

REPORT OF THE HOUSING CABINET TO THE CITY COUNCIL

INTRODUCTION

Since its establishment in late 1991, the Housing Cabinet has been meeting to coordinate City housing programs. These meetings have provided an important forum for discussing and resolving problems with particular properties where action is required by more than one City agency. A notable recent example is that presented by the property at 19 Market Street. The serious fire in this rent-controlled building necessitated a response from several City agencies, including the Fire Department, Emergency Management, the Department of Human Services, Inspectional Services, the Rent Control Board and the Community Development Department. The Housing Cabinet provided an efficient means of coordinating the follow-up required of each department.

In addition, discussions by the Housing Cabinet of the particulars of this fire at this property resulted in the Cabinet's conclusion that future coordination of such services can best be achieved through the articulation of a specified set of procedures to be employed by all involved City departments in multi-family building fire and other disasters which may result in the displacement of persons from their homes. The Cabinet is currently in the process of developing these guidelines.

The Housing Cabinet has also made progress in institutionalizing interagency staff coordination and resource-sharing. One important example of this is in the area of utilization by the Rent Control Board of Community Development's expertise in housing rehabilitation. Not only has informal consultation been increased, Rent Control and Community Development have planned jointly a training for hearing examiners in the area of rehab issues and costs. Furthermore, the Housing Cabinet is attempting to implement a pilot program to have the Inspectional Services Department collect information about the capital needs of units during routine housing, electrical and plumbing inspections of units in multi-family buildings.

THE CENTRAL PROBLEM OF AFFORDABLE PRESERVATION

During the course of the meetings, it has been clear that there are recurring underlying issues which should again be brought to the Council's attention. As the City Council recognized in its Cambridge Housing Plan, adopted by the Council in 1991, a central problem for Cambridge housing policy is how to encourage and facilitate the investment that an aging stock of residential rental housing requires without rendering the stock unaffordable for low and moderate income tenants.

Housing that was built 75 years ago needs major investment to stay in service.

Cambridge's rent control system provides for the capital improvements required to maintain the stock by allowing rent adjustments to cover the costs of such work. Many owners of rent controlled stock have been able to make such investments. Their buildings are in decent shape, and the rents for their units are at the high end of the rent control continuum of rents. But throughout the city there are buildings which quite obviously have not had such investment. They are in extremely deteriorated condition, and their rents are among the lowest in the same continuum. According to a 1990 study by the Rent Control Board, those units also tend to be occupied by the lowest income tenants, who, according to that study, are trapped in these units, paying all the rent they can afford for substandard housing.

If these property owners make the capital improvements needed to fix up the apartments and receive the increases allowable under rent control law, the low-income tenants will be unable to afford the resulting rent increases, and they will be displaced. If the property owners do not make capital improvements, the apartments will become uninhabitable and, again, the tenants will be displaced.

It might be helpful to look at the nature of the investment and the resulting rent increases that would occur under three different scenarios for an extremely deteriorated building. A conservative estimate of the cost for rehabilitation of each unit in such a building is \$30,000.

First, if the rehabilitation is done by a landlord under existing rent control rules with no public subsidy, the rent increase per month is \$420, not including any increase in operating expenses.

Second, if the work is funded by a deeply subsidized loan with the landlord paying only 3% interest on the \$30,000 for 15 years, the resulting increase to the tenant will be \$207 per month, again without any allowance for yearly increases in operating costs or taxes.

Third, where the rehabilitation is done with funds made available by grant or deferred loan (no payback so long as certain conditions are met), there is no increase,¹ and no danger of displacement, but the public subsidy for one six-unit building would approach \$200,000.

LOW INTEREST LOANS AND BONDS FOR REHABILITATION

The clearest way to achieve both goals, affordability and preservation of the stock, is to identify resources to capitalize a low-interest or no-interest loan fund. One potential source of capital for a loan fund which has been suggested is tax revenue; another source is tax exempt

¹Since there is no rent increase resulting from a deferred loan or grant, the cash flow from the building does not increase.

bond funding. If either of these sources were used to fund a loan pool, significant restrictions which would ensure primary public benefit for low and moderate income households would have to be included. These restrictions include:

- A significant portion of tenants in a building which was going to receive loan funds would have to be low income. Income documentation would be required.
- A property owner applying for funds might also have to qualify as low income.
- Property owners would have to guarantee affordability for the length of the bond or loan. This could be difficult to achieve if operating costs increase or additional rehab becomes necessary.

In addition, the Anti-Aid Amendment to the State Constitution, which prohibits a municipality from spending tax revenue to assist in gain for a private party could impose additional requirements for public benefit which, in turn, could create additional barriers to the use of tax dollars for the rehab of rent-controlled properties. Furthermore, if the source of the funds were to be tax-exempt bonds, not only would home rule legislation be required, the funds would be subject to the volume cap. This is a federal cap on the total amount of private activity tax-exempt bonding, that is bonding for loans to private parties who are not 501(c)(3) nonprofit corporations, which can be done in the Commonwealth. The volume cap is administered and enforced by the Executive Office of Communities and Development (EOCD). Municipalities which wish to issue bonds which fall under the volume cap must apply to EOCD for authorization. It is also possible that such bonding could be subject to a requirement for a public hearing prior to the individual loan. Even with tax exempt bond rates, which are today approximately six percent, an additional write down of interest rate would be required to ensure affordability.²

The City has experience³ with low interest loan funds involving some of the restrictions

²This memorandum does not address issues relating to the use of tax exempt bonding for affordable housing development. Tax exempt bonds for loans to 501(c)(3) nonprofit housing development agencies would not be subject to the volume cap. The levels and length of affordability typical to nonprofit development of affordable housing would generally meet public benefit requirements. There is, of course, still the issue of the necessity of additional subsidy to make the housing affordable. If the project can be developed on City-owned land, the affordability gap is lessened.

³Cambridge Community Development Department currently administers, and contracts with Just A Start to assist, the Rental Rehab loan program for multi-family rental properties. CDD also administers the Harvard HELP loan fund. In addition, CDD provides administrative support for the multi-family rental loan program and the Small Property Loan Program of

which would be required if tax revenue or tax exempt bond funds were used. This experience indicates that very few property owners are likely to participate in a rehab program with the restrictions required. Common requirements in existing low-interest loan programs are:

- The property owner must guarantee at least fifteen years of affordability.

