That the City Manager request the Rent Control Board to pursue the following policies, so as to ensure that small landlords receive a fair net operating income:

1. Emphasize regular general rent adjustments for operating expenses and income whenever possible, tailored to the particular circumstances of each building, to avoid the need for small landlords to file paperwork, attend hearings, and hire lawyers and accountants, in order to receive justified rent adjustments.

2. To the extent that small landlords must still take initiative to receive rent increases, hold annual workshops for such landlords to inform them of correct procedures.

3. Initiate a special general adjustment as soon as possible for "Class D" buildings (those for which no individual adjustment has ever been sought and which lack 1967 base year rent data), to adjust for factors not considered for them in 1985, including net operating income and certain operating expenses. "Class D" includes about 35 percent of all 4 to 6 unit rent controlled buildings.

4. Ascertain whether any rents are arbitrarily low because of atypical 1967 base year rents, and devise a procedure to correct any such situations;

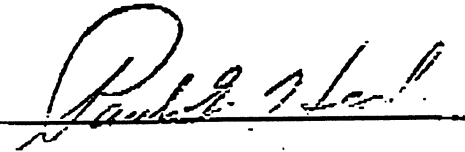
and be it further

ORDERED: That the City Manager report periodically to the City Council on the implementation of these policies.

In City Council January 27, 1986.
Adopted by the affirmative vote of 9 members.
Attest:- Paul E. Healy, City Clerk.

A true copy;

ATTEST:-



Paul E. Healy, City Clerk.



City of Cambridge

Cal. # 17

- 27.

IN CITY COUNCIL

~~May 22, 1989~~

June 12, 1989

MAYOR VELLUCCI

ORDERED:

That the City Manager; the Community Development Office; the Rent Control Office; a representative of the small property owners; a tenant and a representative from the City Solicitor's Office, be appointed to a Select Committee to establish a "prima facie" minimum rents on the basis of certain objective criteria, such as square footage or number of rooms. Concepts such as "fair rate of return" could provide guidance in establishing the new base rents. This measure could/or should/or would permit a one time adjustment to rents which would correct the most serious cases. It would address the felt need for return on investment which small landlords have. I believe, that the above would make the Rent Control Board more responsive to the needs of small landlords. Note should be made that many small landlords have not sought rent increases to which they were entitled. Many of those small landlords assume that those increases are long gone forever. They are frustrated, mad, upset, aggravated because they were afraid of the Rent Control people, and/or did not have money to hire a lawyer. Question is "should they get the increase? Should they get a fair profit for their investment? Should they get a fair return to keep their property from becoming deteriorated?" I want to help small landlords. I am not in favor of decontrolling apartments.

In City Council June 12, 1989.

Adopted by the affirmative vote of nine members

ATTEST:- Joseph E. Connarton, City Clerk.

A true copy;

ATTEST:-

A handwritten signature in black ink that reads "Joseph E. Connarton".

Joseph E. Connarton
City Clerk

D

Submitted 4/6/94

CAMBRIDGE EVICTION FREE ZONE

LA ZONA LIBRE DE DESALOJO ZONA LIVRE DE DESPEJOS ZON DEGEPISMAN ENTEDI
11 Inman St., Cambridge, MA 02139 (617)868-2900

April 5, 1994

Kathy Born
Chairperson
City Council Rent Control Committee
City Hall
Cambridge, MA

Dear Councillor Born:

I am writing to you in regard to the hearing now scheduled for tomorrow, April 6, on Councillor Toomey's proposed rent control changes.

We think the timing of this hearing is ill advised. The results of preliminary court hearings on SPOA's petition against rent control will be known in about a week or two. Anyone concerned about rent control is naturally focused on that outcome. If their petition clears the first legal hurdle to being on the ballot, anyone favoring rent control in any form in Cambridge will be compelled to unite to defeat the SPOA proposal. If it does not clear the first hurdle and is thus unlikely to be on the ballot, we would be interested in commenting on Councillor Toomey's proposal and putting forward proposals of our own.

For this reasons, we are unable to participate in more than a token way tomorrow. We suggest that this just be a preliminary hearing and that future hearings be scheduled after decisions on the SPOA petition have been made.

As always, our organization remains interested in studying all proposals which contribute to affordable housing for our constituents and members - poor and working class people of Cambridge of all nationalities.

