



CITY OF CAMBRIDGE
COMMUNITY DEVELOPMENT DEPARTMENT

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Memorandum

TO: Robert W. Healy, City Manager

FROM: Susan Schlesinger, ^{VS}Assistant City Manager for Community Development

DATE: January 29, 1998

RE: Study of Impacts of the Termination of Rent Control

Profound changes are taking place in the Cambridge rental housing market. While strong economic conditions play a role in these changes, the major factor is the termination of local rent control. Beginning in January 1995, local controls were lifted on approximately 14,500 rental units; the remaining 1,500 controlled units occupied by protected status tenants were fully decontrolled by January 1997.

The Community Development Department (CDD) undertook a study in mid-1997 to understand the impacts of the termination of rent control on the City's housing market and demographics. CDD commissioned a telephone survey of 1,000 tenants living in both the formerly controlled and market-rate rental stock to determine the major impacts of deregulation, including changes in rents, affordability, occupancy, mobility, and other related issues. In addition to the tenant survey, 50 owner surveys were completed to gather related information.

We have completed the study and are transmitting it to you to assist in responding to issues raised by the termination of rent control, including the housing policy implications of these changes taking place. This memo will summarize the major findings of the study and look at some of the housing policy implications of these findings.

I. Summary of Rent Control Study

Atlantic Marketing Research, the project consultant, conducted surveys of 1,000 tenants and 50 owners. In the tenant survey, 474 surveys were completed with tenants living in decontrolled rental units and 470 were completed with tenants living in market rate units. The final 56 surveys were completed with tenants who moved from decontrolled units to units outside of Cambridge since December 1994.

There were several major findings from an analysis of data collected in the surveys. These major findings include the following:

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Rent Increases

While median rents have increased across the entire rental market by 36% since 1994, increases in the decontrolled stock were significantly greater than the market rate stock. Compared to an overall increase of 14% in the market rate stock over the 2 ½ year period (January 1995 - July, 1997), decontrolled units have seen an increase in median rent of 54%. In terms of actual rents, decontrolled units went from a median rent in 1994 of \$504 to a mid-1997 median rent of \$775. During the same period, market rate units rose from a median rent of \$785 to \$900 per month.

Within the decontrolled stock itself, however, there are major differences between the level of increases for units occupied by sitting tenants of decontrolled units (tenants living in their unit since prior to the termination of rent control) and by new tenants of decontrolled units (tenants who have moved into their unit since the termination). Sitting tenants have seen an overall increase of 40% as compared to an increase of 85% once the unit turns over and a new tenant moves into it. In actual rents, sitting tenants now pay a median monthly rent of \$700, while new tenants of decontrolled units pay a median monthly rent of \$925. Put another way, the median monthly rent of a decontrolled unit has increased upon turnover by an additional \$225 or 32%.

Affordability

A substantial proportion of Cambridge tenants do not live in affordable housing, as indicated by the rent burden they carry. The current standard for an affordable rent burden in most publicly assisted housing programs is that residents pay 30% of their gross monthly income for housing expenses (rent and tenant-paid utilities). Tenants paying 50% or more of their income for housing expenses may be eligible for priority placement into available public or subsidized housing. The study indicates that 40% of tenant households are carrying a greater rent burden than the 30% standard, and that 8% of households have a rent burden in excess of 50% of income.

Tenure & Occupancy

According to the tenant survey, over one third (38%) of former rent control tenants have moved since the termination of rent control, a turnover rate generally consistent with that reported by the 1987 *Cambridge Housing Study* and the U.S. Census. The City's New Lease Program, run by the Department of Human Services Programs, reports that up to 60% of the protected status tenants likely have moved.

Sitting tenants are the most uncertain about how long they will remain in their current homes, with one third being unsure. Over one half of the sitting tenants who plan to move will do so, at least in part, due to high rents. Nonetheless, a significant number of sitting tenants, 26%, hope to remain in their current unit for three or more years. This stands in contrast to new tenants of decontrolled units, only 13% of whom plan to stay three or more years and 36% of whom plan to move in one or two years compared to 19% of sitting tenants.

The study shows a shift underway in Cambridge demographics. The survey found significant differences between existing tenants in the decontrolled stock and new tenants moving into vacated units. Compared to existing tenants, new tenant households are more likely to include college or graduate students, no children and no elderly, and have higher incomes.

Thirty percent (30%) of these new households include full-time college or graduate students, compared to 10% of sitting tenant households. In addition, over 60% of new tenants are households who have moved into the City from outside of Cambridge.

Socioeconomic Characteristics

The major finding here is that a significant number of the sitting tenants are lower income, and thus, highly vulnerable to continued increases in housing costs. In terms of household composition, roughly one half of the sitting tenants are single person households. Thirteen percent (13%) are households with an elderly person.

Among new tenants of decontrolled units, the study found the following: 39% of these households consist of unrelated roommates compared to 12% of sitting tenant households; new tenant households have one third fewer families with children than sitting tenants (18% vs. 12%); and only 3% include an elderly person.

II. Implications for City Housing Policy

This study provides the City with a major source of data with which to analyze and better understand the changes both in the housing market and the City's demographics. This analysis, in turn, will inform City policymakers as housing policies are developed and revised in response to market conditions. Some of the preliminary issues raised by the study include the following:

1. Affordable Housing Programs as Tool to Preserve City's Diversity

The City needs to maintain its efforts to develop additional affordable housing through the CITYHOME Initiative, which represents the primary response to the major changes occurring in the Cambridge housing market. The goal of the Initiative is to preserve and increase affordable rental and homeownership opportunities for low and moderate income residents of the City.

City funds totalling over \$11 million, combined with other federal and state funds, have led to the creation or preservation of over 1,200 affordable units in the 2 ½ years since the commencement of the CITYHOME Initiative. This affordable housing activity includes projects completed between July, 1995 and December, 1997, and those that are currently under development.

2. New Housing Policies

The City needs to pursue new policy initiatives to generate additional affordable housing resources to supplement the ongoing efforts. The City Council has already forwarded to the state legislature two home rule petitions related to a real estate transfer fee and the preservation of expiring use properties.

The Council is currently considering a third new policy proposal, inclusionary zoning, which could be enacted by local government without the need for state approval. This proposal would establish requirements on new residential development of ten or more units. Ten to fifteen percent (10 - 15%) of the units in new residential projects would be required to be priced at levels affordable to low and moderate income residents. Action needs to be taken on this proposal by no later than March 11, 1998.

3. Sitting Tenants Represent Large Group of At-Risk Households

The majority of tenants living in decontrolled units have not moved and have experienced median rent increases of 40% since December, 1994. A substantial proportion of these tenants, however, are lower income and paying rents that are considered higher than affordable by current public housing standards. Roughly 6% of these tenant households (600) are paying in excess of 50% of income in monthly housing costs, which may qualify them for priority placement into available public or assisted housing.

The City, through its non-profit partner Cambridge Neighborhood Apartment Housing Services, should continue efforts to market its Affordable Housing Rehab Loan program to owners of formerly rent controlled properties where lower income sitting tenants live. Alternatively, when such properties are put on the market for sale, the City should continue its support to assist non-profits in acquiring these multifamily buildings. Finally, if owners convert buildings to condominiums, the City should continue to assist sitting tenants in acquiring their units through the Condo Buyer Initiative.

4. Need for Range of Affordable Housing Unit Types

The City's housing programs have prioritized the creation of family-sized affordable housing to address the major barriers faced by low and moderate income families, including a shortage of larger size units, and lead paint issues. Family housing will continue to be a priority for affordable housing programs.

In addition, the study found that there is a high number of single person households in the sitting tenant category. Many of these single person households are lower income and at-risk of displacement as rents continue to increase. The City needs to develop additional affordable housing opportunities for these smaller households. In fact, CASCAP, Inc. has recently undertaken the Affordable Small Apartment Preservation Initiative to develop affordable housing for this population, including preserving and developing lodging houses and other single room occupancy buildings.

We believe that this study will assist the City in planning efforts to establish policies and programs that respond to the rapidly changing needs in our community. We look forward to discussing these matters with you in the coming year.

Attachment

*Consent Agenda #18
February 2, 1998*

Cambridge Rental Housing Study

**Impacts of the Termination of
Rent Control**

on

Population, Housing Costs, & Housing Stock

Presented to:

Cambridge Community Development Department

by

Atlantic Marketing Research

In collaboration with:

Cambridge Economic Research

January 21, 1998

Cambridge Rental Housing Study

Impacts of the Termination of Rent Control

Part I: Executive Summary

Part II: Report on Survey Findings

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Part I: Executive Summary

Background

To address questions raised by the termination of rent control on January 1, 1995, the Atlantic Marketing Research Company, Inc. conducted a survey of 1,000 tenant households. Interviews were conducted between July and September, 1997.

Key findings of the "renter" survey are analyzed throughout this report by four tenant categories. These are:

1. Tenants who stayed in rent controlled apartments after 1994, when rent control ended. These are referred to as "sitting" tenants or "long term" tenants of "decontrolled units."
2. Tenants who moved from rent controlled apartments after rent control ended. These are called "tenants who moved from decontrolled units."
3. Tenants who moved into formerly rent controlled apartments after rent control ended. This group is labeled "new tenants of decontrolled units."
4. Tenants who live in apartments that were never rent controlled. We refer to this group as "tenants of market rate units."

Rents & Affordability

- Overall, median Cambridge rents increased by 36% from the end of 1994 through the summer of 1997. Decontrolled units with new tenants experienced the greatest average rent increases, the median increasing by 85%. Tenants of market rate units experienced the lowest increase, at 13%. Rents of sitting tenants of decontrolled units increased by 40%.
- Among the four groups of tenants, sitting tenants of decontrolled units had the lowest 1997 median rent, at \$700 per month. New tenants of decontrolled units paid the highest 1997 rents, their median being \$925 per month.
- Forty percent of tenants paid more than 30% of their annual incomes in gross rent (i.e., rent plus utilities), a level considered excessive under most current federal and state guidelines. This result shows little variation among the four tenant groups.
- While sitting tenants of decontrolled units were the least likely to have high housing costs, 6% of these tenants paid over 50% of their income in gross rent, or approximately 600 of the 10,000 sitting tenant households.
- Students and households whose incomes exceed \$60,000 a year typically paid the highest rents. Long-term Cambridge residents, the less educated, the disabled, and households with annual incomes of less than \$20,000 typically paid lower rents.
- Households with incomes of under \$20,000 pay an average rent of \$610 per month, which is at least 37% of the annual income of households falling in this category.

Households earning over \$60,000 paid a median rent of \$1,150, which is at most, 23% of the annual income of households falling in this category.

Tenure & Occupancy

- Approximately two-thirds of the tenants of decontrolled units had not moved since the end of rent control.
- Among the tenants of decontrolled units who had moved since the end of 1994, a majority did so in response to rent increases.
- Among those tenants of decontrolled units who moved, almost 60% moved out of Cambridge.
- Among the four tenant groups, sitting tenants of decontrolled units had the longest median tenure in their current apartments, at 8 years.
- Tenants who resided in their current unit prior to 1995 included a higher percentage of single person households, households with children, persons with less than a four year college degree and retired persons. These longer term tenants also tended to have lower incomes and paid lower rents when compared to tenants who moved into their current unit after 1994. Post-1994 tenants included a large percentage of roommate households, couples without children and more persons with a college degree or some graduate education and three times as many students.
- Sitting tenants of decontrolled units are the group most uncertain about how long they will remain in their current unit. One-third were uncertain about how long they will remain in their present home.
- Among sitting tenants who planned to move, over 50% stated that they will do so in response to rent increases, more than twice the level for the other three tenant groups.

Socioeconomic Characteristics

- Of the four tenant categories, sitting tenants of decontrolled units had the lowest average income at \$35,650 per year.
- Almost two-thirds of sitting tenants had incomes under \$40,000, including almost one-quarter who were under \$20,000 — the largest proportion of lower income tier residents in any of the four tenant groups.
- Forty percent of sitting tenants had incomes between \$20,000 and \$40,000, the largest portion found in this income tier.

- Roughly one-half of sitting tenant households consisted of one person living alone, compared to between one-third and one-quarter for each of the other three tenant groups.
- Households who moved from decontrolled housing were most likely to include children under seven. Market rate tenants most often had children seven to 17 years of age.
- The highest proportion of elderly people was found among sitting tenants households, at 13%, and the lowest among new tenants of decontrolled units, at 3%.