- The promise of affordability is secured by a mortgage, which the City can call if the promise is not kept.

- The monitoring of occupancy of the units is necessary but not popular with owners.

- Conventional financing must be secured for units occupied by wealthier tenants above certain income levels.

- The loan, even at low interest rates, appears as a debt, which means that an owner who wants to sell the property will realize fewer proceeds.

Therefore, a publicly financed program for rehabilitation of privately owned housing is unlikely to attract many owners because of the restrictions imposed where municipal public funds are used.

INCENTIVES FOR PARTICIPATION

There are, however, a number of ways to provide incentives for participation of property owners in a rehab program involving low interest funds. One way to encourage owner participation even with the restrictions is to invest not the minimum amount of public funds to rehab the building, but to build in a larger loan amount which would allow the property owner to receive improved cash flow. This would result in a more expensive program with potentially fewer units being rehabbed. Another way to make a rehab program more attractive is to reduce the number of restrictions related to the loan, for instance, reduce requirements for long term affordability and occupancy of low income households. The only way to reduce restrictions which lock in public benefits would be to change the source of financing since tax exempt bonding and tax revenue financing requires public benefit. A third way might be to give grants rather than loans, so property owners' debt on a building would not be increased and risk would be minimized. The effect of this would be to eliminate any possibility of funds revolving and give the City limited security.

For a loan fund to work well, the source of money needs to be regenerative as well as

Cambridge Neighborhood Apartment Housing Services.

flexible. With \$1 million of deferred loan (grant) funds, thirty-three units could be rehabilitated if the cost were \$30,000 per unit. To rehab the 200 units studied by the Rent Control Board at this cost would take \$6 million. If these funds are loans, in order to minimize the rent increases, not only must the interest rates be low, but the term must be long. This means that very little money is available for reuse for the first several years, so the loan fund must be recapitalized year after year.

RENT CONTROL BOARD INITIATIVE FOR PRESERVATION

Some changes and proposed changes in the Rent Control Board's regulations address the issue of preservation of the City's housing stock. The Board's proposed pre-approval rent adjustment procedures are the most important example. By creating a process which enables a property owner to ascertain the scope and costs of work which the Board will approve before the owner does the work and spends the money, the Board expects to provide increased incentives for owners to engage in preservation work. However the pre-approval process does not deal with the affordability issue. In fact, by allowing necessary rehab without providing subsidized financing, the result will be to increase rents potentially to levels unaffordable to low/mod income tenants.

ACCESS FOR LOWER INCOME TENANT TO PRIVATE AFFORDABLE UNITS

Another central problem for Cambridge Housing policy, and again, one emphasized by the City Council in its 1991 policy document, is the problem of access to the existing affordable private rental stock for low income people and for families. Housing need studies done or commissioned by the City consistently demonstrate that more housing is needed for low and moderate income families in Cambridge.⁴ There are over 5,000 families on the Cambridge Housing Authority waiting list.

Much of the rent-controlled stock is affordable to low income families. The average rent-controlled rent is \$464. By conventional standards of affordability 30% of income for housing costs, this rent is affordable to a family with an income of \$16,668. Over half of all rent-controlled units have two or more bedrooms, which make them suitable for households with children. According to a recent Housing Needs Study, 28% of rent controlled units are occupied by families.

In the past, the federal Section 8 and state 707 programs, both administered through the

⁴See, e.g., Goetze, Rolf, "Cambridge Housing Challenges," 1990.

Cambridge Housing Authority (CHA), have been effective in providing access for low income families to the available rental units. Since units rented to families holding Section 8 or 707 certificates are exempt from rent control and owners receive a market-rate rent from the CHA, there is a big incentive for rent-controlled owners to rent to tenants holding certificates. Now, however, the number of available certificates has decreased sharply, and continues to decrease each year. Clearly, other ways must be found to facilitate access by Cambridge low and moderate income families to housing affordable to them.

POTENTIAL RENT CONTROL BOARD POLICY ENHANCEMENTS TO ACCESS

The Cambridge Rent Control Board is currently exploring whether allowing the merger of small units to create family-sized units would lead to an increase in utilization of the units by families. In addition, the Rent Control Board has surveyed other rent control jurisdictions to determine whether those administrations have created programs to create incentives for the rental of units affordable without subsidies to lower income tenants.

Although the survey of fourteen jurisdictions revealed that few other rent control systems have created such incentives, the Board discovered that the Santa Monica Rent Control Board has a "dedicated units" program. In exchange for renting a rent controlled unit to a low income family, the next voluntarily vacated unit receives a one-time rent adjustment for either \$400 or \$600, depending on the income, and therefore the rent level for the low income tenant. The Santa Monica program has been in operation since February, 1989. The Santa Monica Rent Control Board Administration has recently completed an evaluation of the program, and, as a result, has recommended some changes. The recommended changes include reducing the required participation period (currently ten years) to three to five years and providing additional incentives for renting to families with children. Although property owners cited the complexity of the program as a major reason for not participating, the administration did not recommend reducing the complexity, because it felt that simplification would be accomplished at the expense of many of the built-in protections against harassment and duplicity. Overall the evaluation rated the program as currently small, but with potentially positive results in the future. The Cabinet recommends that the Council's Rent Control Subcommittee consider this program, and at the request of the Subcommittee will forward additional information about this program.

CONCLUSION

The problem of access for low and moderate income tenants to affordable decent housing remains one of the most difficult problems facing any city. Rent control does not address this problem - it does not guarantee access to units for low income households nor assure existing tenants living in deteriorated buildings that their rents will not be substantially increased because of necessary rehab. Nor are the existing loan programs the City administers sufficient to address the problems. Rehabilitation of existing rent control housing with public funds requires

landlords to accept or keep tenants who meet income guidelines. Rehabilitation without these restrictions requires that other funding sources be identified. To secure access to affordable housing for tenants of low income requires real incentives to landlords beyond what has been tried here.

