



The Small Property Owners Association of Cambridge

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March 15, 1993

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

Communication to the City Council

Dear Ms. Drury:

As part of SPOA's effort to educate the City Council about rent control, enclosed please find an article entitled "A Model for Destroying a City" which appeared in the Wall Street Journal March 12, 1993. In particular, please note the sections regarding rent control in Cambridge and the Goetze study.

Please include this article in the record of the council and distribute copies to all councilors as is customarily done for communications to the council.

Sincerely,

Susan Batchelder
Corresponding Secretary

enclosure

cc: Terry Morris, Executive Director, Cambridge Rent Control

A Model for Destroying a City

By WILLIAM TUCKER

Next week marks the 50th anniversary of the passage of the Emergency Wartime Residential Rent Control Act. Designed to prevent transient, well-paid wartime workers from outbidding local residents for apartments in industrial cities, the law was eventually extended to New York City—which had few wartime industries and reasonably high vacancy rates.

After the war, rent controls were abandoned everywhere except New York, where they have been extended by state law ever since. During the inflationary 1970s, a second wave of rent control ordinances captured Boston, Cambridge, and Brookline, Mass.; Newark; much of suburban Long Island and New Jersey; Washington; and more than half the population of California. Today more than 200 cities, containing about a fifth of the rental units in the country, are under rent control. The results have been disastrous.

Hardly a man is now alive who remembers what New York City was like before rent control. Who can recall the traditional "moving days" of April 1 and Oct. 1, when old leases expired and New Yorkers went hop-skipping across the city in pursuit of better apartments? Who remembers the "fall renting season," when landlords spent the month of August redecorating in order to attract prospective tenants returning from summer vacation? Housing was so cheap and plentiful that people routinely put their furniture in summer storage and rented a new apartment when they returned in the fall. New York was often called the "City of Nomads."

Dilapidated Housing.

Today, most New Yorkers have become accustomed to the idea that finding an apartment requires Eastern European-style guile and duplicity. A few years ago, New York magazine recommended "joining a church or synagogue" as a good way of meeting people who might provide leads on a new apartment.

After 50 years of rent control, New York, which once had arguably the most beautiful housing stock in the world, now has the most dilapidated housing in America. Beautiful brownstones from the turn of the century now stand shuttered with window decals that feature drawings of curtains and flowerpots, designed to make it appear that someone is living in them. Over 70% of central Harlem has been taken for back taxes. The middle-class bureaucracy that manages this confiscated housing now swallows more money than the New York Public Library. Meanwhile, a whole generation of struggling, blue-collar landlords has been wiped out.

All this has done wonders for the city's perpetual fiscal crisis. Although few realize it, New York City borrows more money than any entity except the federal government. Despite its massive debt, New York remains a museum of decaying infrastructure. Where does the money go? Into housing construction. Over the past five years, the city government has spent \$5.1 billion rehabilitating housing confiscated from private landlords.

Still, New Yorkers accept all this

sheepishly, going to the shearing every year for taxes that are 170% of the national average with barely a whimper. At least the government is protecting them from their landlords.

What has happened is fairly predictable from economic theory, which forecasts supply shortages, disinvestment and deterioration of the product when price controls go into effect. What has been less explored is the "nomenklatura" phenomenon—the emergence of an elite capable of turning the regulations to its advantage.

Although rent control is always advertised as "helping the poor," the rich and well-connected have been the clear winners. In New York, rents in Harlem and the outer boroughs are at market levels, while all the "great deals" are on the Upper East Side, the Upper West Side and

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Greenwich Village—home of the cultural and financial elite.

Such luminaries as Deputy Mayor Barbara Fife, City Council President Ruth Messinger, former Mayor Ed Koch, James Levine, music director of the Metropolitan Opera, Alistair Cooke and ballerina Suzanne Farrell have all spent years benefiting from rent control.

The same pattern is beginning to emerge in other cities that adopted rent control during the "second wave" of the 1970s. In recent months, independent studies in Cambridge, Mass., and Berkeley, Calif., have found that the major benefits of rent control have gone to upper-income professionals who use their mastery of the bureaucracy and their superior networks of friends and connections to exploit the system.

In Cambridge, Rolf Goetze, a highly respected housing consultant, compiled statistics on residents' age and occupation from the city's 71,000-person voter registration records. He then compared the characteristics of tenants in rent-controlled housing with those of tenants and homeowners in the uncontrolled sector.

Despite the tendency of high-income people to own their own homes, Mr. Goetze found rent-controlled apartments to be more densely populated with professional people in their prime earning years. Over 52% of rent-controlled tenants are age 30 to 49, compared with 34.4% in the noncontrolled sector. Senior citizens make up only 7.7% of the rent-controlled sector but 16.6% in unregulated housing. Also underrepresented in rent-controlled apartments are young people, age 18 to 29, who are 32.3% of the unregulated population but

only 24.5% of those in controlled housing.

Mr. Goetze found the rent-controlled tenantry to be dominated by people classified as professional, managerial-administrative, technical-semiprofessional, clerical and skilled. The unregulated sector was populated by unskilled and semi-skilled blue-collar workers, students, retired people, housewives, and the unemployed.

"The largest concentration of people in rent-controlled apartments seems to be white-collar professionals in their 30s and 40s," says Mr. Goetze. "Rent-controlled units are not concentrated in any particular neighborhood. It's just that, wherever they are, professional people seem to be more skillful at ferreting them out."

Typical is Kenneth Reeves, a 1970s Harvard graduate and now mayor of Cambridge. Mr. Reeves still lives in the rent-controlled apartment he first rented in 1976. In an apparent gesture of populism, he even advertises his rent-controlled status in his campaign literature.

In Berkeley, Michael St. John, a Ph.D. in economics who has consulted for landlords for many years, is just completing a study for the Pacific Legal Foundation that reaches almost identical conclusions. "We've compared the population of Berkeley in 1980, just after rent control was instituted [1979], with the population of Berkeley today," says Mr. St. John. "It's already obvious that there has been an enormous shift toward the professional and white-collar classes. Welfare mothers form a much smaller portion of the population today, as do several other categories of older and poorer people. Berkeley probably would have gentrified anyway—the same thing has happened in neighboring towns—but rent control seems to have accelerated the process."

Revenge Backfires

Ironically, even though rent control was adopted in both Berkeley and Cambridge with the help of vast student-voter populations taking revenge on their "townie" landlords, today's college students do not seem to be getting any of the benefits.

Eva Floystrup, who with her carpenter husband has owned a building in Berkeley for 20 years, still rents to the six thirty-something professionals who came to her as Berkeley students 15 years ago. "I can't get rid of them," she says. "I have students coming up to me all the time saying, 'Why can't I find anyplace to live in Berkeley?' I tell them, 'We're still taking care of the Class of '79. If they ever leave, I'll have room for you.'"

Rent control's toll on the housing stock has been devastating, the inequities enormous. But remember, it's only temporary. As soon as Berkeley and Cambridge's "temporary housing shortages" are over—as soon as World War II winds down in New York—things will be getting back to normal.

Mr. Tucker, a reporter at The Bond Buyer, is the author of "The Excluded Americans: Homelessness and Housing Policies" (Regnery Gateway, 1990).

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S-BY
Comm. from Susan Batchelder, Corresponding
Secretary, Small Property Owners Association
of Cambridge, transmitting an article
regarding Rent Control in Cambridge and the
Goetze Study.

In City Council,

March 22, 1993

Placed in file