Rental Housing Stock Conditions

- Market rate units tend to have more rooms than decontrolled units.
- Market rate units have more amenities, such as parking, porches, and laundry facilities.
- Among one person households, those in market rate units exhibit the highest level of overhousing; about one-third live in units with two or more bedrooms. Among one person households, tenants who moved from decontrolled units display the least overhousing, at 13%. Among sitting tenants of decontrolled units and new tenants of decontrolled units, about one-quarter of one person households are overhoused.
- Fourteen percent of tenants consider their units to be overcrowded, with 10% using the living or dining room for sleeping. There is little difference between tenant groups in this respect.
- Sitting tenants of decontrolled units most often rate both their units and buildings as being in either fair or poor condition. Market rate tenants most often rate both units and buildings as being in either good or excellent condition.

Owner Survey

- A low response rate on the part of property owners makes the results of the owner survey less statistically reliable than the results of the renter survey. Multiple attempts to contact 600 property owners yielded just 50 completed interviews, a very low response rate.
- Median current rents for decontrolled units reported by owners closely track the rents for similar size units reported by the renter survey.
- Owners reported that 56% of their protected status tenants moved after protected status expired, and 54% of other former rent control tenants moved following the end of rent regulations.

- Owners reported that unprotected tenants who moved from decontrolled units more often remained in the city than protected tenants who moved; they reported that two-thirds of those protected tenants who moved left Cambridge, compared to less than half of unprotected tenants.
- Following the end of extended rent protections, owners reported giving protected tenants smaller rent increases than unprotected tenants. The average increase was reported to be 15% for protected status tenants.
- Sixty percent of owners reported increasing rents of vacant units by a greater rate than the rent increases they sought from sitting tenants, which concurs with the renter survey findings.
- Just over half of the owners reported that they have made improvements to their rental properties, investing an average of \$5000 per unit.

The New Lease Program for Protected Status Tenants

- On January 4, 1995 the Massachusetts legislature enacted Chapter 282 of the Acts of 1994 ("Chapter 282") which extended rent control protections for income-eligible household for up to two years (the "phase out").
- Approximately 1600 households qualified for "protected tenant" status.
- The New Lease Program was set up by the City's Department of Human Services to aid formerly protected tenants, either by stabilizing an existing tenancy, by helping to find new housing and/or pay costs associated with relocation.
- A telephone and mail survey by the Cambridge Human Services Department found that as many as 60% of those protected tenant households that included either an elder, a disabled person or a minor child may have moved. This compares to the 38% of all decontrolled tenants that the renter survey found to have moved and the 56% of protected tenants that property owners reported to have moved.
- Approximately 10% of those protected tenants considered most vulnerable received assistance from the New Lease Program.

Trends in Rents: 1994 - 1997

- The Atlantic and Rental Housing Association (RHA) surveys show that rents for market rate apartments increased by 16% and 15%, respectively, since the end of rent control in 1994.
- According to the RHA, the average rent for a tenant in a building in Cambridge was \$1,025 per month during 1997.

- The average rents of decontrolled units increased at a much faster rate than those of market rate units; average rents of decontrolled units with new tenants have risen by 54% and those with sitting tenants have gone up by 37%.
- In the two years following the abolition of rent control (1995 and 1996), the RHA found that market rate rents in Cambridge increased more slowly than in comparable Boston neighborhoods and in the state as a whole. This might have been due to the increased supply of market rate units; the end of rent control has, to date, added some 6,000 decontrolled units to the supply of available market rents.
- Between 1996 and 1997, the average RHA rent in Cambridge jumped by 10%, an increase of almost \$100 a month. At the same time, the vacancy rate fell from 7% to under 0.5%.

Trends in Housing Sales Prices

- From 1994 to 1996, the median sale price for decontrolled housing in Cambridge increased by 24%, nearly three times the increase registered by market rate properties.
- Prices of condominiums and buildings with 4 or more units showed the most profound impacts from the end of rent control. Prices of decontrolled condos rose by 41% between 1994 and 1996 and the number of condo sales tripled. Prices of buildings with over three units more than tripled.
- Price increases for decontrolled units in Cambridge averaged 24%, outstripping increases for properties in Boston, Somerville, and in Middlesex County, where median sale prices grew by 16%, 14% and 8% respectively during the period 1994 through 1996.

Trends in Investment in Improvements

- From 1994 to 1996, the value of permits for improvements to decontrolled properties has risen by 68%, while those for improvements to market rate properties increased by just 13%.
- Although the percentage increases for investment in decontrolled properties are substantial, the numbers are relatively modest. The actual increase in investment between the first six months of 1994 and the first six months of 1996 was just under \$1 million. During the first six months of 1996 the \$2.4 million investment in decontrolled properties was just 2% of the total value of building permits issued.
- In 1995, the first year of deregulated rents, condominium conversions increased by a factor of more than four to 255. During 1996, another 142 units were converted from apartments to condominiums. Condo conversions are now approaching the levels of the mid to late 1980's, when 200 to 400 units a year were converted.

Part II: Report on Survey Findings



Background

January 1, 1995 marked the termination of rent control in the City of Cambridge, which for 24 years had regulated the rents of approximately 16,000 rental units. Since that date, housing costs in Cambridge have increased significantly driven by market forces released by the end of rent control. These changes have caused many members of the community to ask serious questions about the future of affordable housing in the City.

The three years that have lapsed since the termination of rent control provide a window of time in which to examine the impacts of rent deregulation. This study provides objective data to help the City understand and manage the process of change that has occurred and will continue from rent deregulation of a large portion of its housing stock. More specifically, the study attempts to provide answers to the following questions:

- What has been the rate of turnover of rent control units since December 1994?
- Who moved from decontrolled units and why? Where did they move?
- Who is moving into decontrolled units?
- Which groups plan to move due to high rent burdens?
- How much have rents increased since December 1994?
- What percent of Cambridge renters pay a high rent in relation to income?
- What are the socioeconomic characteristics of those paying high rents in relation to household income?
- Which groups of tenants were most and least affected by the end of rent control?
- How has the end of rent control affected different income tiers?

To address these questions, Atlantic Marketing Research Company, Inc. (Atlantic) conducted a survey of 1,000 tenant households. The composition of the sample and the sampling methodology used are discussed below. Atlantic also undertook a survey of owners of decontrolled rental units, successfully completing 50 interviews. The methodology and findings of the owner survey are reported in Chapter 6.

Overview of the Rent Control System

The City of Cambridge had a system of rent control in place from 1970 until 1996. In 1976, a special act of the legislature (Chapter 36 of the Acts of 1976), later amended, created the system of rent control which regulated rents and evictions for almost all rental properties built prior to 1969. Certain exemptions applied.

Following the passage of a statewide initiative petition in November 1994 and related action by the Massachusetts Legislature later that year, rent control was largely terminated on January 1, 1995. The laws terminating rent control provided for an extended period of transition for the most financially vulnerable households. Low income households and certain moderate income households were eligible to apply for "protected status." Protected status usually granted tenants access to controlled rents for an additional one or two years. Protected status expired for all tenants on December 31, 1996. This date marked the complete end of all rent control in Cambridge.

Survey Methodology

The City of Cambridge Community Development Department (CDD) provided Atlantic with a computerized listing of renter-occupied residences drawn from the City's Assessing Department and Rent Control Board databases. The listing was matched against a second computerized telephone listing of all Cambridge residences in order to obtain telephone numbers for the survey. Using the resulting file, Atlantic drew a random sample of sufficient size to complete roughly 1,000 interviews with renters. This approach was believed to provide a sample which fairly represented both rent controlled and non-rent controlled residences.¹

In addition, using the City of Cambridge Street Listing directories for 1994 and 1997 (prepared by the Cambridge Election Commission) as well as the Rent Control Board Property Database, Atlantic randomly identified approximately 600 apartments formerly subject to rent control from which individuals moved between 1994 and 1997. Letters and mail survey questionnaires were sent to individuals at their former addresses with the expectation that the mail would be forwarded to current addresses. This step was taken to obtain a sub-sample of tenants who moved to other Cambridge addresses or who moved outside of Cambridge from units previously subject to rent control. Significant difficulty was expected and was experienced in attempting to locate such households. While this latter effort falls outside truly random surveying techniques, it was believed to be the best way to reach relocated tenants, particularly those who moved outside Cambridge.

¹ While a completely representative sample of Cambridge renters was a goal of the data collection effort, it should be kept in mind that certain types of biases are difficult to avoid in telephone surveys. Typical biases of random city surveys of the type conducted here include underrepresentation of racial minorities, foreign speaking populations and lower income residents. Atlantic has done its best to limit these biases through multiple (up to 10) call-backs to initially sampled households and using interviewers who speak Spanish and French Creole, in addition to English.

Sample Size

Combining both the random survey of Cambridge renter households with the survey of former rent control tenants, 1,000 interviews were conducted with renter households. In each case, the person interviewed was identified as a head of household. All renter interviews were conducted between July and September, 1997

Unit Types²

Data that relate to the property (i.e. either building or unit) rather than the tenant, are presented by the former rent control status of the building or unit. Those subject to rent control at the time rent control ended, in December 1994, are referred to as "decontrolled" units or buildings. 474 decontrolled units were surveyed. All other Cambridge rental units that were surveyed are referred to as "market rate" units or buildings. 470 market rate units were surveyed. The remaining 56 units surveyed were located outside Cambridge and occupied by former rent control tenants.

Tenant Groups

The key findings of the survey are organized by four groups of tenants who are defined by both their place of residence at the end of 1994 and their place of residence at the time of the interview:

- 293 interviews were conducted with tenants who remained in decontrolled units after the end of rent control in December 1994. These interviewees are referred to as "sitting tenants of decontrolled units."
- 97 interviews were conducted with tenants who resided in a unit subject to rent control prior to the end of rent control and moved from that unit sometime after 1994 and before the date of the interview. These persons may have moved to rental units either in or outside of Cambridge, and, if within Cambridge, may have moved either to a decontrolled or a market rate unit. This group is referred to as "tenants who moved from decontrolled units."
- 179 interviews were conducted with tenants who moved into decontrolled units after 1994 and who did not live in a unit subject to rent control prior to that move. This group is referred to as "new tenants of decontrolled units."
- 431 interviews were conducted with tenants of market rate units, which consist of those units not subject to rent control at the time the program expired in December 1994. This group is referred to as "tenants of market rate units." (This group does not include any interviews conducted with persons who lived in a unit

² Neither occupants of public and other subsidized housing nor homeowners were surveyed, since this was intended to be a survey of the non-assisted rental housing stock.

subject to rent control at the time rent control ended but who subsequently moved to another such unit; all such persons are treated as tenants who moved from decontrolled units.)

Confidence Intervals & Error Margins

Overall survey results may be interpreted at a 95% confidence interval with a $\pm 3.1\%$ error margin. That is, in 19 out of 20 surveys which use the same probabilistic sampling techniques, the survey results will differ by no more than $\pm 3.1\%$ from what would be determined by speaking to everyone in the relevant survey population.

Survey responses relating to the various groups of renters interviewed can be interpreted at a 95% confidence interval with the following levels of accuracy:

<u>Group</u>	<u>Sample Size</u>	<u>Accuracy</u>
Sitting tenants of decontrolled units	293	$\pm 5.7\%$
Tenants who moved from decontrolled units	97	$\pm 12.0\%$
New tenants of decontrolled rate units	179	$\pm 7.3\%$
Tenants of market rate units	432	$\pm 4.7\%$
All decontrolled units	474	$\pm 4.5\%$
All Cambridge market rate units	470	$\pm 4.5\%$
All current Cambridge renters	940	$\pm 3.2\%$
Entire sample	1000	$\pm 3.1\%$

Note that the $\pm 12\%$ accuracy for tenants who moved from decontrolled units assumes a level of randomness comparable to that found in the other subsamples, which is likely not the case.

All survey results are reported as percentages or as means or medians. Means are arithmetic averages. Medians are also "averages", but they are determined by identifying the midpoint in an ordered listing (lowest to highest) of the relevant survey cases. Lists of percentages may add to 99% or 101% due to rounding error.

Report Organization

The report is divided into three sections:

Part I provides an executive summary, covering significant facts and conclusions.

Part II reviews the findings of the survey of the four tenant groups regarding rents and affordability issues, tenure and occupancy, socioeconomic characteristics, and rental housing conditions. Part II also provides a report on the results of the survey of owners of decontrolled properties.