The Council has indicated two equally important goals in relation to the housing stock: rehabilitation of the stock and increased access to low income households. However, with limited resources, there are tradeoffs that must be made. The Council needs to continue the discussion concerning what is its top priority in housing. If access to affordable housing for low income tenants is the top priority, further realistic exploration of new funding sources for rehabilitation and innovative incentive programs for access should be explored. The City cannot do all of these things with the currently existing resources and the Council needs to decide what is its most important policy goal.

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COMMENTS ON THE "REPORT OF THE HOUSING CABINET
TO THE CITY COUNCIL"

Submitted by Nancy Pozar
54 Pearl St., Cambridge

There is much in this report of interest to individual citizens such as myself who are involved in providing affordable housing in Cambridge. The report's formulation of the "central problem of affordable preservation" as well as the proposed potential funding avenues for rehabilitation provide useful insights into current city government thinking on these issues. The following comments represent my personal reaction to the report and are offered in the spirit of "constructive criticism" and out of concern for affordable housing in this City.

1. **The housing rehabilitation costs are ill-defined and potentially excessive.**

The report contains a number of statements with no supporting documentation that are important to affordable housing policymaking. One of these is

- o "A conservative estimate of the cost for rehabilitation of each unit in such a building is \$30,000;" and "...the rent increase per month is \$420..."

It is important to know what the \$30,000 covers (i.e., new bathrooms, new kitchens, lead paint removal, size of unit, etc.). My own experience with housing maintenance and repairs is that substantially less money is needed to do repairs that will satisfy both the tenant and the state sanitary and housing code. I believe most people, including tenants - and I am a tenant - recognize that there are costs associated with the maintenance of their housing and that someone must pay these costs. However, through the use of housing rehabilitation methods that emphasize minimizing costs (such as that espoused by the Enterprise Foundation) both tenant requirements and the state housing code standards can be satisfactorily met. In my experience with affordable housing in Cambridge, a two bedroom rent-controlled unit can be "rehabbed" to the satisfaction of the tenant and the state housing code for substantially less than the \$30,000 cited in the report. (And this includes lead paint removal also).

Other statements are not necessarily true and need to be examined critically before they are assumed for purposes of making affordable housing policy. The report makes various statements without any backup:

- a) "Housing that was built 75 years ago needs major investment to stay in service;" [A house built 75 years ago does not necessarily need major investment - it depends upon a number of factors.]
- b) "Many owners of rent controlled stock have...made such investments. Their buildings are in decent shape, and the rents for their units are at the high end...of rents" [My own experience and my reading of the Cambridge Chronicle suggest that assumed correlation between high rents and quality of rent-controlled or other units in Cambridge is very debatable.]

These assumed facts are important to both the understanding of the problem of preserving affordable housing and the development of appropriate solutions.

2. The report fails to acknowledge that a rent increase due to past investments made by the property owner may be difficult to implement because of current Rent Control Board policies. Whatever the minimum costs are for rehabbing a unit and bringing it up to standards that satisfy both the tenant and the housing code, these costs must be absorbed either by the property owner or paid for in some other way - through rent increases by the tenant or through subsidies (either public or private). With regard to the passthrough of these costs to the tenant, the report assumes (page 2, paragraph 2) that if a property owner makes the capital improvements needed to fix up the apartments and receives an increase through the Rent Control Board process then the property owner will be able to pass this increase through to the tenant. This is not necessarily the most realistic scenario since it is very possible that in the six years prior to the improvements and the date of the authorized rent increase, there were code violations on the unit. A tenant may cite these past code violations, withhold rent, and potentially receive a substantial abatement from the Rent Control Board. Under present Rent Control Board practice, the property owner faces the potential prospect of a protracted, expensive legal dispute on the issue of implementing a rent increase due to a capital improvement. The report fails to address this issue.

3. The report is unclear in defining important terms that impact affordability issues. For example, on page 5, the report notes that "28% of rent controlled units are occupied by families." Does this mean that 72% of the units are occupied by single individuals (suggesting there is substantial 'overhousing' if over half of all rent-controlled units have two or more bedrooms)? Or does it mean that the definition of "families" does not include multiple individuals? This becomes an important issue in understanding the potential impact of rent increases from capital improvements on the occupants of rent-controlled units. For example, if many of the rent control units that need rehabbing also contain single individuals, the impact from capital improvement-based rent increases may mean lifestyle changes (such as the tenant taking on a roommate). This is a vastly different kind of tenant impact than displacement.

*** The City's report and purported interest in preserving affordable rent-controlled housing is hypocritical in view of the City's actions against RCCHI. If "a central problem for Cambridge housing policy is how to encourage and facilitate the investment that an aging stock of residential rental housing requires without rendering the stock unaffordable for low and moderate income tenants", then why has the City of Cambridge taken a negative position against a housing organization whose very existence is to do precisely this? The City of Cambridge should be supportive (if not supporting) organizations such as Riverside Cambridgeport Community Housing Inc. (RCCHI) that are "on the front lines" in grappling with the day-to-day issues of rental housing affordability for low and moderate income tenants.**

City of Cambridge

The Rent Control Committee conducted a public hearing on Tuesday, February 25, 1992, beginning at 6:00 p.m. in the Sullivan Chamber, City Hall.

Councillor Jonathan S. Myers, Chair of the above referenced Committee, convened the hearing and stated that the purpose of this date's proceedings was to discuss the Committee's agenda and goals for the 1992-1993 term. Present at the hearing were: Councillor Timothy J. Toomey, Jr., Councillor William H. Walsh and Deputy City Clerk John E. Flynn.

To begin the discussion, Councillor Myers stated his intention to use the Committee's time and energies to focus effectively on what can and needs to be done with regards to Rent Control within the City of Cambridge. The Chair noted the fact that the citizenry possessed a strong recognition of the policy of Rent Control but that problems exist and extend on both sides of the issue. Councillor Myers further stated his desire to focus on three to five areas of concern to make improvements to the Rent Control System. He further urged caution to those assembled not to rehash stated positions but to deal with areas of common concern and agreement. He also stated that the agenda of the first three meetings would serve to flush out the agenda of the Committee for the term. The Chair also stated his desire to work towards some agreements between the differences that exist among various constituent groups.

The Committee, upon completion of the Chair's opening remarks, opened the floor to public comment and testimony.

