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CAMBRIDGE, MASS.



Cambridge Rent Control Coalition

576-1006

The Cambridge City Council
Cambridge City Hall
795 Massachusetts Avenue
Cambridge, Massachusetts 02139

To the Honorable; the City Council:

The Cambridge Rent Control Coalition wishes to register opposition to the adoption of the residential exemption in determining Cambridge property tax bills for fiscal year 1984-1985. We believe that any of the benefits which might be gained through its adoption will be far outweighed by the harm done to tenants, who are about to receive major rent increases as a consequence of revaluation. Moreover, we believe that resort to full classification will result in a reduction of the tax bills of homeowners comparable to that provided by the residential exemption, but without the attendant harm to tenants.

Our opposition to the city's adoption of the residential exemption this year is founded upon three bases. First, it appears to us that the main beneficiaries of the residential exemption, condominium owners, have already gained major tax relief through revaluation: as a class condominiums were one of two categories of dwellings which obtained the largest reductions in property taxes in fiscal year 1983-1984. Nearly every condominium in the city falls into the category of dwellings that might benefit from the residential exemption, since the assessed value of condominiums contains no calculation for land value. For the same reason, an inordinate number of dwellings with the lowest assessments are condominiums, and it is those dwellings which will receive the only substantial benefit from the residential exemption.

By contrast, tenants in rent-controlled buildings have not received, nor can expect to receive, reductions in rents because of revaluation. This is the case, even though the taxes for larger rent-controlled buildings were reduced from 40 to 80 percent.

Last January the Cambridge Rent Control Board began to

consider a general adjustment of rents. Board chairman Acheson Callaghan stated that the Board had to adjust rents because of the changes in property taxes across the city. In the end, the Board devised a formula which raises the rents of most tenants in rent-controlled buildings, the dramatic drop in property taxes notwithstanding. For, as a counterweight to lower property taxes the Board turned to other operating expenses and net operating income (a measure of profit). Consideration of other operating expenses was not unreasonable: the Board last adjusted rents for maintenance expenses in 1981 and then for fuel costs in 1982. With fuel prices stable since then, the impact of changes in operating expenses upon rents was relatively minor. "Net operating income" was another matter. Raising profits to offset decreases in property taxes is about to result in rent increases of 20 percent for many tenants.

The Rent Board's action has transformed revaluation into a tax policy which favors large, absentee landlords. Many of these landlords will have effectively cut their property tax bills in half between 1980 and 1983. For example, a survey of properties by the Rent Board this past summer to determine the impact of the general adjustment contained a significant number of Harvard-owned properties, and revealed the pattern of rent increase and tax decrease (tables attached). We estimate that Harvard has reduced its tax bill from \$1.2 million to \$600,000.

The residential exemption will add 10.9 percent to the property taxes on rent-controlled properties. We have good reason to expect that the Rent Board will pass on that increase in full to tenants. Thus, the residential exemption will provide a second jolt to tenants who are facing rent increases brought about by revaluation. We oppose this additional burden on tenants.

Finally, we believe that a reduction in property taxes for homeowners can be effected by other means. Full classification has an important advantage over residential exemption: it will not pit tenant against homeowner.

Respectfully submitted,

Michael H. Turk

(for) CAMBRIDGE RENT CONTROL COALITION

(Michael H. Turk)

RENT BOARD SAMPLE OF TEN HARVARD PROPERTIESRent Increases
(capped at 20 percent)

20-20A Prescott Street	3 percent
9-19 Sacramento Street	4 percent
23-25 Athens Street	7 percent
4-6 Athens Terrace	8 percent
27-29 Athens Street	8 percent
22-24 Flagg Street	15 percent
4 Carver Street	17 percent
132-134 Banks Street	21 percent
26-28 Flagg Street	27 percent
27 Everett Street	43 percent

Tax Decreases

	July 1980	July 1983	tax reduced
20-20A Prescott St.	\$40,919	\$11,800	71 percent
9-19 Sacramento St.	12,165	2,726	78 percent
23-25 Athens St.	4,378	1,788	59 percent
4-6 Athens Terrace	1,613	1,186	26 percent
27-29 Athens St.	4,378	1,746	60 percent
22-24 Flagg St.	5,299	1,833	65 percent
4 Carver St.	2,350	1,963	16 percent
132-134 Banks St.	1,267	1,185	6 percent
26-28 Flagg St.	1,958	889	55 percent
27 Everett St.	9,608	4,615	52 percent

F-313

Comm. from Michael H. Turk on behalf of the Cambridge Rent Control Coalition, in opposition to the adoption of the residential exemption in determining Cambridge property tax bills for FY84-85.

In City Council,

September 24, 1984

*Referred to
the
Hearing
of
the
City Council
Placed on File*