Part III reports the results of analysis of data from other sources, designed to verify and supplement the survey results. Chapter 7 summarizes information drawn from the New Lease Program operated by the City of Cambridge Department of Human Services for the

benefit of former protected tenants. Chapter 7 compares the survey findings with data on average rents in Cambridge collected by the Greater Boston Real Estate Board's Rental Housing Association. Chapter 9 looks at trends in sales prices of controlled and decontrolled multi-family units in Cambridge from 1994 to 1997. Chapter 10 considers issues related to capital investment in improvements in decontrolled housing and looks at impacts on the rate of condominium conversion in the city.

Summary of Key Findings

- Overall, median Cambridge rents increased by 36% from the end of 1994 through the summer of 1997. Decontrolled units with new tenants experienced the greatest average rent increases, the median increasing by 85%. Tenants of market rate units experienced the lowest increase, at 13%. Rents of sitting tenants of decontrolled units increased by 40%.
- Among the four groups of tenants, sitting tenants of decontrolled units had the lowest 1997 median rent, at \$700 per month. New tenants of decontrolled units paid the highest 1997 rents, their median being \$925 per month.
- Forty percent of tenants paid more than 30% of their annual incomes in gross rent (i.e., rent plus utilities), a level considered excessive under most current federal and state guidelines. This result shows little variation among the four tenant groups.
- While sitting tenants of decontrolled units were the least likely to have high housing costs, 6% of these tenants paid over 50% of their income in gross rent, or approximately 600 of the 10,000 sitting tenant households.
- Students and households whose incomes exceed \$60,000 a year typically paid the highest rents. Long-term Cambridge residents, the less educated, the disabled, and households with annual incomes of less than \$20,000 typically paid lower rents.
- Households with incomes of under \$20,000 pay an average rent of \$610 per month, which is at least 37% of the annual income of households falling in this category. Households earning over \$60,000 paid a median rent of \$1,150, which is at most, 23% of the annual income of households falling in this category.

Introduction

This chapter examines trends in monthly rents from 1994, the last year rent control was in full effect, through the summer of 1997, when the survey occurred. Rents for units formerly subject to rent control are contrasted with those of units subject to market rate rents prior to 1995. Comparisons are also made among median monthly rents paid by the four tenant categories defined in Chapter 1.

Information about median monthly rents and utility costs provides the basis for a comparison of rent burdens (i. e., the percentage of household income comprised by rent and utilities combined) between the four tenant groups.

Current Rents

Table R-1A examines median monthly rents by the former rent control status of households. The 1997 monthly rents of sitting tenants were substantially below those of both tenants who have moved from decontrolled units and tenants of market rate units. Sitting tenants paid a median of \$700 per month, while those who moved from decontrolled units paid \$762 per month and market rate tenants paid \$900 per month. New tenants of decontrolled units paid the highest 1997 median rent, at \$925 per month. The 1997 median monthly rent of all decontrolled units was \$775, and the median rent for market rate units was \$900 per month, as shown in Table R-1B.

Table R-1A
Median Contract Rents for Cambridge Households
By Household Status
1994-1997

	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>Percent Change</u>			<u>Total</u>
					<u>1994-1995</u>	<u>1995-1996</u>	<u>1996-1997</u>	<u>1994-1997</u>
<u>Former Rent Control Tenants</u>								
Sitting Tenants	\$ 500	\$ 592	\$ 631	\$ 700	18%	7%	11%	40%
Moved or Displaced	\$ 543	\$ 617	\$ 712	\$ 762	14%	15%	7%	40%
<u>Market Rate Tenants</u>								
New Tenants of Decontrolled Units*	\$ 500	\$ 722	\$ 855	\$ 925	44%	18%	8%	85%
Tenants of Market Rate Units	\$ 800	\$ 843	\$ 875	\$ 900	5%	4%	3%	13%
Total Sample	\$ 600	\$ 695	\$ 760	\$ 815	16%	9%	7%	36%

*1994 rent based on data provided by sitting tenant households.

Table R-1B
Median Contract Rents for Cambridge Households
By Unit Type
1994-1997

	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>Percent Change</u>			<u>Total</u>
					<u>1994-1995</u>	<u>1995-1996</u>	<u>1996-1997</u>	<u>1994-1997</u>
<u>Rent control Status of Unit</u>								
Decontrolled Units	\$ 504	\$ 600	\$ 700	\$ 775	19%	17%	11%	54%
Market Rate Units	\$ 785	\$ 810	\$ 868	\$ 900	3%	7%	4%	14%
Total Sample	\$ 600	\$ 695	\$ 760	\$ 815	16%	9%	7%	36%

Table R-2 indicates 1997 median monthly rents for households in Cambridge by rent control status, duration of residence in Cambridge, employment status, household type, race, educational level, income and gender. Householders who had lived in Cambridge for six years or more paid a median monthly rent of \$725, which is significantly less than the figure paid by people who had lived in Cambridge for five years or less, who paid a median of \$950. This difference corresponds to the significantly lower level of rents paid

by sitting tenants after rent control ended. People who had lived in Cambridge for five years or less also paid more than the median market rate unit rent of \$900.

Education and income correspond closely to rent levels. Tenants without a college education paid a median of \$597 per month, while those of tenants with post-graduate degrees paid \$900. Likewise, rents rise steeply with increases in income level. Households with incomes of under \$20,000 paid a median rent of \$610 per month, which is over one-third (36%) of the annual income of households falling in this category. Households earning over \$60,000 pay almost double this amount — \$1,150 per month, which is, at most, 23% of the annual income of households falling in this category.

Students, whose rents averaged \$912 per month, paid \$62 more than employed people. Roommates paid more than households where related people live together. Single people living alone paid \$675 a month, while special needs households had the lowest median rents of all the groups surveyed, at \$600 per month.

Of the ethnic groups surveyed, Asians, with median rents of \$1,000 paid more than any other group. Whites paid \$807, Hispanics \$800, and African Americans paid a median of \$752 per month.

Table R-2
Median Contract Rents Paid for Cambridge Households
Summer 1997

<u>Rent Control Status of Unit</u>	<u>Median Rent</u>
Formerly Rent Controlled (Decontrolled)	\$ 775
Never Rent Controlled (Market Rate)	\$ 900
<u>Rent Control Status of Tenant</u>	
Sitting Tenant in Decontrolled Unit	\$ 700
Former Rent Control Tenant who Moved	\$ 762
New Tenant in Decontrolled Unit	\$ 925
Tenant in Market Rate Unit	\$ 900
<u>Years as Cambridge Resident</u>	
Five Years or Less	\$ 950
Six Years or More	\$ 725
<u>Employment Status</u>	
Employed	\$ 850
Student	\$ 912
Unemployed	\$ 700
<u>Household Composition</u>	
Single Person	\$ 675
Roommates	\$1,060
Couple with Children	\$ 900
Single Parents	\$ 750
Special Needs Households	\$ 600

<u>Race/Ethnic Background</u>	
White	\$ 807
African American	\$ 752
Asian	\$1,000
Spanish Speaking	\$ 800
 <u>Education</u>	
High school or less	\$ 597
College Graduate	\$ 850
Post Graduate	\$ 900
 <u>Annual Household Income</u>	
Under \$20,000	\$ 610
\$20,000-\$30,000	\$ 750
\$40,000-\$60,000	\$ 900
Over \$60,000	\$1,150
 Total Sample	 \$ 815

Effect of Student Population on Median Rents

The median rent paid by students responding to the survey was \$913 per month, \$63 per month more than that paid by employed persons. More notably, the 1997 median rent for students almost equaled the \$925 paid by new tenants of decontrolled units. This occurred in spite of the fact that the majority of student incomes fall in the lower income tiers. Seventy-five percent of students have incomes under \$40,000 per year, compared to 55% of the entire population surveyed (including students). The presence of so many relatively lower income students paying relatively high rents has the effect of inflating the median rents paid by persons in the lower income ranges.

Among students 23% pay rents of \$750 per month or less compared to 43% of the entire population (including students). Forty-five percent of students responding to the survey paid a rent of between \$750 and \$1,000 per month, compared to 28% of the general population.

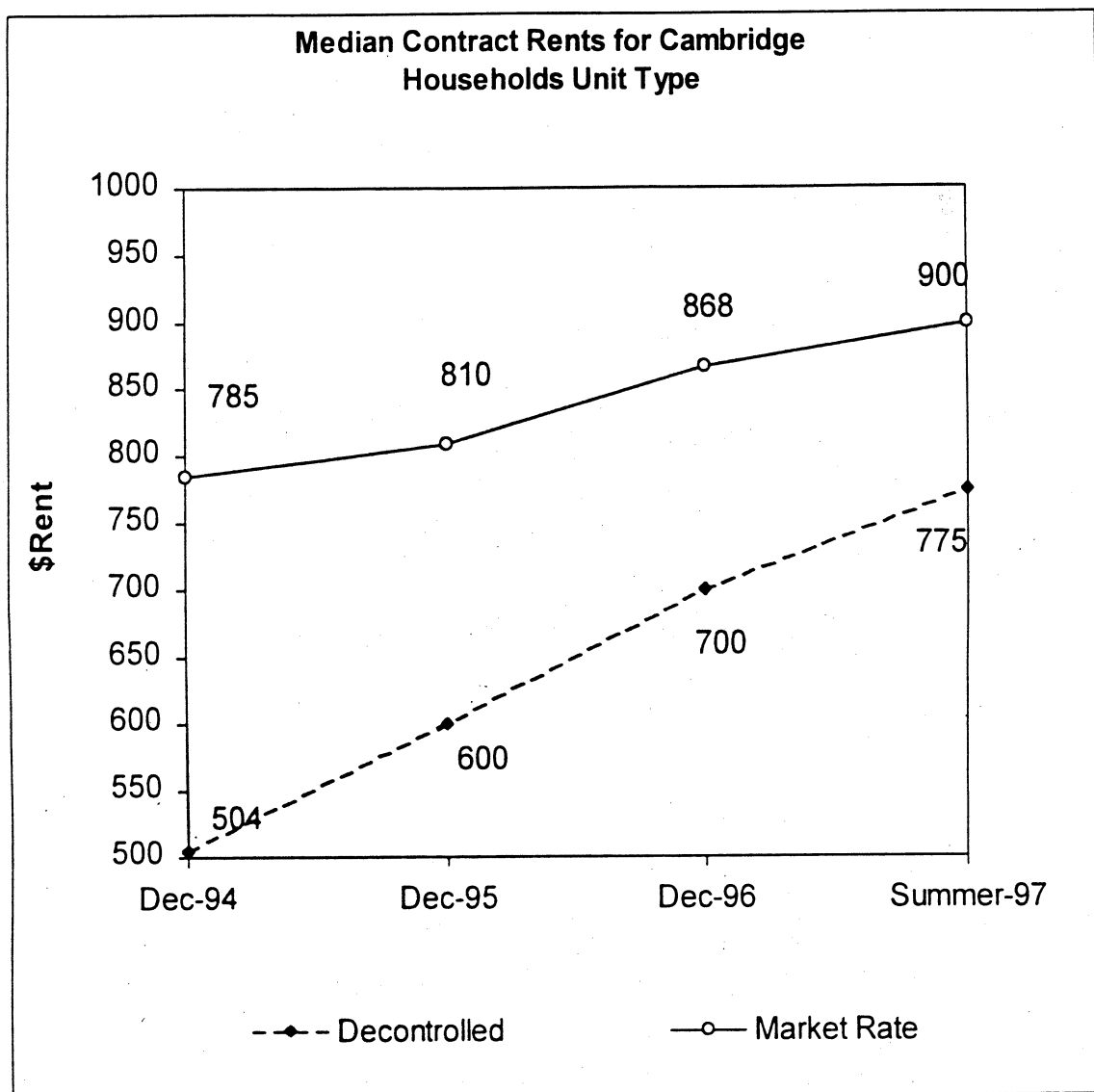
Trends in Rents 1994 - 1997

Tables R-1A and R-1B summarize annual trends in median monthly rents paid by Cambridge households from 1994, the last year rent control was in effect for most households, through the summer of 1997, when Atlantic conducted the survey.