Mr. Salim Kabawat, Co-Chair of the Small Property Owners Association (SPOA), 145 Bishop Allen Drive, stated his appreciation to the Chair for his willingness to work to help solve some of the problems presently being faced by his association and that at a later date a position paper would be forwarded by SPOA with regards to the Committee's Agenda.

Mr. Kabawat further stated that his Association will sponsor a ten (10) point agenda which will deal with the following three areas:

- Bread and Butter Issue - Rent.

*Question of low rents - Mayor Emeritus Vellucci's Green Ribbon Report.

*Management fees.

*Question of Capital Improvement.

- Removal of the Rent Control Board from the Eviction Process.
- Question of exempting of some units from the Rent Control Rolls.

*Expanding of Sabbatical Rule.

Mr. Neil Rohr, 279 Pearl Street, C.E.O.C. Tenant Services, offered the Committee the following discussion points:

- Condominium Conversion - extend state-wide protection to those past 1969 tenants who are presently not protected in non-rent control properties.
- Eviction Process - presently 707 and Section 8 tenants are exempted from the rent control eviction process. C.E.O.C. supports the extending of this eviction protection to these rental subsidies.

At this time the Committee heard from Mr. Bill Noble, 38 Green Street and a member of the Cambridge Tenant Union who stated the belief that there exists strong support but unsure if the City has strong rent control. He offered the following discussion points:

- Enforcement.
- Inventory - not an agenda item but a fact.
- Affiliate Housing - questions surround the definition of the term, why the units are not included on the rent control rolls and what can be done to return them to the rolls.
- Rent by precise unit versus General Adjustment mechanism.

At this time Mr. Michael Turk, 24 Prescott Street and Co-Chair of the Cambridge Tenants Union, offered the following area of interest by his membership:

- Rent - the General Adjustment is presently driving rents upward; Control on large rent increases brought on by large capital investments (one suggestion offered was a phase in of rent increases); revolving loan fund.
- Removal Process - two areas of interest - enforcement and affiliate housing.
- Role of Rent Control Board in carrying out the mandate of the enabling legislation.

- Access - the creation of a Housing Access Office to break down the barriers for poor people and people of color (suggested that this office work independently of the Rent Control Board perhaps within the Department of Human Service Programs.)

The Committee then heard from Mr. Robert J. LaTremouille, Esq., 348 Franklin Street who offered the following discussion points:

- cited his support for the extending of rent control eviction protection to Section 8 tenants.
- Condominium Conversion - Acceptance of the State Condominium Conversion Statute.
- Transition Exemptions.
- Removal Ordinance - as it relates to buildings in the 1969-1983 era.

At this time Ms. Lenore Schloming, 102 Inman Street, stated her belief that the present capital improvement mechanism is not fair to either tenants or property owners. She spoke of the need of a capital reserve function to be built into the base rent. She also stated her support for the Chair's formation of an Advisory Committee to work with this Council Committee.

Mr. Alex Steinbergh, 3 Clinton Street, outlined to the Committee the following discussion areas:

- A purchasing cooperative - between tenants and property owners to negotiate with vendors (i.e. oil, insurance, maintenance) to lower costs and increase property owners profit margin. The City would back and guarantee the negotiated purchases.
- The purchase of Rent Control units by the City.
- Means Test and Rent Guarantees.
- Vacancy Decontrol - property owners would pay a dollar amount to the Affordable Housing Trust fund thus releasing the unit from Rent Control and with the proceeds the City would purchase Rent Control units.

Upon conclusion of public testimony, Councillor Myers outlined the following housekeeping measures:

- Recommended that the interested parties exchange their respective proposals with each other.
- Scheduled the next two hearing dates for the Committee:
 - *March 24, 1992 at 6:30 p.m.
 - *April 7, 1992 at 5:30 p.m.

The Chair then outlined to those assembled some priorities that he would like to look at and discuss in the upcoming term. Those included:

- Rent - extremes
- Inventory
- Enforcement/Inspection
- Access.

Councillor Toomey then offered the following points of discussion:

- Access
- Conditions of Rent Control Property - deleading process and its impact on rentals to families.

Councillor Walsh stated his support for the Chair's formation of an Advisory Committee and the exchanging of positions between interested parties.

The hearing was adjourned at 7:28 p.m.

For the Committee,

Councillor Jonathan S. Myers
Chair

City of Cambridge

The Rent Control Committee conducted a public hearing on Tuesday, March 24, 1992 beginning at 5:40 p.m. in the Sullivan Chamber, City Hall.

Councillor Jonathan S. Myers, Chair of the above referenced committee, convened the hearing and stated that the purpose of this date's proceedings was to review the communications received from the Cambridge Tenants Union (CTU) dated March 22, 1992 and the Small Property Owners Association (SPOA) with regards to issues that the respective groups recommended for inclusion in the Committee's Agenda for 1992-1993. Present at the hearing were: Councillor Timothy J. Toomey, Jr., Councillor William H. Walsh and Deputy City Clerk John E. Flynn.

Councillor Myers, in his opening remarks to those assembled, restated the mission of the Committee is to focus on and reform Rent Control in the City of Cambridge. The Chair stated the Committee's intention to clearly concentrate on and resolve four areas within the system. He also noted that the Massachusetts Legislature's Joint Committee on Local Affairs had solicited public testimony regarding House Bill 4720 (H4720, "AN ACT ABOLISHING RENT CONTROL IN THE COMMONWEALTH") on March 24, 1992 and that the statements made at that hearing would not be considered germane to the workings of this Committee.

Councillor Walsh stated that he was not present at the legislative hearing but supported the rights of citizens to go to the state and express their opinions before their elected officials. He also stated that the Committee's workings deals with the present rent control system and the H4720 deals with the abolishment of rent control in the Commonwealth.

Councillor Myers said that he was not stating that citizens had no right to express their opinion, only that statements calling for the elimination of rent control made the Committee's work harder. Nevertheless, the Committee's work would continue to improve rent control.

At this time Councillor Myers outlined the list of issues that were gathered from the discussions held on February 25, 1992 and requested that with regards to the low rent issues that the high rent issue also be considered to complete the spectrum. Upon conclusion of the outline, the Chair opened the floor for public commentary.

Mr. Neil Rohr, 279 Pearl Street, inquired of Councillor Walsh for his position on H4720.

