

CEOC

CAMBRIDGE ECONOMIC OPPORTUNITY COMMITTEE, INC.

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October 24, 1996

Honorable Members of the Cambridge City Council

Dear Mayor Russell, Vice Mayor Born, and City Councilors:

I am writing to express my support for the *Campaign to Save 2000 Homes*. CEOC, as the City's anti-poverty agency, experiences the housing crisis daily through all our programs. We know firsthand the increasing difficulty that people of modest means have in finding a place to live in Cambridge. I'm sure you hear from constituents and share our concern about this issue.

There are many parts of the affordable housing crisis - the threats to expiring use housing and public housing, for instance. The *Campaign* focuses on one part of this crisis - the 2000+, means-tested households living in formerly rent controlled buildings. These are the so-called "protected status" tenants and Sec. 8 and MRVP (state voucher) tenants.

As you know, the *Campaign* makes a simple request - that all large real estate investors in Cambridge negotiate agreements similar to that between Harvard and the City. This means specifically:

- Sale of some units at below market costs;
- Continuation of protected status as long as the eligible household remains;
- (verbally) Limit increases to non-protected tenants to moderate levels.

To the above requests the *Campaign* has added another logical extension:

- Renew Sec. 8/MRVP contracts where the tenant is in good standing.

I request that the Council go on record supporting this request and that the City Manager be asked to contact large owners to seek out their agreement.

Attached to my letter are some proposals the *Campaign* has generated for other Council action. These should also be considered quickly. Some, like the proposed limited rent subsidy, could make negotiations with large owners more successful.



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This housing crisis, forces us to be creative and develop innovative solutions. We do not want to rehash old Rent Control debates that needlessly polarized our community in the past. The *Campaign to Save 2000 Homes* is an attempt to utilize the successful Harvard/City agreement as a model for other large landlords in the community.

Some would label this proposal as the City "telling owners what to do". This is not the case. We are asking that the City approach other large landlords as they approached Harvard, with hopefully similar success. For the greater good of the community this proposal requests that other large landlords reduce some of the greater financial gain that they will receive as a direct result of the elimination of Rent Control. Especially since it is on behalf of protected status tenants who are elderly or disabled people or low-income families.

We all need to work together in a united and coordinated attempt to preserve affordable housing and with it the homes of our neighbors and the diversity of our City. CEOC stands ready to work with you in this critical effort.

Sincerely,



Elaine DeRosa
Executive Director

WHY SUPPORT THE CAMPAIGN TO SAVE 2000 HOMES?

It is widely acknowledged that Cambridge does have a housing crisis. Whatever one thought of rent control, the combined effects of the end of that system, plus the deregulation of many federal properties, threatens the continued presence of low and moderate income people in the City.

The *Campaign to Save 2000 Homes* addresses one portion of this crisis. It focuses on the 1500 households who received protected status under Ch. 282 and the 550 Sec. 8 tenants in formerly rent controlled buildings. These 2000 households are all means tested. All their homes are threatened.

Protected status tenants. Although there are no "hard" statistics on rent increases since the end of rent control, extensive anecdotal evidence suggests increases averaging 75-100%. It is even higher in some areas of the City such as the Harvard Sq. area, where rents for all sizes of apartments are typically over \$1000. Since all protected status tenants are now paying 30% of their income (or significantly more), any such increase is unaffordable. It should also be noted that the vast majority of the 1200-1300 tenants losing protection at the end of 1996 (as opposed to 1995) are in buildings owned by large and absentee owners. This is because any tenants living in owner occupied buildings less than 12 units lost protection at the end of 1995.

Sec. 8/MRVP* tenants. (* MRVP is the state voucher that works similarly to Sec. 8) Staff at the Cambridge Housing Authority report that Sec. 8 certificates issued to their clients are very difficult to use in Cambridge now. Landlords who once preferred Sec. 8/MRVP (because that program would pay above rent control limits) now often want rents above what the Sec. 8 program is allowed to pay. All certificates are governed by "fair market rent" limits. Although the limits were recently increased, market rents even in the Central Sq. area are often above these limits. Sec. 8/MRVP tenants who already have leases can have their contracts terminated after one year by landlords who want rent increases above Sec. 8 or MRVP limits. The CHA will be increasingly hard pressed to negotiate increases to satisfy these owners.

In the face of this crisis, the Campaign to Save 2000 Homes proposes a simply solution, that large landlords in Cambridge agree to do at least what Harvard has already agreed to do:

- Sell some units to the City at below market prices for permanently affordable housing.
- Continue protected status for all eligible households until they move.
- Limit rent increases for non protected tenants to moderate levels

And, by logical extension:

- Agree to no increases above Sec. 8/MRVP limits. No cancellation of contracts solely for more rent.

It's a matter of justice, not compassion

The *Campaign to Save 2000 Homes* starts from the position that all 2000 households should be allowed to stay in their current homes if they wish. Our solution, or proposed alternatives, should start with that assumed goal as well.