Trends in Rents by Status of Unit

According to Table R-1B, the median monthly rent for the decontrolled units surveyed was \$504 in 1994, compared with \$785 for market rate units. In 1995, the first year following decontrol, rents of decontrolled units increased by almost 20%, while those of market rate units increased by just 3%. During the next two years, rents of decontrolled units continued to increase by double digits, 17% in 1996 and 11% in 1997. The average annual rate of increase for decontrolled units over the period was 16%, more than three times the annual rate of increase registered for market rate units. While the median rent of decontrolled apartments had increased by over 50% by the summer of 1997, at \$775 it still fell below the \$900 recorded for market rate units during the same period.³

Chart R-1

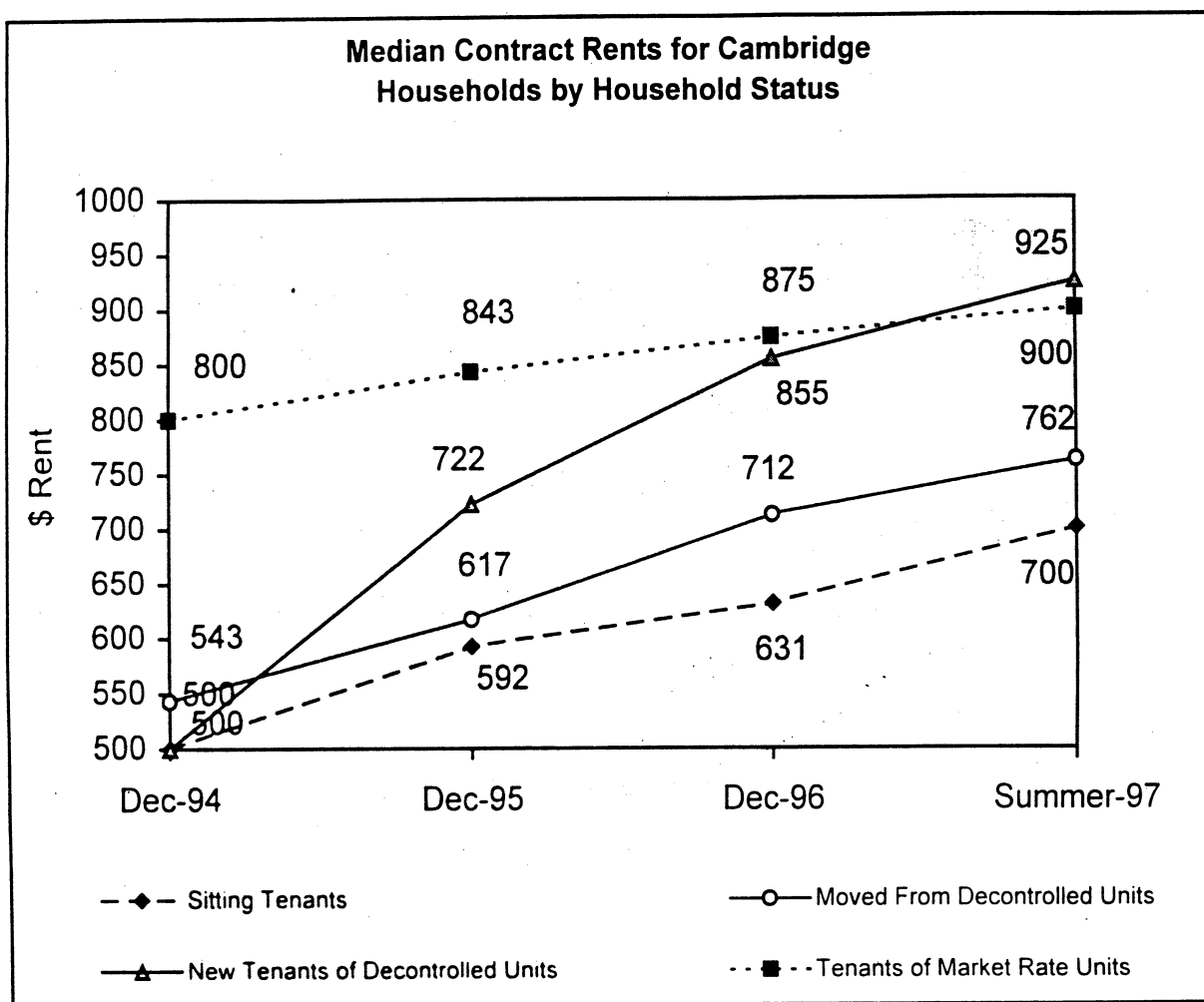


³ In contrast to the survey results, the Residential Rent component of the Boston-Lawrence-Salem MA-NH Consumer Price Index rose by 10.3% from November 1994 to September 1997.

Trends in Rents by Status of Tenant

Median monthly rents of sitting tenants of decontrolled units increased from \$500 in 1994 to \$592 in 1995, an 18% increase. Monthly rents of decontrolled units with new tenants jumped from \$500 to \$722 over the same one year period, an increase of 44%. By 1997, rents of decontrolled units with sitting tenants were 40% greater than under rent control, compared with an 85% increase for decontrolled units with new tenants. Tenants who moved from decontrolled units fared as well as sitting tenants. From 1994 to 1997 the median rent of moved tenants increased by 40%, with 15% of that jump occurring in 1995. In sharp contrast to the other three tenant groups, market rate tenants experienced an increase in median monthly rent totaling just 13% over the entire three year period.

Chart R-2



Distribution of 1997 Rents

Table R-3 shows detailed data on 1997 rents paid by the four classes of households surveyed. Almost 60% of sitting tenants paid less than \$750 and 18% paid less than \$500

per month. Just 5% of this group paid more than \$1,250 per month, compared with 19% of new tenants of decontrolled apartments. Seventeen percent of market rate tenants paid more than \$1,250 per month. Among tenants who moved from decontrolled units, 49% paid less than \$750 per month, while 12% paid more than \$1,250 per month.

TABLE R-3
Q26: HOW MUCH IS THE TOTAL MONTHLY RENT FOR YOUR CURRENT HOUSING UNIT?

	FORMER RENT CONTROL TENANTS		NON-RENT CONTROL TENANTS		TOTAL TENANTS
	IN SAME UNIT	MOVED OR DISPLACED	IN FORMER RC UNIT	IN MKT. RATE UNIT	
\$500 OR LESS	18%	22%	7%	14%	14%
\$501-\$750	41%	27%	28%	20%	28%
\$751-\$1,000	26%	24%	30%	28%	28%
\$1,001-\$1,250	8%	12%	16%	19%	15%
MORE THAN \$1,250	5%	12%	19%	17%	14%
DON'T KNOW	2%	3%	1%	1%	2%
TOTAL ANSWERED	100%	100%	100%	100%	100%
MEAN	756.35	830.47	964.30	939.17	882.57
MEDIAN	700.00	750.00	925.00	900.00	807.50

Gross Rent & Utility Costs

In order to calculate gross monthly rents (i. e., monthly rent plus utility costs) the survey collected data about utility costs. The rent of just over half of tenants included heating costs, including approximately two-thirds of decontrolled units and 43% of market rate units. Others paid a median of \$60 per month for heat. Two-thirds of tenants had hot water included in their rent; those who did not paid a median of \$33 per month. An overwhelming majority of 85% of tenants pay their own electric bill; 14% had electricity included in their rents; less than 1% were uncertain.

Rent Burden

Rent burden is the gross rent to income ratio (i. e., the proportion of a household's income that is devoted to gross rent). Under most state and federal housing programs, the current standard for affordable housing is that housing costs should consume no more than 30% of household income. Households with a rent burden of 50% or greater qualify for priority placement in most publicly subsidized housing. Table R-4 shows the distribution of tenant households by gross rent to income ratios.

Table R-4
Rent Burden
Gross Rent to Income Ratio by Tenant Group, 1997

<u>Former Rent Control Tenants</u>			<u>Non-Rent Control Tenants</u>		<u>Totals</u>
Rent as Percent of Income	<u>Sitting</u>	<u>Moved</u>	<u>In Former RC Unit</u>	<u>In Mkt. Rate Unit</u>	<u>Total Tenants</u>
Under 30%	58%	64%	59%	63%	60%
Over 30%	42%	36%	41%	37%	40%
Over 50%	6%	8%	13%	8%	8%
Mean	27%	17%	32%	27%	27%
Median	27%	18%	28%	24%	26%

Source: Atlantic Marketing Research 1997 Tenant Survey

The median rent burden for all tenants was 26%. The median rent burden for all four tenant groups also fell under 30%, despite the range of median gross rents recorded. Tenants who moved from decontrolled units generally fared the best; their median gross rent burden was 18%, compared with 27% for sitting tenants of decontrolled units and 28% for new tenants of decontrolled units.

Nonetheless, a substantial proportion of Cambridge tenants do not live in affordable housing, as evidenced by the rent burden they carry. Forty percent of tenants surveyed paid more than 30% of income in rent. There is only a minor variation among the four tenant groups in this regard. More alarmingly, the rent burden of 8% of households

exceeded 50% of income. While sitting tenants of decontrolled units were the least likely to have high housing costs, 6% of these tenants paid over 50% of their income in gross rent, which is equivalent to 600 of the approximately 10,000 sitting tenant households.

New tenants of decontrolled units include the highest proportion of tenants who pay a heavy rent burden, with 13% of this group paying more than 50% of income in gross rent. This same group generally paid the highest median gross rent and includes many student households, 32% of the total.

Summary of Key Findings

- Approximately two-thirds of the tenants of decontrolled units had not moved since the end of rent control.
- Among the tenants of decontrolled units who had moved since the end of 1994, a majority did so in response to rent increases.
- Among those tenants of decontrolled units who moved, almost 60% moved out of Cambridge.
- Among the four tenant groups, sitting tenants of decontrolled units had the longest median tenure in their current apartments, at 8 years.
- Tenants who resided in their current unit prior to 1995 included a higher percentage of single person households, households with children, persons with less than a four year college degree and retired persons. These longer term tenants also tended to have lower incomes and paid lower rents when compared to tenants who moved into their current unit after 1994. Post-1994 tenants included a large percentage of roommate households, couples without children and more persons with a college degree or some graduate education and three times as many students.
- Sitting tenants of decontrolled units are the group most uncertain about how long they will remain in their current unit. One-third were uncertain about how long they will remain in their present home.
- Among sitting tenants who planned to move, over 50% stated that they will do so in response to rent increases, more than twice the level for the other three tenant groups.

Introduction

This chapter explores issues relating to mobility, tenure, duration of residence in the city, and owner-occupancy of rental properties. Data are compared according to the former rent control status both of tenants and of units.

Mobility

Table T-1 compares data on those tenants who moved from decontrolled units with sitting tenants of decontrolled units. At the time of the survey 62% of the pre-1995 tenants remained in these units following the end of rent control; in other words, 62% are sitting tenants. The remaining 38% of the pre-1995 tenants moved from their decontrolled units.

Table T-1
Residence in Decontrolled Units & Resident Mobilty

Decontrolled Units

Sitting Tenant (unchanged since 12/94)	62%
New Tenant since 12/94	<u>38%</u>
Total	100%

Relocated Former Rent Control Tenants

Moved elsewhere in Cambridge	42%
Moved from Cambridge	<u>58%</u>
Total	100%

Why Former Rent Control Tenants Moved Since 12/94⁴

Rent too expensive	54%
Needed more space	18%
Wanted nicer/safer area	12%

Over half of these tenants stated that they moved due to rent increases, another 18% said that they needed more room, and 12% wanted a nicer/safer area. Among former rent control tenants who moved, 42% found other housing in Cambridge.

Length of Household Residence in Current Unit

The typical tenant household had occupied its current apartment for a median of four years. Median length of residence varied by tenant group. Sitting tenant households had lived in their decontrolled units for a median of 8 years, compared with 2 years for new tenants of decontrolled units and 4 years for tenants of market rate units. As shown in Table T-1A, comparing shorter term residencies, 38% of market rate and 37% of all current tenant households of decontrolled residences had resided in their current apartment for two or fewer years. Among longer term residencies, 38% of sitting tenants have lived in the same place for over 10 years and 21% had lived there for over 20 years, compared with 19% and 9%, respectively, for market rate tenants.⁵

⁴ Multiple responses accepted. Total does not add to 100%.

⁵ In contrast, the Abt Associates 1987 Cambridge Housing Study found that 33% of rent control units and 50% of market rate units had turned over during the previous two years. Abt found that among rent control residents 12% had lived in their current unit for at least ten years and 6% for at least 20 years. Among market rate tenants these statistics were 9% and 6% respectively.

TABLE T-1A
Q10: HOW LONG HAS ANY MEMBER OF YOUR HOUSEHOLD OCCUPIED YOUR CURRENT HOUSING UNIT?