Councillor Walsh stated that he did not know the details of the proposed legislation but he was an advocate of change and reform in the present Rent Control system. He further stated his belief that Rent Control should only be for the poor.

Mr. Michael Turk, 24 Prescott Street, stated his position on Affiliate Housing that being to reconrol these units and that this was an area of agreement between the CTU and the SPOA.

Mr. Peter Shapiro, Just-A-Start Corporation, noting the fact that it was hard for the two sides to agree on the criteria of what to discuss suggested that two issues be selected by property owners and two issues be selected by tenants.

Mr. Robert J. LaTremouille, Esq., 348 Franklin Street, stated that the list of issues as outlined earlier by the Chair could be classified or grouped into two areas - Economic and Inventory issues.

Ms. Linda Levine, 26 Mount Auburn Street, stated that inventory issues can be resolved quickly with an accurate accounting of the number of rent control units throughout the City. She further stated that the issue of rent guarantees do no do it for her and she further asked for assurances that the Committee's proceedings was being done on a good faith basis.

Councillor Myers in response stated that the Committee was indeed interested in the suggestions and recommendations of interested parties.

Ms. Lenore Schloming, 102 Inman Street, stated that the issue of capital improvements contains many ramifications felt by both property owner and tenant. She also noted the red tape and adversarial treatment encountered at the Rent Control Board causing delays in the process.

At this time the Chair steered the discussion to the second Agenda item of the evening that being the formulation of an Advisory Committee and solicited public testimony.

Mr. Michael Turk, 24 Prescott Street, Co-Chair of CTU, noted the fact that it was important to find areas of agreement but did not support the creation of this committee at this time. He stated his belief that it was better to solicit advice on specific issues.

Mr. Shapiro and Mr. LaTremouille stated their support for the creation of the Advisory Committee.

Mr. William Noble, 38 Green Street, stated his opposition to the Advisory Committee noting the fact that the Rent Control Committee is already an advisory committee for the full City Council.

Mr. Vince Dixon, 287 Harvard Street, recommended the creation of an ad hoc committee with formality committed to negotiate and offer compromise to resolve specific issues. He suggested that this committee be broad based with representation from CTU, SPOA, the universities and interested citizens and organizations.

Mr. Alex Steinbergh, 3 Clinton Street, stated his support for Mr. Dixon's proposal provided that the Committee would have sufficient political powers and a willingness to make changes in the present system. He further cited the need to change the status quo and one method available would be through negotiations.

Councillor Myers stated his desire to create a climate in which differing points of view could be brought together for the good of the City.

Councillor Toomey stated his agreement with the Chair's efforts to resolve some two to four issues a year and to build on those resolutions in the future. He further stated his position to work to bring the differing points of view together in the process.

The hearing was adjourned at 7:55 p.m.

For the Committee,

Councillor Jonathan S. Myers
Chair

City of Cambridge

The Rent Control Committee conducted a public hearing on Tuesday, April 7, 1992 beginning at 5:45 p.m. in the Sullivan Chamber, City Hall.

Councillor Jonathan S. Myers, Chair of the above referenced Committee convened the hearing and stated that the purpose of this date's proceeding was to formally present the goals and agenda for the Committee for the 1992-1993 term. Present at the hearing were: Councillor Timothy J. Toomey, Jr., Councillor William H. Walsh and Deputy City Clerk John E. Flynn.

To begin the hearing, Councillor Myers noted for the record that the agenda of suggested issues was developed in consultation and concert with each member of the Committee. He stated that by limiting the number of suggested issues to be discussed would allow for in depth review and discussion on each topic with the end result being recommending a course of action to the full City Council. The issues to be discussed are as follows:

- A. High Rent/Low Rent Spectrum;
- B. Access to Housing for Low and Moderate Income Residents;
- C. Administrative Issues, and;
- D. Technical Issues.

At this time the Chair recognized the solicitation of public comment.

Mr. Michael Turk, 24 Prescott Street, Co-Chair Cambridge Tenants Union (CTU), urged the Committee to begin with the issue of the validity of the data as it relates to the total number of units on the Rent Control rolls. He stated that the Low Rent Study as authored by the Rent Control Staff is invalid because of the fact that many units included in the study are not on Rent Control. He further stated the need to begin with a clean number to discuss the issue.

Councillor Myers in response stated that the Rent Control Staff was in the process of reviewing the status of the 1200 units used in the study and that by the time of the presentation of the study to the Committee the data would be updated.

Mr. Robert J. LaTremouille, Esq., 348 Franklin Street, expressed his appreciation to the Committee for its agenda by including the technical issues he has advanced in the past.

At this time the Committee on a voice vote, all three members recorded in the affirmative, adopted the list of suggested issues as the agenda of the Committee.

The next order of business before the Committee was to determine the process to be employed by which agenda items would be discussed along with the scheduling of the first meeting and a list of participants. The Chair recommended and the Committee approved the scheduling of the Low Rent agenda item for Tuesday, May 5, 1992 and invitations would be extended to the appropriate staff at Rent Control, Community Development, Inspectional Services, Lead Paint Inspector and Just-A-Start, Inc./Landlord Counselor.

Ms. Constance Thibaut, 42 Linnaean Street, stated to the Committee that she was distressed that the Committee would begin with the issue of Low Rent and not discuss High Rent/Low Rent simultaneously.

Councillor Myers in response stated that given the fact that studies have been conducted and that the Committee needs to review issues one by one that it was a logical beginning point. He stressed that the order of discussion did not indicate a preference but only a starting point.

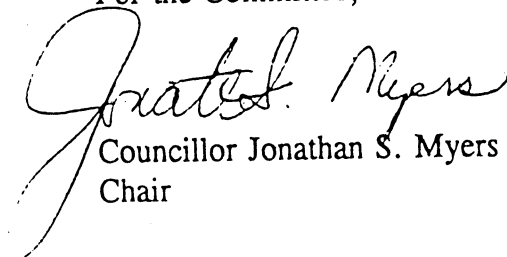
Ms. Thibaut inquired if the Rent Control Department could prepare a graph to provide some information on the issue of high rent while examining the issue of low rent.

Councillor Myers and Mr. Terrence Morris, Executive Director of Rent Control, stated that information would be provided at the time of presentation.