Sincerely,



Steve Meacham

cc. Councillor Toomey



Submitted 4/6/94

April 4, 1994
Terry Crystal
1200 Mass Ave
Cambridge MA

Kathleen Born
Rent Control Committee
City Hall
Cambridge, MA

cc. Rent Control Committee, Councillor Toomey, Mayor Reeves

Dear Councillor Born,

Regarding the April 6th hearing on Councillor Toomey's proposals for rent control reform - I am writing this letter because I will not be able to attend but want to express my thoughts on this matter.

Councillor Toomey is to be commended for attempting to address some of the problems with rent control. All programs inevitably run into problems and it is important to address them as they come up. Unfortunately most of these proposals miss an important point.

Rent control has come under fire lately by a variety of people who say it doesn't serve low income people. It should be noted at the start that some of the main proponents of this claim (most notably the Small Property Owners Association) are people who would like to get rid of rent control. Nevertheless it is important to address issues that command our attention. If it is true that rent control does not serve as many low income people as originally envisioned, I think it is important to note one important reason for this.

Over the past ten years the average rents in rent controlled apartments have increased way beyond the cost of inflation. The statistics are not available, but just ask anyone who lives in a rent controlled apartment - Between yearly general adjustments and gold plated capital improvement increases, the rents in many rent controlled apartments have doubled and in some cases are getting close to market rate. If rent controlled apartments are not serving as many low income people as originally intended, it is because, in many cases, they can no longer afford the current rents. If the rents continue to go up at the same prevailing rate, this will be true for moderate income people as well.

That said, I will only briefly express some concerns over councilor Toomey's proposals.

In a real estate market where rents for a one bedroom can be one thousand dollars or more, it might be difficult to reconcile a minimum rent based on 75% of fair market value with the maximum 30%

of gross income rent. Additionally, given the costs of living today and how much people pay in taxes, I have to question whether 30% of gross income is a proper yardstick for discussion (given that most banks also see these numbers somewhat differently). At any rate, we may be doing ourselves a disservice by increasing the overhead (rents) to where only better off people can afford them and trying to make up the difference later with subsidies.

I wonder, also, about the practicality of instituting some of these proposals, particularly where it comes to calculating tenant income. How does one determine who makes how much. In many cases tenants double up, or triple up to be able to afford the rent. In other cases, where tenants are in business for themselves or have a second income, they might be inclined to, dare I say it, perjury. This is only the tip of the iceberg, and we may be opening ourselves up for some serious logistical problems.

In the spirit of councillor Toomey's recommendations here are some alternative or complementary suggestions:

1. A No Frills Standard -

Capital improvements should not be opportunities to make cosmetic improvements to attract wealthier tenants. They should address real problems, be they structural, electrical or plumbing, in a "no frills", but competent manner.

2. Voluntary Cooperation -

a. The establishment of an affordable housing fund wherein some of the wealthier people in the city, including tenants of above average means, could be encouraged to make tax deductible donations on a voluntary basis. This could be chaired by various interested parties including people from the city, corporations, CEOC, Spare Change, the Clergy for Affordable Housing, and others who could help with fund raising and targeting funds to appropriate parties.

b. Property owners who have difficulty making necessary repairs should not be penalized, but helped. The costs of maintenance make it difficult to maintain any property, not only rent controlled property, especially where the economies of scale are not available. Landlords undergoing hardship might qualify for maintenance help if they provide housing for low income tenants. This could be done at little cost to the city by utilizing such already existing operations such as youthbuild, which also seeks to educate and employ, or some other creative strategy.

2. Clarity -

Many of the most disgruntled landlords in the city were victims of misinformation and lack of clarity. On purchasing their homes they were ill advised about regulations regarding their own rent controlled properties and misinformed about possible ramifications. Some were encouraged to buy their homes under the impression that rent controls' days were numbered or given loans when the purchase price was clearly too high.

This is the domain of realestate agents, lawyers, and bankers, but it is also the domain of the city. We must take responsibility to make sure that the appropriate information is out there and to be clear about our commitment.


Make no mistake, the housing emergency which precipitated rent control is even greater than it was before. In that there is less affordable rental housing than people who need it, the greater Boston area, of which we are a part, is experiencing a crises in rental housing. This is aggravated by an unprecedented economic climate where disparities between incomes are greater than they have ever been.