	RENT CONTROL STATUS OF UNITS			
	FORMERLY RENT CONTROL	NEVER RENT CONTROL	NON- CAMBRIDGE	TOTAL UNITS
LESS THAN 1 YEAR	9%	8%	-	8%
1-2 YEARS	28%	30%	-	29%
3-5 YEARS	24%	27%	-	26%
6-10 YEARS	16%	13%	-	14%
11-20 YEARS	11%	10%	-	10%
21 YEARS OR MORE	12%	8%	-	11%
DON'T KNOW	-	3%	-	2%
TOTAL ANSWERED	100%	100%	-	100%
MEDIAN	4	4	-	4

Length of Tenant Residence in Cambridge

As shown in Table T-2, the median length of residence in Cambridge recorded for all tenants was six years. Nonetheless, survey respondents included many long-time residents of Cambridge. A third of the tenants had lived in Cambridge for over 10 years, including nearly 20% who had been city residents for over 20 years.

Sitting tenants of decontrolled units were the longest-standing group of residents, with a median tenure of 11 years in the city (i. e., more than half have been resident in Cambridge for over ten years). The median length of residence in Cambridge for new tenants of decontrolled units was just 2 years; over 60% of this group moved into Cambridge from elsewhere after rent control ended and only 10% had lived in the City for over 10 years. Tenants who moved from decontrolled apartments had lived in Cambridge for a median of eight years, and 41% had resided in Cambridge for over 10 years. Tenants of market rate units had resided in Cambridge a median of five years, with 30% resident for over 10 years.

TABLE T-2
Q5: HOW LONG HAVE YOU BEEN (WERE YOU) A RESIDENT OF CAMBRIDGE?

	FORMER RENT CONTROL TENANTS		NON-RENT CONTROL TENANTS		TOTAL TENANTS
	IN SAME UNIT	MOVED OR DISPLACED	IN FORMER RC UNIT	IN MKT. RATE UNIT	
LESS THAN 1 YEAR	-	-	20%	8%	7%
1-2 YEARS	-	-	42%	17%	16%
3-5 YEARS	24%	20%	22%	28%	25%
6-10 YEARS	24%	23%	7%	17%	18%
11-20 YEARS	22%	22%	4%	12%	15%
21 YEARS OR MORE	29%	19%	6%	18%	19%
DON'T KNOW	1%	16%	-	-	*%
TOTAL ANSWERED	100%	100%	100%	100%	100%
MEAN	17.33	12.16	4.64	11.77	12.13
MEDIAN	11.00	8.00	2.00	5.00	6.00

*Corresponds to data less than 1%.

Significant Socioeconomic Factors in Length of Residence

Length of residence in Cambridge was highly related to household type, age composition, education, and special needs status. The median years of residence for single parents was 20 years. Households with a person over 65 had lived in Cambridge for an average (median) of 31 years. For those with high school education or less, the average (median) residency in the city was 23 years, compared with 4 years for college graduates and five years for those with post-graduate education.

Another way of looking at length of residence is to compare those tenants who resided in their current Cambridge apartment during the period of rent control, either in a controlled or a market rate unit, with all those who moved into their current Cambridge apartment after 1994, when rent control regulations had already been largely repealed. Table T-2A provides a socioeconomic comparison of these two populations.

The older population of tenants included more single person households (31% vs. 21%) and households with children (28% vs. 18%), more less educated residents (30% less than four year college degree vs. 15%) and more retired persons (14% vs. 2%). Pre-1995 residents had lower incomes, with a plurality of 37% falling in the \$20,000 to \$39,999 range and tended to pay lower gross rents — 73% of longer term tenants paid \$1,000 or less each month.

On the other hand, post-1994 tenants included more roommate households (35% vs. 18%) and couples without children (26% vs. 21%), more highly educated residents (85% with a four year degree, including 51% with post graduate studies vs. 70% and 41%, respectively) and more students (21% vs. 7%). Newer residents had a more even distribution of incomes due to a large increase in those persons earning over \$60,000 annually (25% earning over \$60,000 vs. 14%) and paid higher gross rents — 51% of newer tenants paid over \$1,000 in rent each month.

Table T-2A
Socioeconomic Factors by Length of Residence in Current Unit

	Resident prior to <u>1995</u>	New Resident since <u>1994</u>
<u>Unit Type</u>		
Decontrolled	53%	50%
Market Rate	47%	50%
<u>Household Type</u>		
Single Person	31%	21%
Roommates	18%	35%
Couple without Children	21%	26%
Couple with Children	21%	15%
Single Parent	7%	3%
Other	2%	1%

<u>Education</u>		
HS Diploma or Less	15%	5%
Some College/Tech. School	15%	10%
College Degree	29%	34%
Post-Graduate	41%	51%
<u>Employment Status</u>		
Employed	63%	63%
Student	7%	21%
Retired	14%	2%
Other	6%	5%
Unemployed	6%	6%
Refuse	6%	6%
<u>Income</u>		
Under \$20,001	24%	20%
\$20,000-\$39,999	37%	32%
\$40,000-\$59,999	25%	23%
Over \$60,000	14%	25%
<u>Gross Rent</u>		
Under \$501	11%	6%
\$501-\$1,000	62%	43%
\$1,001-\$1,500	22%	39%
Over \$1,500	6%	12%

Planned Duration of Residence in Cambridge

Table T-3 summarizes how long tenants plan to stay in their current apartment. On average, two of the four groups of tenants interviewed planned to stay in their apartments for a median period of 2 more years. New tenants of decontrolled units and market rate tenants planned to stay a median of one year. Among sitting tenants, one-third, substantially more than other groups, stated that they did not know how long they would remain in their current units.

TABLE T-3
Q12: HOW LONG DO YOU PLAN TO STAY IN CURRENT HOUSING?

	FORMER RENT CONTROL TENANTS		NON-RENT CONTROL TENANTS		TOTAL TENANTS
	IN SAME UNIT	MOVED OR DISPLACED	IN FORMER RC UNIT	IN MKT. RATE UNIT	
DON'T PLAN TO STAY	3%	4%	1%	2%	2%
LESS THAN A YEAR	19%	12%	25%	18%	19%
ONE YEAR	10%	8%	27%	17%	16%
TWO YEARS	9%	27%	9%	11%	11%
THREE YEARS	3%	4%	4%	3%	3%
MORE THAN THREE YEARS	23%	23%	9%	21%	19%
DON'T KNOW	34%	23%	25%	28%	29%
TOTAL ANSWERED	100%	100%	100%	100%	100%
MEAN	2.08	2.23	1.41	1.97	1.89
MEDIAN	2.00	2.00	1.00	1.00	1.00

Table T-4 provides information about why tenants planned to move. Thirty-one percent of all tenants who intended to move said that they planned to do so because their rent was too expensive. Over 50% of sitting tenants who said that they planned to move intended to do so because their rent was too high, compared with 15% to 25% of members of the other three tenant groups.

TABLE T-4
Q13: WHY DO YOU NOT PLAN TO STAY?
(MULTIPLE RESPONSES ACCEPTED)

	FORMER RENT CONTROL TENANTS		NON-RENT CONTROL TENANTS		TOTAL TENANTS
	IN SAME UNIT	MOVED OR DISPLACED	IN FORMER RC UNIT	IN MKT. RATE UNIT	
MY RENT IS TOO EXPENSIVE	57%	25%	15%	21%	30%
OTHER	25%	25%	41%	46%	38%
NEW JOB	8%	25%	20%	20%	16%
WANT TO LIVE IN A NICER AREA	7%	-	2%	3%	4%
NEED MORE ROOM	5%	-	9%	5%	6%
MY LEASE IS UP	5%	50%	11%	9%	9%
WANT TO LIVE IN A SAFER AREA	2%	-	-	-	1%
DON'T LIKE CAMBRIDGE	-	-	4%	-	1%
DON'T KNOW	-	-	2%	2%	2%

Summary of Key Findings

- Of the four tenant categories, sitting tenants of decontrolled units had the lowest average income at \$35,650 per year.
- Almost two-thirds of sitting tenants had incomes under \$40,000, including almost one-quarter who were under \$20,000 — the largest proportion of lower income tier residents in any of the four tenant groups.
- Forty percent of sitting tenants had incomes between \$20,000 and \$40,000, the largest portion found in this income tier.
- Roughly one-half of sitting tenant households consisted of one person living alone, compared to between one-third and one-quarter for each of the other three tenant groups.
- Households who moved from decontrolled housing were most likely to include children under seven. Market rate tenants most often had children seven to 17 years of age.
- The highest proportion of elderly people was found among sitting tenants households, at 13%, and the lowest among new tenants of decontrolled units, at 3%.

Introduction

This chapter summarizes the socio-economic characteristics of the four tenant groups. Information is presented about income, household composition, age, race, employment status, and disability. A discussion of socioeconomic factors based on length of residence in current unit is found in Chapter 3.

Income Structure

Table S-1 shows the income distribution for the four tenant groups, sitting tenants, tenants who have moved from decontrolled units, new tenants of decontrolled units and market rate tenants. Sitting tenants of decontrolled units had the lowest weighted mean incomes, averaging \$35,650 per year, while those who moved from decontrolled units had the highest income structure, with a weighted average of \$50,920. New tenants of decontrolled apartments had a weighted average is \$41,340. Tenants of market rate units had a weighted average of \$43,630.⁶

Table S-1
Income Range by Former Rent Control Status of Tenant
1997

<u>Income</u>	<u>Ex-Rent Control Tenants</u>		<u>Non-Rent Control Tenants</u>		<u>Total Tenants</u>
	<u>In Same Unit</u>	<u>Moved or Displaced⁷</u>	<u>In Former RC Unit</u>	<u>In Mkt. Rate Unit</u>	
<\$20,000	24%	15%	20%	19%	20%
\$20,000-\$39,999	40%	33%	35%	28%	33%
\$40,000-\$59,999	21%	19%	21%	27%	23%
\$60,000-\$79,999	7%	11%	13%	12%	11%
\$80,000+	4%	21%	8%	9%	9%
DK	4%	1%	3%	6%	4%
Total	100%	100%	100%	100%	100%
Weighted Mean Income	\$35,650	\$50,920	\$41,340	\$43,630	\$41,660

Former Rent Control Tenants

Nearly two-thirds of sitting tenants of decontrolled apartments reported household incomes less than \$40,000. No other tenant group reported more than 55% with household incomes less than \$40,000. Thirty-two percent of sitting tenants reported an annual household income of over \$40,000, compared to 42% of new tenants of decontrolled units. Among market tenants 48% reported an annual household income over \$40,000.

⁶ The estimated current median income for a Boston Metropolitan area household of 2 people is \$47,680, per U. S. HUD. Note that the median and mean figures will differ.

⁷ Note that this figure is based on a non-random sample that tends to both overweight upper income households and underweight lower income households. Thus, comparison to other median incomes reported could prove misleading. See P. 9 under Survey Methodology for more information about this issue.

Non-Rent Control Tenants

There are two groups of “market rate” tenants: those who moved into decontrolled units after 1994 and those who live in units that were not subject to rent control in 1994 (i. e., market rate units). New tenants of decontrolled units had a lower income profile than those who live in market rate housing. The average income for new tenants of decontrolled units was \$41,340, while that of market rate tenants was \$43,630 per year.

Some 20% of new tenants of decontrolled units had household incomes under \$20,000, compared with 19% of tenants of market rate units. Fifty-five percent of new tenants of decontrolled apartments had household incomes under \$40,000, compared with 47% of households occupying market rate units. Nine percent of tenants of market rate units and 89% of new tenants of decontrolled units fell in the uppermost income range (\$80,000 or higher).

Single Person Households

Table S-2 shows data collected on household size and composition for the four groups of tenants. Thirty-six percent of all renters interviewed consisted of single person households. The proportion was much higher for sitting tenants of decontrolled units, at over 50%. From 24% to 36% of respondents in other groups were from single person households.

Roommate Households

As shown in Table S-2, 22% of tenant households consisted of roommates (i. e., persons living together who are unrelated by descent or marriage). The greatest proportion of roommate households were found among new tenants of decontrolled units, where 39% of households consists of roommates. Sitting tenant households include the lowest proportion of roommate households at 13%.

Q44: TABLE S-2
HOW WOULD YOU DESCRIBE YOUR HOUSEHOLD?