On the formation of the Advisory Committee Councillor Myers stated his intention to give it further study and discussion.

The hearing was adjourned at 6:19 p.m.

For the Committee,


Councillor Jonathan S. Myers
Chair

City of Cambridge

Rent Control Committee

Tuesday, April 7, 1992

Sullivan Chamber

AGENDA

I. Suggested Issues.

- A. High Rent/Low Rent Spectrum
- B. Access to Housing for Low and Moderate Income Residents
- C. Administrative Issues

II. Process by which agenda issues will be discussed

- A. First meeting list of invited guests

III. Advisory Committee

City of Cambridge

The Rent Control Committee conducted a public hearing on Tuesday, May 5, 1992 beginning at 5:48 p.m. in the Sullivan Chamber, City Hall.

Councillor Jonathan S. Myers, Chair of the above referenced Committee, convened the hearing and stated that the purpose of this date's discussion would center on the status and conditions of Low Rent Units in the City; on inspection codes and enforcement efforts in Low Rent Units and on efforts to rehab units in the City. Present at the hearing were: Councillor Timothy J. Toomey, Jr., Councillor William H. Walsh and Deputy City Clerk John E. Flynn.

To begin the proceedings, Councillor Myers introduced Mr. Terrence Morris, Executive Director of the Rent Control Department for a presentation on the status and conditions of low rent units in the City.

Mr. Morris provided the Committee with a historical overview of the subject in the context of the Mayoral Green Ribbon Report issued in 1989 which identified less than 1200 units with rents less than \$200.00 per month. Mr. Morris stated that in the methodology employed in the study, excluded were the following:

- * 2 - 3 family houses - fluid status due to owner occupancy;
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- * Condominiums - regarding status - owner occupied.

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Councillor Toomey inquired of Mr. Morris on the findings of Chart 2 for an explanation of the reasons why owners did not petition for prior rent adjustments.

Mr. Morris in response stated that a variety of reasons exist ranging from family members renting units to intimidation of the bureaucracy to philosophy.

Councillor Walsh, referencing Chart 2, inquired if Rent Control sent letters to owners asking why they did not petition for prior rent adjustments.

Mr. Morris responded in the affirmative stating that it allowed access for the field study to be conducted and that owners have taken steps for an adjustment.

Councillor Myers questioned the terminology used in the database report.

Mr. Morris in response stated that it was an attempt to correlate with the 1989 Mayoral report.

Councillor Myers, referencing Chart 1, inquired of a break-out of the data: number of units below \$200.00; number of units above \$200.00.

Mr. Morris in response stated that at least 50% of the 883 units would be below \$200.00 based on the raw data.

Councillor Myers asked of Mr. Morris to provide such a break-out.

Councillor Toomey inquired of Mr. Morris if it was fair to say that some owners have not taken advantage of the system.

Councillor Walsh in response stated that a rent adjustment petition is not a guarantee that rents would increase.

Mr. Morris stated that if he was a bettor that rents would increase and that increases are not based only on the GA.

Councillor Myers, also referencing Chart 1, and returning to Mr. Morris' estimate of some 400-500 units below \$200.00 per month along with citing the Andrea Devine Study depicting 108 units in a neglect status, inquired if an inference could be drawn from the data on the conditions of the 400-500 units.

Mr. Morris stated that the units suffer from a lack of maintenance and a lack of capital improvements.

At this time, Mr. Gordon Gottsche, Executive Director, Just-A-Start, outlined to the Committee a host of rehab programs that his corporation is involved with ranging from the HIP Program to Phased/Gut rehab. He also stated that the principals employed by his corporation included diversified funding, cooperative workings with tenants and owners, phase-in and a revolving loan fund. He also stated that Phased Rehab would be \$10,000 - \$30,000 per unit while a Gut Rehab would be \$30,000 - \$60,000 per unit.

At this time Councillor Myers introduced Mr. Joseph Cellucci, Commissioner of Inspectional Services, for a presentation on inspection codes and enforcement efforts in Low Rent Units.

Commissioner Cellucci noted the fact that his role is different from Mr. Morris in regards to the subject. He also stated that statutorily, he enforces several laws and codes dealing with Housing, Building, Asbestos, Plumbing, Wiring, Lead Paint and Zoning. He further stated that housing complaints deal with such issues as life safety ranging from egress to human habitation to zoning issues. He also noted the discretion that Inspectors have when conducting an inspection of a premises, sometimes leading to a disagreement with the Rent Control Department vis a vis the conditions of Low Rent Units, but he also noted areas of agreement between Inspectional Services and Rent Control when cooperative on-site analysis has been done.

The Commissioner then proceeded to outline a proposed Housing Condition Survey, where an evaluation of heating and utilities systems would be undertaken without citing the owner except under life threatening conditions.

Councillor Myers stated his concern with this survey without citing, noting that it was not the role of the Inspectional Services Department to play.

Commissioner Cellucci stated that the department will cite all applicable code violations during the survey.

Councillor Walsh inquired of the number of units to be surveyed.

Commissioner Cellucci in response stated that the survey needed to be coordinated with the City Manager's Housing Cabinet. He further stated that it was not the intent of the Housing Cabinet to be in disagreement with this City Council Committee.

Councillor Walsh inquired if the Inspectional Services Department was inspecting multi-family units every five years.

Commissioner Cellucci responded in the negative noting the lack of sufficient resources to do the inspections.

At this time Mr. Michael Turk, Co-Chair, Cambridge Tenants Unions (CTU), 24 Prescott Street, stated his belief that the decrease in the numbers of units below \$200.00 per month does reflect the impact of the GA. He stated that there exists a need to better quantify the reasons why owners did not petition for prior rent adjustments. He was also critical of Commissioner Cellucci with regards to case law in regards to participation in the survey and of the City Manager with regards to the Awaiting Report on high rents on the Windsor Street property.

At this time Mr. Peter Shapiro, Just-A-Start, urged the Committee to look at the square footage and floor plan of the classified low rent units, consider what is low rents in 1992, cited the moral language of the Devine Study and noted owner's frustrations regarding capitalization of repairs.