Why do we take this position? Rent control owners bought their buildings under rent control for prices that were reduced significantly due to government policy. For example, if controlled rents for a particular building were approximately one half of market at the time of

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purchase, then the purchase price would be approximately one half of market as well, since the sale price of income property is based on expected rents. So, new owners would buy figuring that rent controlled rents could pay their mortgage costs. If rents are then decontrolled, owners receive a one time windfall increase in value on their property. A doubling of rents, for instance, represents a high level of almost pure profit. It also represents a doubling of value and a far higher increase in equity. Large investors, even allowing for idiosyncrasies in individual buildings, are making out extremely well. There are many individual examples.

This profit level must be taken into account in any attempt to arrive at what is a "just" solution to this crisis. Continuing protected status and Sec. 8 contracts, even selling some units at below market prices, will not affect these profits in more than a marginal way. Everyone calls for a healing of past wounds around housing debates. True "healing" requires that different parties make sacrifices commensurate with their ability to do so. Large investors can easily afford to "do what Harvard did". This would solve a major housing problem and usher in a new era of cooperation.

We should recognize as well that keeping tenant households where they are is not only just but also essential for the City. Many of the 2000 households in question are long term residents. They contribute to our community. Many criticisms have been raised at City Council about the dangers to neighborhood life from increasing transience. All these arguments can be used to support keeping these 2000 households where they are.

In addition, many of these households, especially elderly, disabled or families with kids, have immediate and compelling personal reasons why a change of address would be bad. For example, people with disabilities have patterns of life associated with a particular address. A blind person can negotiate where she has to go from a given address.

The Campaign to Save 2000 Homes also favors some legislative initiatives that would work in a complementary way to the "call" detailed above.

"Limited" City rental subsidies

Debate has already begun on the question of city rental subsidies. Those who oppose such subsidies worry that they are prohibitively expensive. The difference between protected status rent control rents and market is large and growing. The incomes of the tenants are not growing. Many are already paying above 30% of their income for rent, so if the program tried to bridge a gap between 30% and market (as does Sec. 8), the cost would be even higher.

Nevertheless, the *Campaign to Save 2000 Homes* favors a limited form of city rental subsidy. We suggest that it be used to provide a kind of "sweetener" for landlords who agree to do what Harvard did. For instance, if a large owner agreed to continue all protection for all tenants who have it, the City would propose to offer a \$50/mo. rental subsidy on top of the capped 5% increases. This would offer some City compensation to owners who try to do the right thing. Perhaps a somewhat larger subsidy could be offered to smaller owners who continue protected status. Such a program might cost about \$1 million.

In line with growing concerns that those advocating expenditures should also say where the money will come from, we suggest that this money be derived from the proposed transfer tax. Such a tax would tap a small portion of the vastly increased equity derived from the end of rent control. A substantial portion of value would be exempted to protect small

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owners. The Community Development Department has estimated that, even with liberal exemptions for the first hundreds of thousands of dollars of value, a transfer tax would still yield at least \$1 million. Limited rental subsidies would be a good use for such revenue.

The need for such subsidies would decline as protected status tenants move out of their apartments naturally. The money could then be used for other affordable housing purposes. Or perhaps the amount of subsidy could be increased somewhat as the total number of subsidies declines over several years.

A City condo law

When rent control was defeated, Cambridge also lost its local condo ordinance. Regulating the conversion of rental properties into condominiums is a recognized power of local communities under the state condo law. Many communities around Massachusetts, most of which never had rent control, have enacted such regulations.

In Cambridge, there are compelling needs for such regulation. It could help define exactly who is covered, which is left somewhat vague by the state law. Though some owners of rental property who convert have correctly provided notice of benefits and protections as required by the state law, others have not.

A local ordinance would also be used to protect the interests of low and moderate income people who could not afford to buy. In the hot housing market of Cambridge, condominium conversion, especially of formerly rent controlled buildings purchased cheaply under rent control, can be a source of enormous profit. This profit should be balanced by some protection for low and moderate income people. A local condo law could require this, without necessarily enacting major new ongoing regulation.

Implement funding for Legal Services and a public housing organizer

Last May and June, the Council voted 9-0 and 6-3 to respectively fund a public housing organizer position and Legal Services housing advocacy. These votes (especially for the public housing organizer) represent substantial Council majorities, yet the money has not been allocated. Both orders called for the money to be taken from the \$2.25 million Affordable Housing Trust Fund.

The connection between the Legal Services funding and the current crisis for protected status tenants is clear - making sure low income tenants are aware of their legal options.

The public housing position is designed to organize residents to fight cutbacks and deregulation. This organizer would help make sure that public housing is not also endangered, thereby exacerbating the current crisis. It would be a shame indeed for formerly rent control tenants to find refuge in public housing only to have their new homes put in jeopardy.

Continuing protected status

If all negotiations fail with owners to balance increased profits with the community's affordable housing need, the City has the option of seeking home rule authority to continue protected status. This option should be studied immediately but obviously would not be necessary if negotiations with large landlords are successful.

Consent Communication #7 S-518

Communication was received from Elaine DeRosa, executive director of CEOC, transmitting her support for the Campaign to Save 2000 Homes.

In City Council October 28, 1996

PLACED ON FILE