3. Coherence -

Rent control must be seen in the context of an overall housing strategy by the city that also includes public housing, housing for the elderly, limited equity coops, and other initiatives designed to maintain a stable housing stock for the economically diverse group of people who live in here. It is not the only game in town. But it is a major one for the people whom it protects. As a factor in stabilizing rents and insuring that even lower and moderate income people have a place to live, rent control has been key.

I hope that the rent control committee can maintain that commitment.

Sincerely,



Terry Crystal

P.S. Yes, I live in very close proximity to Harvard Square in a neighborhood which has become fairly upscale mostly because of Harvard expansion. Please remember that at one time this neighborhood was called Kerry corner and was home to many immigrants who lived in affordable housing. My building which is rent controlled has 92 units of affordable housing and it would be a shame if they were lost.

Submitted 4/6/94

28 March 1994, 54 Fayette St., Cambridge MA. 02139

To: Editor & K. Born, & T. Toomey V1

Subject: Home Ownership for all citizens

Ref: A Schutzberg letter, 13 March 1994, Resident Ownership over Tenancy.

The Toomey rent control reform proposal is too little and too late. Today, reform demands imaginative radicalism to satisfy the equity concerns of all parties. All impacted parties must be perceived as winners.

A possible approach might be a re-assessment of all existing rent control housing units for "highest and best use value" ie condominium. All rent-control tenants, based on income and resident status qualifications, could be offered the following options :

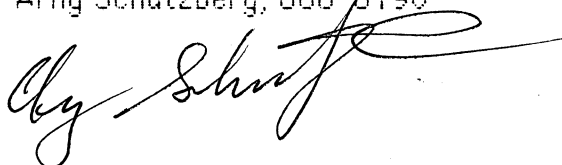
- 1) tenancy on a yearly contract basis at the full market rate rent
- 2) limited equity ownership [zero to full, depending on income and the property] with no or a small [3%] downpayment and a monthly payment not to exceed 30% of income.
- 3) Full ownership with market rate down payment and a monthly mortgage payment.

The city could float bonds to pay rent-control property owners the full reassessed market value for properties taken by eminent domain and transfer them to the new, former tenant, ownership. The city may want to hold some rental properties in social reserve but the bulk should be left to the discretion of the original owners. The existing functions of rent control would be eliminated or passed over to the courts. The CHA could administer the city interests in limited equity properties.

This new approach would:

- 1) eliminate rent control and restore ^{most} ~~all~~ housing to the free market,
- 2) transition tenant families to a new more stable owner occupant citizen status with unique and vested civic interests,
- 3) compensate large and small rent-control property owners equitably,
- 4) expand wealth creation and stable property ownership to a diverse citizenry based on status, need, and income,
- 5) constrain gentrification via progressive ownership,
- 6) reallocate the rent-control budget of 1.5 million dollars per year to cooperative rather than adversarial divisive ends,
- 7) defuse incendiary adversarial informer tenant/owner relationships,
- 8) restore mutual civic confidence, redistribute the tax burden, and mobilize the community to aspired to achieve a true "urban village."

Your hopeful and persistent constituent
Army Schutzberg, 868-8190



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CAMBRIDGE HOUSING

PART I

THE 1990 CENSUS PICTURE OF RENTS AND RENT CONTROL

JUNE, 1993

**PREPARED BY: THE RESEARCH UNIT
CAMBRIDGE TENANTS UNION**

Introduction

Since 1970 rent regulations have been in effect for much of the private rental housing in Cambridge. In Part I of this study of Cambridge Housing, we examine rent levels and the effect rent control has had on the level and range of rents in Cambridge today.

The analysis which follows sets Cambridge rents in a broad context. In sum, 1990 United States Census data establish that Cambridge rents correspond closely to the average level of rents statewide and clear away the myth that, owing to rent control, rents in Cambridge are inordinately low. Given the pressures that have existed in the Cambridge rental housing market since 1970 -- manifested by widespread condominium conversion and a concentration of luxury rentals -- Cambridge has managed, with rent control, to limit the impact of these pressures.