Mr. Salim E. Kabawat, Co-Chair, Small Property Owners Association (SPOA), 145 Bishop Allen Drive, provided the Committee with a prepared statement on the subject matter. (A copy is attached). He further stated his concerns with Commissioner Cellucci's participation in the survey.

Ms. Denise Jillson, Co-Chair, Small Property Owners Association (SPOA), 5 Chester Street, also stated her concerns with Commissioner Cellucci's participation in the survey.

Ms. Lenora Schloming, 102R Inman Street, stated the need of adequate rents to make repairs and that Rent Control provides a very tedious process to get a rent increase.

In the wrap-up of the proceedings, Councillor Myers stated the importance of finding a solution to the issue. He stated that the Committee also needs to look at situations where large property owners are getting large property increases. He further stated that the Cabinet Housing Survey poses another set of problems and urged the Committee to deal with the reality of the situations at hand.

The hearing was adjourned at 8:07 p.m.

For the Committee,

Councillor Jonathan S. Myers
Chair

Units with Pre-1990 GA Rents Less than \$200
(By Neighborhood)

Area	# of Units
1 East Cambridge	216
3 East Cambridge	236
4 Mid-Cambridge	82
5 Cambridgeport	142
6 Mid-Cambridge	48
7 Riverside	85
8 Agassiz	8
9	14
10 Brattle	2
11 North Cambridge	48
13 Strawberry Hill	2
	=====
Total	883

Units with Pre-1990 GA Rents Less than \$200
And No Prior Rent Adjustment
(By Neighborhood)

Area	# of Units
1 East Cambridge	151
3 East Cambridge	154
4 Mid-Cambridge	62
5 Cambridgeport	97
6 Mid-Cambridge	32
7 Riverside	65
8 Agassiz	5
9	9
10 Brattle	0
11 North Cambridge	25
13 Strawberry Hill	2
	=====
Total	602

Units with Pre-1990 GA Rents Less than \$200
And No Prior Rent Adjustment
(By Building Size)

Size Of Building (In Units)	# of Units	# of Bldgs
4	134	57
5	43	19
6	236	66
7	22	8
8	63	15
9	18	4
10-15	79	11
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Small Property Owners Association

287 Huron Avenue
Cambridge MA 02138
Tel. 354-5533

May 3, 1992

From: Salim E, Kabawat, Co-chair, SPOA of Cambridge

To: The City Council Rent Control Subcommittee, Councillor
Jonathan Myers, Chair.

Subject: Hearings on very high and very low rents.

It is unfortunate that your committee chose to lump both subjects together as if they were related. Handling both subjects together amounts to mixing apples and bananas.

"Very" high rents are generally either temporary and due to increases stemming from capital improvements or are new rents on single family homes which are rented for the first time. Having said that, our association has very little to say about the question of "very" high rents. Of course "very high" implies that the rent is too high for the tenant to afford. This in turn begs the question: how do you know who can afford what given that tenants' income is a no-man domain completely sealed by the efforts of the tenants' lobby? In addition, we feel that the subject has been completely settled by the court's decision in Zuker v. Rent Control Board which we strongly urge you to read and to make part of the record.

Very low rents in contrast are the results of historically low "fair" net operating income in the base year. This issue has been over studied and nothing has been done. The facts are that if an apartment had a low base year rent in 1967 it still has one today and will still have one ten years from now. The matter of historically low rents was recently corrected in California by a decision from its Court of Appeal which mandated an upward adjustment (copy enclosed).

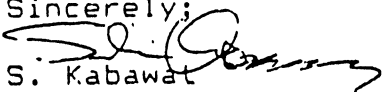
The proponents of Rent Control constantly refer to an anecdotal report (the Divine report) which is biased. Its author never talked to any property owners. Even the previous chairperson of the Rent Control Board publicly criticized the Divine Report. A prominent finding of this report was that low rents are associated with bad conditions. Is this news?!

Former Mayor Alfred Vellucci's "Green Ribbon Report" was prepared in 1989 with the input of many individuals and city agencies. In it we suggested immediate action on the subject by adjusting units with low rents to a percentage of HUD allowed rents (copy of the report is enclosed). A similar course of action was also suggested in an order by Councillor Tim Toomey who is also a

member of your committee. This order was filed on January 28, 1991 and remains to our knowledge on the table.

Our association's position remains that the only way out of the low base year rent corner is by finding an alternative definition of "fair net operating income". A percentage of HUD allowed rent is fair, objective, reproducible and practical. We propose 80% of HUD rent as a minimum amount.

Sincerely;


S. Kabawat

P.S. For your information at an expenditure of 30% of income for rent (HUD standard), a \$20,000 a year household can afford a rent of \$500 per month. An income at 80% of the median income of a single person (\$33,000 in 1991) can afford a monthly rent of:
 $33,000 \times 0.8 \times 0.3 / 12 = \660 per month. This is way above the median rent of a rent control apartment which hovers around \$410.

City of Cambridge

The Housing and Community Development Committee conducted a public hearing on Wednesday, June 10, 1992 at 5:30 p.m. in the Ackermann Room, City Hall.

Vice Mayor Edward N. Cyr, Chair of the Committee, convened the hearing and stated that the purpose of the hearing was to review the Housing Cabinet's report to the Council, and to consider, in light of that report, the agenda for future hearings of the Committee. Present at the hearing were Councillor Jonathan S. Myers and Councillor William H. Walsh. Also present were the following members of the Housing Cabinet: Robert W. Healy, City Manager; Ellen Semonoff, Special Assistant to the City Manager; Michael H. Rosenberg, Assistant City Manager for Community Development; Jill Herold, Assistant City Manager for Human Services; Susan Schlesinger, Housing Director, Community Development Department; and Terry Morris, Executive Director, Cambridge Rent Control Board.

Vice Mayor Cyr requested that a member of the Housing Cabinet present an overview of the report. Susan Schlesinger gave an introduction and brief summary of the Housing Cabinet Report to the City Council, which is filed with these minutes as Attachment A. Ms. Schlesinger stated that in the view of the Housing Cabinet, there are two central issues: 1) How to keep the multi-family rental housing stock in good condition; and 2) How to maintain affordability and achieve access to these affordable units for low and moderate income families. She stated that, unfortunately, these are currently mutually exclusive choices; in order to do both, new sources of money must be found.