	FORMER RENT CONTROL TENANTS		NON-RENT CONTROL TENANTS		TOTAL TENANTS
	IN SAME UNIT	MOVED OR DISPLACED	IN FORMER RC UNIT	IN MKT. RATE UNIT	
A SINGLE PERSON LIVING ALONE	53%	36%	24%	29%	36%
A COUPLE WITHOUT CHILDREN	15%	24%	23%	23%	21%
A COUPLE WITH CHILDREN	14%	19%	9%	19%	16%
ROOMMATES	12%	15%	39%	23%	22%
A SINGLE PARENT	4%	3%	3%	6%	5%
OTHER	1%	2%	-	1%	1%
TWO OR MORE FAMILIES SHARING LIVING QUARTERS	1%	1%	1%	1%	1%
TOTAL ANSWERED	100%	100%	100%	100%	100%

Households with Children

Of the households interviewed, 21% consisted of couples or single parents with children at home.⁸ The proportion with children was highest for market rate tenants, at 25%, and lowest for new tenants of decontrolled units, at 13%. Twenty-two percent of households who moved from decontrolled units included children, compared to 18% of sitting tenant households. The proportion of single parent households was highest for tenants of market rate units, at 6%. Single parent households comprised 4% of the sitting tenants of decontrolled units, 3% of the new tenants of decontrolled units and 3% of tenants who moved from decontrolled units.

Thirteen percent of all tenants interviewed had children under seven years old at home (see Table S-3). Sitting tenants of decontrolled apartments and new tenants of decontrolled units were least likely to include young children at home, with 10% and 11% of those households, respectively, including children under seven. Households who moved from decontrolled housing included the highest proportion of young children, with 18% of this group reporting children under seven.

Eleven percent of the households surveyed included children from seven to 17 years old (see Table S-4). Fourteen percent of market rate households included children seven to 17 years old, compared to only 6% of new tenants of decontrolled units. Nine percent of sitting tenants and 10% of tenants who moved from decontrolled units had older children residing in their homes.

⁸ The 1990 U.S. Census found that 20% of all Cambridge households consisted of married couples with children or single parents with children.

TABLE S-3
Q45A: INCLUDING YOURSELF, HOW MANY PEOPLE LIVE IN YOUR HOUSEHOLD UNDER 7?

	FORMER RENT CONTROL TENANTS		NON-RENT CONTROL TENANTS		TOTAL TENANTS
	IN SAME UNIT	MOVED OR DISPLACED	IN FORMER RC UNIT	IN MKT. RATE UNIT	
NONE	90%	82%	89%	86%	87%
1 OR MORE	10%	18%	11%	14%	13%
TOTAL ANSWERED	100%	100%	100%	100%	100%

TABLE S-4
Q45B: INCLUDING YOURSELF, HOW MANY PEOPLE LIVE IN YOUR HOUSEHOLD 7-17?

	FORMER RENT CONTROL TENANTS		NON-RENT CONTROL TENANTS		TOTAL TENANTS
	IN SAME UNIT	MOVED OR DISPLACED	IN FORMER RC UNIT	IN MKT. RATE UNIT	
NONE	91%	90%	94%	86%	90%
1 OR MORE	9%	10%	6%	14%	10%
TOTAL ANSWERED	100%	100%	100%	100%	100%

Households with Elders

As shown in Table S-5, 10% of the households sampled had members over 65 years old. The highest proportion of elderly people were found among sitting tenants of decontrolled units, where 14% of households included persons over 65. Among market rate units, 11% housed elders. A much lower proportion of people over 65 was found in households that have moved from decontrolled units (4%) and new tenants of decontrolled units (3%).

Education

All tenant groups proved very highly educated, with 78% of all respondents reporting four year college degrees or some post-graduate education (see Table S-6). Thirty-one percent of respondents had earned a four year college education and an additional 47% had completed some post-graduate education and training.⁹

The most highly educated respondents were found among new tenants of decontrolled units, 85% of whom had completed either a four college degree or some post graduate study. The lowest proportion of highly educated tenants were found among sitting tenants of decontrolled apartments. Even so, 71% of this latter group had received at least a four year college degree.

Fourteen percent of sitting tenant respondents had completed a high school education or less, compared with 10% of the total sample and 5% of new tenants of decontrolled units.

Race

Eighty-three percent of survey respondents were White, 8% African American, and 6% Asian and 4% described themselves as members of other races (see Table S-7).¹⁰ Eight percent of respondents had an Hispanic background.¹¹ Persons of Hispanic background can be members of any race.

Whites were more likely to have lived in decontrolled units than their total representation would indicate; 87% of sitting tenants of decontrolled units and 88% of those that moved from decontrolled units were white.

Looking at the entire sample, relatively few Asians had been rent control tenants — 15% of those surveyed — compared with 41% of the whites, 36% of the blacks and 37% of the Hispanics sampled. Eighty-five percent of the Asians surveyed lived in market rate units, a far larger figure than other racial groups.

⁹ The 1990 U.S. Census found that 54% of all Cambridge residents had obtained a college or post graduate degree.

¹⁰ The 1990 U. S. Census showed that whites comprised about 78% of the city's households that occupy rental housing, African Americans were 12%, Asians were 6% and members of other races totaled 4%.

¹¹ The 1990 U. S. Census reported that 6% of renter households were of Hispanic origin.

TABLE S-5
Q45F: INCLUDING YOURSELF, HOW MANY PEOPLE LIVE IN YOUR HOUSEHOLD 65 AND OLDER?

	FORMER RENT CONTROL TENANTS		NON-RENT CONTROL TENANTS		TOTAL TENANTS
	IN SAME UNIT	MOVED OR DISPLACED	IN FORMER RC UNIT	IN MKT. RATE UNIT	
NONE	87%	96%	97%	89%	90%
1 OR MORE	13%	4%	3%	11%	10%
TOTAL ANSWERED	100%	100%	100%	100%	100%

TABLE S-6
Q53: WHICH OF THE FOLLOWING BEST DESCRIBES YOUR HIGHEST EDUCATIONAL ACHIEVEMENT?

	FORMER RENT CONTROL TENANTS		NON-RENT CONTROL TENANTS		TOTAL TENANTS
	IN SAME UNIT	MOVED OR DISPLACED	IN FORMER RC UNIT	IN MKT. RATE UNIT	
LESS THAN HIGH SCHOOL OR SOME HIGH SCHOOL	2%	1%	2%	3%	2%
HIGH SCHOOL GRADUATE	12%	4%	3%	7%	8%
TECHNICAL SCHOOL OR SOME COLLEGE	10%	9%	8%	7%	9%
2 YEAR COLLEGE GRADUATE	5%	3%	2%	5%	4%
4 YEAR COLLEGE GRADUATE	29%	28%	39%	29%	30%
POST COLLEGE	42%	54%	46%	49%	47%
TOTAL ANSWERED	100%	100%	100%	100%	100%

TABLE S-7
Q58: WHAT IS YOUR RACE?

	FORMER RENT CONTROL TENANTS		NON-RENT CONTROL TENANTS		TOTAL TENANTS
	IN SAME UNIT	MOVED OR DISPLACED	IN FORMER RC UNIT	IN MKT. RATE UNIT	
WHITE	87%	88%	75%	81%	83%
BLACK	7%	5%	8%	8%	7%
ASIAN	2%	3%	11%	7%	6%
OTHER	4%	4%	6%	4%	4%
TOTAL ANSWERED	100%	100%	100%	100%	100%
HISPANICS	7%	7%	8%	8%	8%
NON-HISPANICS	93%	93%	92%	92%	92%
TOTAL ANSWERED	100%	100%	100%	100%	100%

Employment Status

Approximately three-quarters of the households interviewed included full-time workers. Nineteen percent of households had workers with part-time jobs. Five percent of households had unemployed members who were looking for work.¹² There were no significant differences in full or part-time employment status or in unemployment among the four groups of tenants interviewed.

Only 5% of the households interviewed had members who were full-time homemakers. Households who have moved from decontrolled apartments had the highest proportion of full-time homemakers; this corresponds to the higher proportion of families in this category.

Full-time Students

Eighteen percent of the households interviewed included full-time students in college or graduate school. Only 10% of the sitting tenants of decontrolled apartments and 12% of moved or displaced tenants had household members who were full-time students. Nearly 30% of the new tenant households in decontrolled units included students, a proportion greatly in excess of their representation in the entire sample. Twenty-one percent of market rate households included full-time college or graduate students.

Disability

One percent of the households interviewed had a member who is disabled. Disability does not appear to correspond with rent control status but does show a relationship to educational level and income. Five percent of tenants with high school education or less were disabled, and 4% of households with incomes of less than \$20,000 included disabled members.

¹² During the period of the renter survey, the unadjusted Cambridge unemployment rate ranged from 2.4% to 2.5%.

Summary of Key Findings

- Market rate units tend to have more rooms than decontrolled units.
- Market rate units have more amenities, such as parking, porches, and laundry facilities.
- Among one person households, those in market rate units exhibit the highest level of overhousing; about one-third live in units with two or more bedrooms. Among one person households, tenants who moved from decontrolled units display the least overhousing, at 13%. Among sitting tenants of decontrolled units and new tenants of decontrolled units, about one-quarter of one person households are overhoused.
- Fourteen percent of tenants consider their units to be overcrowded, with 10% using the living or dining room for sleeping. There is little difference between tenant groups in this respect.
- Sitting tenants of decontrolled units most often rate both their units and buildings as being in either fair or poor condition. Market rate tenants most often rate both units and buildings as being in either good or excellent condition.

Introduction

This chapter presents survey findings regarding rental housing stock characteristics, including unit and building sizes, amenities, and crowding. Tenants' subjective impression of the physical condition of both their buildings and units, as well as any changes in conditions since 1994, are also reviewed. The former rent control status of the building, rather than that of the tenant, provides the basis for most of the following analysis. Buildings are treated as either decontrolled (i.e., formerly subject to rent control) or as market rate (i.e., not subject to rent control prior to 1995).

Building Size

Table H-1 shows the distribution of tenants by the number of units in the building where they resided. One-quarter of tenants occupied single unit or two unit buildings, 16% lived in three unit buildings, 23% occupied buildings with four to 10 units, and 35% lived in buildings with more than 10 units.

The Cambridge rent control law exempted owner-occupied residential structures with less than 4 units. As expected, the former rent control status of the unit was related to the number of units in the building. Twenty-five percent of the units sampled in formerly rent-controlled buildings were in structures with less than four units, compared with 59% of the market rate units sampled.

TABLE H-1
Q15: WHAT TYPE OF BUILDING DO YOU LIVE IN?

	RENT CONTROL STATUS OF UNITS			TOTAL UNITS
	FORMERLY RENT CONTROL	NEVER RENT CONTROL	NON- CAMBRIDGE	
A BUILDING WITH MORE THAN 10 APARTMENTS	42%	27%	-	35%
A BUILDING WITH 4 TO 10 APARTMENTS	32%	15%	-	23%
A THREE FAMILY HOUSE	10%	23%	-	16%
A DUPLEX OR TWO FAMILY HOUSE	9%	28%	-	18%
A SINGLE FAMILY HOUSE, INCLUDING A TOWN OR ROW HOUSE	6%	8%	-	7%
OTHER	1%	**%	-	1%
DON'T KNOW	**%	**%	-	**%
TOTAL ANSWERED	100%	100%	-	100%

*Corresponds to data less than 1%.

Unit Size

Table H-2 provides data on the number of rooms in both decontrolled and market rate units. Decontrolled units tend to be somewhat smaller than market rate units, with an average of 4 rooms, compared with 4.3 for market rate units. Six percent of the decontrolled units were one room apartments, compared with 3% of market rate units. Just over one-third of decontrolled units had five or more rooms, compared with 47% of market-rate units. Decontrolled units had an average of 1.8 bedrooms, while market rate units average 1.9 bedrooms. Five percent of decontrolled apartments had more than one bathroom, while 9% of market rate units had more than one bathroom.

Overhousing

Table H-2A shows detailed data on the number of bedrooms by household size for the four tenant groups. Nineteen percent of one-person sitting tenant households were overhoused, living in apartments of 2 or more bedrooms. This contrasts with all other tenant groups whose single person households were more likely to be overhoused.

Differences for two and three person households by tenant group were not meaningful. Three person households showed more variability.

TABLE H-2
Q20: NOT COUNTING BATHROOMS, HOW MANY ROOMS ARE IN YOUR UNIT?

RENT CONTROL STATUS OF UNITS				
	FORMERLY RENT CONTROL	NEVER RENT CONTROL	NON- CAMBRIDGE	TOTAL UNITS
1	6%	3%	-	5%
2	5%	8%	-	7%
3	25%	17%	-	21%
4	27%	24%	-	26%
5	23%	27%	-	25%
6	8%	14%	-	11%
7+	6%	6%	-	5%
DON'T KNOW	-	1%	-	*%
TOTAL ANSWERED	100%	100%	-	100%
MEAN	4.04	4.30	-	4.17
MEDIAN	4.00	4.00	-	4.00

*Corresponds to data less than 1%.