Cambridge Rents: National Comparisons

The 1990 United States Census provides a ready comparison of rent levels and rent ranges for all cities and towns in Massachusetts, as well as comparisons among all the states. Actual rents paid, called "contract rents", are divided into quartiles. The following table shows the first quartile rent, median rent, and third quartile rent for the United States as a whole, the state of Massachusetts, and the city of Cambridge:

TABLE I

	<u>United States</u>	<u>Massachusetts</u>	<u>Cambridge</u>
1st Quartile (1):	\$252	\$323	\$319
Median Rent:	\$374	\$506	\$483
3rd Quartile:	\$527	\$668	\$689

Source: U.S. Bureau of the Census, *Census of Population and Housing 1990: Summary Tape File 1C on CD-ROM.*

(1) For the first quartile, 25% of all rents are lower, 75% are higher; for the second quartile, or median, 50% of all rents are lower and 50% are higher; while for the third quartile, 75% are lower and 25% are higher.

In general, rents in Massachusetts are higher than in the rest of the United States. In 1990, only four other states have higher median rents than Massachusetts: Hawaii (\$599), California (\$561), New Jersey (\$521), and Connecticut (\$510).

In Massachusetts, rents have risen sharply in recent years. The state's median rent jumped from \$197 in 1980 to \$506 in 1990, an increase of 157%, which far exceeded the rate of inflation over the same period. Except for Rhode Island, the percentage increase in rent for Massachusetts was the largest percentage increase for any state in the 1980s.⁽¹⁾

Cambridge Rents: State Comparisons

A quick comparison of rents paid statewide and in Cambridge shows that, even with controls on rents for a large part of the private housing market, Cambridge rents track very closely the average rent levels for the state.

Number of Rental Units

Overall, Cambridge ranks fourth among Massachusetts communities in number of rental units (See Table A). Like all the other Massachusetts communities with large concentrations of rental housing, that is, at least 15,000 rental units, Cambridge is an older urban center which once had a major industrial or manufacturing base.

A closer look at the distribution of rents paid in Cambridge and throughout Massachusetts reveals that a disproportionately large number of very high rents are paid in Cambridge, while the city has a lower than average number of lower rents.

Rents Over \$1,000

According to Table B, Cambridge has 2,408 units where tenant households pay more than \$1,000/month in rent. As a result, Cambridge ranks third in the state for these very high rentals. While 5% of all tenant households in Massachusetts pay more than \$1,000/month in rent, in Cambridge 9% of all tenant households fall into this category. Only five communities in Massachusetts have more than one thousand of these high end rental units.

The concentration of very high rentals suggests that there are pressures in Cambridge's housing market not found outside of the immediate Boston area or in most of the state's other urban centers where there are large numbers of renters.

(1) *Statistical Abstract of the United States*, Table No 1229: Occupied Housing Units -- Housing Value and Contract Rent, by State: 1990.

These pressures are reinforced by the concentration of very high rentals in suburban communities adjacent to Cambridge, including Arlington (8% of all rentals over \$1,000/month), Belmont (16% of all rentals over \$1,000/month), and Watertown (11% of all rentals over \$1,000/month).

By placing rent controls -- which are designed to limit speculative pressures on rents and produce rents which cover costs -- on a majority of privately-owned rental units, Cambridge has succeeded somewhat in containing those pressures in its housing market. To see how this works, compare 1990 U. S. Census data for Cambridge and Worcester. Worcester is a major center of rental housing outside the hot Boston-area real estate market where Cambridge and its adjacent communities are located.

TABLE II

	<u>Cambridge</u>	<u>Worcester</u>
1st Quartile:	\$319	\$310
Median Rent:	\$483	\$451
3rd Quartile:	\$689	\$552

Source: U.S. Bureau of the Census, *Summary of Population and Housing Characteristics: Massachusetts*. Table 11: Occupancy and Financial Characteristics for Renter-Occupied Housing Units: 1990.

While Cambridge's rents are consistently higher than those of Worcester, the widest disparity -- by far -- exists at the high end. It is pressure of this sort in the housing market which rent control was intended to contain. These figures indicate that Cambridge has been reasonably successful in this regard.

Rents Less than \$250

By contrast, Cambridge, with 4,513 units in which tenant households paid less than \$250/month in rent, ranks sixth among all Massachusetts communities (See Table C). Nineteen percent of all tenant households pay less than \$250/month in rent, while in Cambridge 17% of tenant households fall into this category. Altogether, thirty-two communities in Massachusetts have at least one thousand such rental units. Almost invariably, these communities, like Cambridge, are, or once were, industrial centers, and some were mill towns.