Vice Mayor Cyr suggested that some additional background on the Housing Cabinet be presented. Ellen Semonoff reported that the Housing Cabinet is composed of City department heads and employees who have significant housing responsibilities, or, as with the Department of Human Services, responsibility for services which affect and are affected by housing issues. The Cabinet has been meeting over the last year. The purpose of bringing the members together is to address a series of housing issues that cut across departmental lines, for example, the issues raised by fires in multi-family rental housing. The Cabinet has also looked at ways in which departments can share their housing expertise and resources. In response to a question from Vice Mayor Cyr, she added that the departments involved have attempted to reduce regulatory and operational inconsistencies between departments by some cross-training of staff, and more day-to-day coordination.

Councillor Jonathan S. Myers noted that it was Vice Mayor Cyr's initiative that resulted in the creation of the Housing Cabinet, which has produced a very useful report in which the

relevant issues are laid out. However, he raised a concern that this hearing appeared to be headed toward a focus on low rents, an issue which the Rent Control Committee has had five hearings on and is attempting to deal with on a consensus basis. Councillor Myers introduced the minutes of the Rent Control Committee hearings, which are filed with this Report as Attachment B. The Rent Control Committee is attempting to focus on the 300 most distressed units in the City. He stated that there would be a meeting of the Rent Control Committee on June 25, 1992, which the Housing Cabinet has been requested to attend.

Vice Mayor Cyr said that although the 300 most distressed units are a housing crisis and Councillor Myers is to be commended for dealing with these units, the Housing and Community Development Committee has been working toward a consistent City housing policy which deals with rehab and affordability issues for much more of the housing stock than the 300 most distressed units.

Susan Schlesinger provided some additional summary of the attached Housing Cabinet Report. She particularly noted that where either tax dollars or tax exempt bond financing is used to pay for housing rehab, there are requirements for a high degree of public benefit.

Vice Mayor Cyr observed that the public benefits can often better be met where the owners are nonprofit housing agencies with the goal of providing affordable housing.

Susan Schlesinger agreed that although tax funds or tax exempt bond financing could work for nonprofit owners, for private owners a different type of financing was needed. The ideal financing for private owners would be flexible funds which could be used as grants where necessary to preserve affordability, and which would be regenerative because the fund would recycle slowly, if at all. Ideally, the funds would not have restrictions which required a great deal of monitoring. In addition, technical assistance is essential.

Vice Mayor Cyr stated that there was an issue of what could be done to guide the rehab done by private rent controlled owners on their own, to try to ensure that there is a rational investment in the property, rather than an irrational spending of money which results in rent increases and leaves the most essential work undone.

Michael Rosenberg said that this is what the Community Development Department and the housing nonprofits do all the time when there is public money involved. It is their responsibility to ensure that the public money is used rationally. It is more of a challenge to attempt to ensure this result when public money is not involved.

Councillor Walsh said that what is needed is an incentive, not additional regulation. It is the regulation that keeps the needed work from being done. You have to give owners a reason to choose to invest.

Terry Morris noted that there is an issue relating to enforcement and the treatment of new owners. When the previous owner neglected the property, do you penalize the new owner for the neglect?

Vice Mayor Cyr stated that there is a big problem when the money has been spent, the rents have gone up, and the needed work still has not been done. Terry Morris said that the Rent Control Board has attempted to deal with this issue in its new preapproval regulations. Vice Mayor Cyr stated that since this process only affects vacant units, he believes it encourages large expenditures.

Peter Daly, Executive Director of Cambridge Neighborhood Apartment Housing Services, described the Small Property Owners Loan Program. This program, using loan funds from a pool established by four local banks, loans up to \$8,000 per unit to small property owners of rent controlled properties.

Councillor William H. Walsh noted that Rent Control is not a source of income.

Vice Mayor Cyr requested testimony from the public as to their recommendations for the issues that the Housing and Community Development Committee should focus on.

Skip Schloming, 102R Inman Street stated that he does not believe a study of rehab needs for Cambridge rental housing is necessary. Experts he has talked to have given him estimates without a study. However, the real question is whether the current building and sanitary codes are requiring an unnecessary standard of rehab.

Michael Turk, 20 Prescott Street, stated that the Committee should discuss enforcement by the Rent Control Board, in cases where the property is neglected but owners have the resources to make repairs; bank participation, because he believes banks have unmet responsibilities to provide additional assistance; and the appropriate level of rehab.

Nancy Pozar, 54 Pearl Street, submitted written comments on the Housing Cabinet Report, and gave an oral summary of her written submission. This material is attached to this report as Attachment C.

Alex Steinbergh, 3 Clinton Street, stated that the Committee should look at the acquisition of rent controlled units by the City.

William Noble, 188 Franklin Street, said that there should be joint meetings of this Committee and the Rent Control Committee.

Peter Shapiro, Just A Start, stated that the effect of the proposed ordinance for municipal enforcement of the Sanitary Code on existing incentive for rehab should be considered.

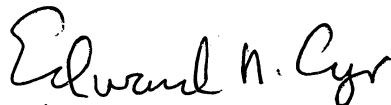
Salim Kabawat, Co-Chair, Small Property Owners Association, said that the issue of how to get money for rehab is a good subject for this Committee's agenda.

Vice Mayor Cyr summarized the issues raised for future discussion:

1. What are the appropriate rehab standards.
2. How can we make capital available to assist nonprofit housing agencies to purchase and rehab rental property.
3. How can the rental stock be kept affordable, and who should have access to affordable rental units.
4. Enforcement issues, particularly, the relationship between enforcement and rehabilitation.
5. Vice Mayor Cyr noted that although the question of regulatory questions regarding rent increases to the rent controlled stock was raised, the issue seems more appropriate for the Rent Control Committee.

Vice Mayor Cyr thanked those present for their attendance and participation and adjourned the meeting at 7:10 p.m.

For the Committee,



Vice Mayor Edward N. Cyr
Chair

Committee Report # 2

S-624

Housing and Community Development
Committee for a hearing held on
Wednesday, June 10, 1992, relative to
review the Report of the Housing
Cabinet and the agenda for future
hearings of the Committee.

In City Council,

Aug. 3, 1992

Report Accepted
Placed on file.