Table H-2A
Number of Bedrooms by Household Size
% of Households by Size with Extra Bedrooms
by Tenant Group

	<u>Former Rent Control Tenants</u>		<u>Non-Rent Control Tenants</u>	
	<u>Sitting Tenants</u>	<u>Tenants Moved</u>	<u>New Tenant in Decontrol Unit</u>	<u>In Market Rate Unit</u>
One Person Households				
with 1 Bedroom	81%	73%	74%	68%
with 2 Bedrooms	16%	27%	19%	30%
with 3+ Bedrooms	3%	0%	7%	2%
Two Person Households				
with 1 Bedroom	36%	27%	33%	23%
with 2 Bedrooms	49%	59%	57%	65%
with 3 Bedrooms	13%	13%	8%	11%
with 4+ Bedrooms	2%	0%	3%	1%
Three Person Households				
with 1 Bedroom	12%	13%	4%	12%
with 2 Bedrooms	30%	33%	34%	39%
with 3 Bedrooms	46%	53%	52%	40%
with 4 Bedrooms	11%	0%	10%	9%
with 5+ Bedrooms	2%	0%	0%	0%

Overcrowding

Fourteen percent of all tenants considered their units to be overcrowded. There was no significant difference between tenant groups in this respect. Ten percent of tenants who complained about overcrowding said that their living or dining room was used for sleeping. Use of common rooms (e. g., living room and dining room) for sleeping was more frequent in decontrolled apartments than in market rate apartments: 12% to 13% of both new and sitting tenants in decontrolled apartments said common areas were used for sleeping, compared to 8% of those who lived in market rate units.

Amenities

As is shown in Table H-3, market rate units had significantly more amenities than those that were rent-controlled; 15% more had off-street parking, 15% more had private yards, 22% more had porches, and 11% more had laundry facilities.

Table H-3
Housing Unit Amenities by
Unit type*

	Rent Controlled	Market Rate
Off street parking	29%	44%
Private yard	26%	41%
Porch	30%	52%
Laundry facility	59%	70%

*Multiple response questions. Percentages do not add to 100%.

Special Needs

Of the total households in the sample, 3% said that they had housing needs for disabled members.¹³ Forty-two percent of these respondents said that their current unit did not meet their special needs. Market rate buildings more often meet the needs of disabled occupants than buildings that were subject to rent control. Sixty-nine percent of the occupants of market rate buildings said that their units meet their household's special needs, compared with approximately one-third of the tenants of decontrolled buildings.¹⁴

Unit Condition

Tenants responses to questions concerning condition and quality of their buildings and units provided data based on subjective perceptions, rather than objective criteria. In general, tenants of market rate units and new tenants of decontrolled units gave their units favorable ratings much more often than sitting tenants of decontrolled apartments.

Tenants were asked to rate both unit and building conditions as excellent, good, fair, or poor. Table H-4 shows 28% percent of tenants of market rate units rating their unit's condition as excellent, compared with just 11% of sitting tenants of decontrolled units.

¹³ It was noted in Chapter 4 that 1% of households said that they had a disabled member, but this other question was phrased differently. Respondents were twice as likely to say that they have special housing needs for a disabled member than that they have a disabled member. Many households apparently do not consider members that may have special housing needs to be disabled.

¹⁴ This difference could be due to building age. Many market rate structures are newer, larger, and more often have elevators than the decontrolled stock, which consists largely of older, walk-up buildings.

New tenants of decontrolled units also more often rate their units as excellent (22%) than sitting tenants. On the other hand, 45% of sitting tenants gave their units negative ratings (fair or poor), compared with 32% of new tenants of decontrolled apartments and 23% of tenants of market rate units.

Nearly three times as many tenants who moved from decontrolled units after 1994 rated their current unit as being in excellent condition (31%) as sitting tenants (11%). In addition, sitting tenants of decontrolled units more often rated their unit's condition as poor (12%) than tenants who moved from decontrolled units (8%).

Forty-seven percent of tenants said that improvements had been made to their units since rent control ended. Decontrolled units were slightly more likely to have been improved (48%) than market rate units (45%). The most frequently-cited improvements were interior painting (13%), bathroom improvements (7%), window repairs (6%) and kitchen improvements (6%).

TABLE H-2
Q20: NOT COUNTING BATHROOMS, HOW MANY ROOMS ARE IN YOUR UNIT?

RENT CONTROL STATUS OF UNITS				
	FORMERLY RENT CONTROL	NEVER RENT CONTROL	NON- CAMBRIDGE	TOTAL UNITS
1	6%	3%	-	5%
2	5%	8%	-	7%
3	25%	17%	-	21%
4	27%	24%	-	26%
5	23%	27%	-	25%
6	8%	14%	-	11%
7+	6%	6%	-	5%
DON'T KNOW	-	1%	-	*%
TOTAL ANSWERED	100%	100%	-	100%
MEAN	4.04	4.30	-	4.17
MEDIAN	4.00	4.00	-	4.00

*Corresponds to data less than 1%.

Building Condition

Tenants of decontrolled buildings rated the condition of their buildings negatively more often than market rate tenants (see Table H-5). Only 24% of market rate tenants considered their buildings to be in fair or poor condition, compared to 46% of sitting tenants of decontrolled units, and 39% new tenants of decontrolled units.

Tenants of market rate units were frequently more satisfied with building conditions than occupants of buildings that had been decontrolled. Three-quarters of market rate tenants gave their buildings positive ratings (excellent or good), compared with 61% of new tenants in decontrolled buildings and 54% of sitting tenants of decontrolled buildings. New tenants of decontrolled units rated their buildings as being in excellent condition almost twice as often as sitting tenants of decontrolled buildings, 17% vs. 10%. At 29%, tenants of market rate buildings rated their buildings as in excellent condition nearly three times as often as sitting tenants.

Change in Building Condition

Survey respondents were asked if building conditions had improved or worsened between the time they moved into the building and the end of rent control in December of 1994. Occupants of decontrolled and market rate buildings gave similar responses (see Table H-6). Over half of the tenants of both categories of buildings reported that building conditions were unchanged while rent control was in effect. Occupants of market rate housing thought that conditions had improved during rent control slightly more often than sitting tenants of decontrolled units (32% vs. 27%).

Tenants were also queried about changes in conditions of their buildings from the time that they moved in to the present date. Twenty-one percent of the new tenants of decontrolled buildings, 18% of sitting tenants and 16% of those living in market rate buildings thought that building condition had improved. Three to four percent of those in all three groups thought that their buildings had deteriorated since they moved into their current unit. (See Table H-6A).

Sixty-three percent of tenants said that improvements had been made to their buildings in the past two years since rent control ended (see Table H-6B). Decontrolled buildings were somewhat more likely to have been improved (65%) than market rate units (60%). The most frequently cited improvements for both types of buildings were exterior improvements (13%), interior painting (11%), exterior painting (10%), window repair (8%) and roof repairs (8%). The only significant difference between the two groups was interior painting. Decontrolled units were almost twice as likely to have been painted since rent control ended (13%) than market rate units (8%).

TABLE H-5
Q34A: HOW WOULD YOU RATE THE OVERALL PHYSICAL CONDITION OF YOUR BUILDING?

	FORMER RENT CONTROL TENANTS		NON-RENT CONTROL TENANTS		TOTAL TENANTS
	IN SAME UNIT	MOVED OR DISPLACED	IN FORMER RC UNIT	IN MKT. RATE UNIT	
NET: POSITIVE (3,4)	54%	62%	61%	75%	66%
EXCELLENT (4)	10%	27%	17%	29%	21%
GOOD (3)	45%	35%	44%	46%	45%
FAIR (2)	35%	38%	31%	19%	27%
POOR (1)	10%	-	8%	5%	7%
NET: NEGATIVE (1,2)	46%	38%	39%	24%	34%
DON'T KNOW	-	-	-	1%	1%
TOTAL ANSWERED	100%	100%	100%	100%	100%
MEAN	2.54	2.88	2.70	3.01	2.80
MEDIAN	3.00	3.00	3.00	3.00	3.00

TABLE H-6
Q36: DID THE PHYSICAL CONDITION OF YOUR BUILDING IMPROVE, WORSEN OR
STAY THE SAME BETWEEN THE DATE YOU MOVED IN AND DECEMBER 1994?

RENT CONTROL STATUS OF UNITS				
	FORMERLY RENT CONTROL	NEVER RENT CONTROL	NON- CAMBRIDGE	TOTAL UNITS
STAYED THE SAME	57%	56%	-	56%
IMPROVE	27%	31%	-	29%
WORSEN	13%	12%	-	12%
DON'T KNOW	3%	1%	-	2%
TOTAL ANSWERED	100%	100%	-	100%

Table H-6A
Physical Condition of Building
Improved, Worsened or Stayed Same Since
Tenant Moved in by
Tenant Household Status

	<u>Sitting Tenant in Decontrolled Unit</u>	<u>New Tenant in Decontrolled Unit</u>	<u>Market Rate Unit</u>
Improved	18%	21%	16%
Same	73%	71%	77%
Worsened	5%	4%	4%
No opinion	<u>4%</u> 100%	<u>4%</u> 100%	<u>3%</u> 100%

TABLE H-6B
Q35A: WHAT PHYSICAL IMPROVEMENTS, IF ANY, HAVE BEEN
MADE TO YOUR BUILDING IN THE LAST TWO YEARS?
(MULTIPLE RESPONSES ACCEPTED)

	RENT CONTROL STATUS OF UNITS			
	FORMERLY RENT CONTROL	NEVER RENT CONTROL	NON- CAMBRIDGE	TOTAL UNITS
NONE	35%	40%	-	37%
PAINTED INTERIOR	13%	8%	-	10%
EXTERIOR IMPROVEMENTS (STEPS, PORCHES, LIGHTING, ETC.)	12%	15%	-	13%
PAINTED EXTERIOR	9%	11%	-	10%
WINDOWS FIXED/ REPLACED	9%	7%	-	8%
ROOF FIXED/REPLACED	9%	7%	-	8%
GENERAL REPAIRS/ RENOVATIONS	6%	5%	-	5%
FURNACE/HEATING SYSTEM	6%	5%	-	5%
LANDSCAPING/GROUNDS	5%	5%	-	5%
OTHER	5%	3%	-	4%
CARPET FIXED/REPLACED	4%	2%	-	3%
SIDING FIXED/REPLACED	3%	2%	-	2%
SAFETY MEASURES (LOCKS, FIRE ALARMS ETC.)	2%	1%	-	2%
LAUNDRY SERVICES	2%	*%	-	1%
ELECTRICAL PROBLEMS	2%	2%	-	2%
FLOORS FIXED/REPLACED	2%	1%	-	2%
DOORS FIXED/REPLACED	2%	2%	-	2%
PLUMBING UPGRADES	1%	2%	-	2%
INSULATION INSTALLED	1%	2%	-	1%
WALLS FIXED/REPLACED	1%	*%	-	1%

(Continued)

TABLE H-6B
Q35A: WHAT PHYSICAL IMPROVEMENTS, IF ANY, HAVE BEEN
MADE TO YOUR BUILDING IN THE LAST TWO YEARS?
(MULTIPLE RESPONSES ACCEPTED)

RENT CONTROL STATUS OF UNITS				
	FORMERLY RENT CONTROL	NEVER RENT CONTROL	NON- CAMBRIDGE	TOTAL UNITS
KITCHEN IMPROVEMENTS (SINK, STOVE, FRIDGE, DISHWASHER ETC.)	1%	*%	-	*%
BATHROOM IMPROVEMENTS (TOILET, SINK, SHOWER, TILES)	*%	-	-	*%
NEW APPLIANCES INSTALLED	*%	-	-	*%
WALL/CEILING CRACKS	*%	-	-	*%
PLUMBING PROBLEMS	*%	1%	-	*%
DON'T KNOW	6%	8%	-	7%

*Corresponds to data less than 1%.