Not all tenant households paying less than \$250/month in rent are in the private housing market. Tenants households in publicly owned or subsidized housing tend to be found at the low end of the range of rents paid. In Cambridge, where approximately 5,000 rental units, or 18% of the city's rental housing, are publicly owned or subsidized, public housing is obviously a significant factor in the overall figures. Public housing is also a significant factor in the city of Boston where a comparable percentage of the total rental housing is publicly owned or subsidized.

Across the state, though, a large part of housing renting for less than \$250/month is found in the private housing market. Given this fact, the rent levels and rent ranges found across the state, especially in the older urban centers, suggest that the condition of the housing stock in Cambridge has little, if anything, to do with the limits on rent levels established by rent control.

This assessment is reinforced by a simple visual inspection of rental housing in Cambridge, especially in the the eastern part of the city, and of that in the other urban centers listed in Table A. Across the state rental housing of similar age and construction to that in much of Cambridge is operated by private owners at rents typically at, or even less than, rent-controlled rents in Cambridge.

Conclusion

In Cambridge, rent controls help contain the pressures in the housing market that would otherwise transform Cambridge from a largely urban center, which resembles in many ways the other communities listed in Table A, into an upper-income suburban community much more like the towns which border it.

TABLE A

**MASSACHUSETTS COMMUNITIES WITH AT LEAST 15,000
RENTAL UNITS:**

<u>Community</u>	<u>Number of Rental Units</u> (Renter-Occupied)	<u>Median Rent</u>
Boston	157,920	\$546
Worcester	36,228	\$451
Springfield	29,250	\$418
Cambridge	27,446	\$483
Fall River	25,005	\$277
New Bedford	21,785	\$313
Lowell	21,511	\$494
Somerville	20,921	\$591
Quincy	18,274	\$599
Lynn	16,977	\$507
Lawrence	16,494	\$470
Brockton	15,334	\$491

Source: 1990 U.S. Census, Summary of Population and Housing Characteristics: Massachusetts. Table 11: Occupancy and Financial Characteristics for Renter-Occupied Housing Units: 1990.

TABLE B

**MASSACHUSETTS COMMUNITIES WITH AT LEAST 1,000
RENTAL UNITS FOR WHICH TENANTS PAY MORE THAN
\$1,000/MONTH IN RENT:**

<u>Community</u>	<u>Number of \$1000+ Units</u>
Boston	13,159
Brookline	3,052
Cambridge	2,408
Newton	2,204
Somerville	1,429

Source: 1990 U.S. Census, Summary of Population and Housing Characteristics: Massachusetts. Table 11: Occupancy and Financial Characteristics for Renter-Occupied Housing Units: 1990.

TABLE C

**MASSACHUSETTS COMMUNITIES WITH AT LEAST 1,000
RENTAL UNITS FOR WHICH TENANTS PAY LESS THAN
\$250/MONTH IN RENT:**

<u>Community</u>	<u>Number of <\$250 Units</u>
Boston	29,987
Fall River	10,947
New Bedford	8,114
Springfield	7,352
Worcester	6,826
Cambridge	4,513
Lowell	4,030
Lynn	3,552
Lawrence	3,442
Brockton	3,086
Holyoke	2,647
Quincy	2,520
Somerville	2,440
Chicopee	2,302
Chelsea	1,895
Fitchburg	1,720
Pittsfield	1,675
Malden	1,654
Framingham	1,620
Taunton	1,579
Salem	1,285
Medford	1,267
Revere	1,246
North Adams	1,197
Haverhill	1,136
Peabody	1,083
Everett	1,078
Beverly	1,049
Brookline	1,039
Northampton	1,014
Waltham	1,014
Attleboro	1,005

Source: 1990 U.S. Census, Summary of Population and Housing Characteristics: Massachusetts. Table 11: Occupancy and Financial Characteristics for Renter-Occupied Housing Units: 1990.

Committee Report #5

S-156

A comm. was received from D. Margaret Drury transmitting a report from Councillor Born Chair of the Rent Control Committee for a public hearing held on April 6, 1994 regarding Councillor Toomey's proposals for rent control as outlined in Council Order No. 39 of February 28, 1994

In City Council April 11, 1994

Report accepted
Placed on file
Order adapted to
Refer to City Manager
& his Housing Cabinet.
4/20/94 Copy sent to
City manager @