Summary of Key Findings

- A low response rate on the part of property owners makes the results of the owner survey less statistically reliable than the results of the renter survey. Multiple attempts to contact 600 property owners yielded just 50 completed interviews, a very low response rate.
- Median current rents for decontrolled units reported by owners closely track the rents for similar size units reported by the renter survey.
- Owners reported that 56% of their protected status tenants moved after protected status expired, and 53% of other former rent control tenants moved following the end of rent regulations.
- Owners reported that unprotected tenants who moved from decontrolled units more often remained in the city than protected tenants who moved; they reported that two-thirds of those protected tenants who moved left Cambridge, compared to less than half of unprotected tenants.
- Following the end of extended rent protections, owners reported giving protected tenants smaller rent increases than unprotected tenants. The average increase was reported to be 15% for protected status tenants.
- Sixty percent of owners reported increasing rents of vacant units by a greater rate than the rent increases they sought from sitting tenants, which concurs with the renter survey findings.
- Just over half of the owners reported that they have made improvements to their rental properties, investing an average of \$5000 per unit.

Survey Methodology

The City of Cambridge Community Development Department (CDD) provided Atlantic with a listing of former rent control property owners. Atlantic drew a sample of 575 decontrolled residences from the listing and attempted to find telephone numbers for the landlord of each one. In addition, CDD provided Atlantic with a listing of the 25 largest rent control property landlords in Cambridge with their telephone numbers.¹⁵

Up to seven call attempts were made to reach each property owner in the sample during October and November 1997. The telephone call disposition report reveals how difficult

¹⁵ Landlords who only owned condominium units were not surveyed.

this work proved. Over half of landlords either never answered the phone or did not return repeated messages, 71 stated that they had not owned properties subject to rent control and 65 refused to participate. The full call disposition report for the owner survey is as follows:

<u>Call Disposition</u>	<u>Number</u>
Indeterminate (no answer, busy, answering machine, etc.)	305
Refusals	65
Wrong numbers	79
Language (other than Spanish)	7
Screen out 1 (do not own property of any type)	30
Screen out 2 (do not own rent control property)	41
Screen out 3 (own condominiums only)	19
Terminate interview before completion	4
Completed interviews	50
Sample Size	600

Survey results for the 50 completed interviews with property owners in Cambridge can be interpreted at a 95% confidence interval with a conservatively estimated $\pm 12\%$ error margin.

Housing Stock

The majority of interviews were conducted with small property owners. Over 80% owned just one decontrolled building and the remainder owned from 2 to 15 decontrolled buildings. Almost half of landlords sampled owned buildings with 1 to 3 units, 50% owned buildings of 4 to 11 units, and just 6% owned buildings with 12 or more units.

Protected Tenants

Fifteen of the 50 owners interviewed had among them a total of 32 tenants who, due to income eligibility, received protected status, which provided for a one or two year extension of controlled rents.¹⁶

As is shown in Table O-1, owners reported that protected rents expired for 47% of their protected tenants on December 31, 1995. The remaining 53% of protected tenants resided in non-owner occupied buildings of four or more units, whose protected status expired on December 31, 1996.

Fifty-six percent of the protected status tenants reported by the owners have moved from their decontrolled units. Of the eighteen tenants that moved out of decontrolled units owners knew the whereabouts of half. Only one-third of these protected tenants had found alternative housing in Cambridge; the remaining two-thirds had left the city.

¹⁶ Chapter 7 details the regulations governing extension of rent control to protected tenants.

Owners were asked about the controlled rents paid by protected status tenants. As shown in Table O-2, owners reported that the median controlled rent paid by protected status tenants for a studio apartment was \$375. The median controlled rent paid by protected tenants for both 2 and 3 bedroom units was reported as \$500, compared to \$625 and \$800 respectively for unprotected tenants.

All owners with protected status tenants reported raising the rents of these tenants following expiration of their protected status. However, all owners requested rent increases less than those sought from non-protected tenants. Rent increases for decontrolled units occupied by protected status tenants ranged from 5% to 25%, with 8% being the median increase reported. Twenty percent of the owners stated that the rent increases for their protected tenants equaled the amount that the owner believed that the protected tenant could afford.

Unprotected Tenants

Forty-six of the 50 property owners interviewed said that following the end of 1994 that they had continued to rent decontrolled units to former rent control tenants who did not receive protected status. Owners report that 53% of their unprotected tenants had moved since the end of rent control. Among them, the owners knew of the whereabouts of 58 unprotected tenant households who had moved from decontrolled units. Over half of these unprotected tenants remained in Cambridge, compared with just one-third of the protected tenants.

Change in Rents

Owners reported that the 1994 median rent paid by unprotected tenants of studio apartments equaled \$425, compared with a market rate of \$725 in 1997 (see Table O-2). Owners said that, under rent control, unprotected tenants paid a median of \$600 for a one bedroom unit, compared with \$775 in 1997. In 1994, \$625 was the median controlled rent for a two-bedroom unit, which rented for \$940 in 1997. Owners reported that the median controlled rent paid by tenants for a unit with three or more bedrooms was \$800 in 1994; the same unit rented for \$1,225 in 1997.

Table O-1
Summary of Findings of Owner Survey

	<u>Protected Status Tenants</u>	<u>Non-Protected Status Tenants</u>
% Rent Control ended in 12/31/94	NA	100%
% Rent Control ended in 12/31/95	47%	NA
% Rent Control ended in 12/31/96	53%	NA
% of Tenants who stayed after rent control	44%	47%
% of Tenants who moved after rent control	56%	53%
% Moved within Cambridge	33%	54%
% Moved out of Cambridge	67%	47%
% Owners raised rents after rent control	100%	100%
Mean percent Rent Increase	15%	NA
Median Percent Rent Increase	8%	NA

Table O-2
**Median Rents Reported by Property Owners
for Protected & Unprotected Tenants**

	<u>Studio</u>	<u>1 Bedroom</u>	<u>2 Bedroom</u>	<u>3+ Bedrooms</u>
<u>Former Regulated Rents:</u>				
Protected Tenants	\$375	NA	\$500	\$500
Unprotected Tenants	\$425	\$600	\$625	\$800
<u>Current Market Rents</u>	\$725	\$775	\$940	\$1,225

The findings of the owner survey regarding pre- and post-rent control rents mirror those of the renter survey findings. The renter survey found a median unit size of 2 bedrooms, for which rent control tenants paid a median rent of \$500 in 1994. According to the renter survey, in 1997 new tenants of decontrolled units paid an average of \$950 for the same unit.

Nearly 60% of owners said that new tenants are charged more rent than sitting tenants of decontrolled units for an equivalent unit. This finding also concurs with the renter survey, which found a significant difference between the rents of new tenants of decontrolled units and sitting tenants for similar sized units. Similarly, tenants who lived in the same unit for 5 or more years paid 30% less than those who lived in their current unit for less than 5 years.

Improvements & Condominium Conversions

Just over half of the owners stated that they had made physical improvements to their rental properties since rent control ended. The median cost of improvements per unit was reported to be \$5000.

Only one owner surveyed had converted apartment buildings to condominium units since the end of rent control. A total of twenty condominiums were created in these two buildings. This differs from the findings of an analysis of data on condominium conversions presented in Chapter 10. Those data show a significant increase in condominium conversions over the last two years.

Part III: Independent Data Analysis

The New Lease Program For Protected Status Tenants

Summary of Key Findings

- On January 4, 1995 the Massachusetts legislature enacted Chapter 282 of the Acts of 1994 ("Chapter 282") which extended rent control protections for income-eligible household for up to two years (the "phase out").
- Approximately 1600 households qualified for "protected tenant" status.
- The New Lease Program was set up by the City's Department of Human Services to aid formerly protected tenants, either by stabilizing an existing tenancy, by helping to find new housing and/or pay costs associated with relocation.
- A telephone and mail survey by the Cambridge Human Services Department found that as many as 60% of those protected tenant households that included either an elder, a disabled person or a minor child may have moved. This compares to the 38% of all decontrolled tenants that the renter survey found to have moved and the 56% of protected tenants that property owners reported to have moved.
- Approximately 10% of those protected tenants considered most vulnerable received assistance from the New Lease Program.

Regulations Governing Protected Status

Pursuant to Chapter 282, the Cambridge Rent Control Board promulgated regulations to provide for the implementation of the phase out. The regulations provided that the Cambridge Rent Control Board would determine whether households met the Chapter 282 criteria for extended rent control protections. Those households who qualified were known as "protected tenants."

Chapter 282 limited eligibility to low income households and certain moderate income households. During the winter and spring of 1995 over 2300 households applied for extended rent control protection, based on income eligibility. Of the applicants, about 1600 households qualified for participation, or approximately 10% of the total units subject to rent control prior to 1995.

Notwithstanding the financial situation of remaining tenants, on December 31, 1995 state law decontrolled all rental units occupied by protected tenants residing in the following types of buildings:

- Owner occupied buildings of 12 or fewer units, where the owner had been in continuous residence since January 1, 1995;

- All buildings of three or fewer units; and
- Condominiums where at least one unit in the building had been sold and a unit deed recorded prior to January 1, 1995.

Extended rent controls expired on December 31, 1996 for all other protected tenants, primarily those residing in non-owner occupied buildings of four or more units. About 300 protected households were decontrolled at the end of 1995 and about 1,300 at the end of 1996.

The legislature, in enacting Chapter 282, sought to provide lower income households with a period of time during which they could resolve their future need for affordable housing. Following the end of rent control, a joint telephone survey by the Human Services Department and the Community Development Department found many decontrolled households, some protected, some not, in dire need of long term affordable housing. After a study of the services needed by such households, the City created the New Lease Program, administered by the City's Department of Human Services. This program assists tenants threatened by unaffordable rent increases or possible eviction associated with the end of rent control, in particular, protected tenant households that include elders, persons with disabilities or minor children.

The New Lease Program

The New Lease Program aids tenants either by stabilizing an existing tenancy or by lending assistance associated with relocation, such as locating affordable housing or paying moving expenses. The Cambridge Housing Authority played a major role in the program by helping to stabilize existing tenancies and by creating new tenancies with subsidies, as well as granting priority status to protected tenants in units opening up in public housing. Tenants are expected to share in any costs assumed by the New Lease Program. The Program does not pay security deposits, does not assist with resolution of conditions caused by the renter's willful negligence, and does not support transition to tenancies that beneficiaries cannot reasonably hope to sustain.

The staff of the New Lease Program systematically attempted to contact a targeted sub-population of 680 formerly protected households that included either an elder, a person with disabilities or a minor child. The New Lease Program has summarized the results of this process as of October 1997 as follows:

- 295 (43%) of the households proved unreachable. In approximately two thirds of such cases the phone number had been disconnected, suggesting that the household had moved. In most of the remaining cases, no one answered repeated phone calls or an answering machine did not identify the householder by name (i. e., the message consisted of "You have reached 123-4567. Please leave a message.") The staff also sent a mailing to all households where they had failed to establish contact by phone. Of 295 letters, the Post Office returned 71 as "undeliverable", an indication that the

household had moved. In three cases the staff confirmed the death of a protected elder tenant.

- 171 (25%) of the households indicated that they did not need assistance for the foreseeable future.
- 116 (17%) of the households confirmed by phone that they had moved.
- 65 (10%) of the households were at risk of losing their housing either due to inability to afford rent or because the landlord had requested that they vacate.
- 36 (5%) of the households received short term assistance, but did not require ongoing help.

In summary, of the 388 households actually contacted that included either an elder, a child or a disabled person, 30% had moved, 26% required assistance and 44% did not require assistance at the time of contact. Out of the entire 680 household sub-population, it is possible that as many as 411, or 60% of the total had moved (i.e., those who self-identified as having moved, as well as those who could not be contacted).

The New Lease Program also attempted to contact 834 "other" protected households (i.e., those that did not include an elder, a person with disabilities or a minor child). The staff located phone numbers for only 299 of this sub-population. Of the latter number, the staff found the following:

- 117 (39%) did not need assistance for the foreseeable future.
- 32 (11%) confirmed by phone that they had moved.
- 22 (7%) of the households were at risk of losing their housing either due to inability to afford rent or because the landlord had requested that they vacate.
- 49 (17%) did not return a message left on an answering machine.
- 79 (27%) were not contacted, either because the listed phone number was disconnected or reassigned, or because an answering machine did not identify the householder by name.

In the case of this population, it is possible that as many as 111 households, or 37% of those contacted had moved (again, those who self-identified as having moved, as well as those who could not be contacted). It is likely that many of the 535 households for whom the New Lease program could not locate a phone number had moved as well.

Summary of Key Findings

- The Atlantic and Rental Housing Association (RHA) surveys show that rents for market rate apartments increased by 16% and 15%, respectively, since the end of rent control in 1994.
- According to the RHA, the average rent for a tenant in a building in Cambridge was \$1,025 per month during 1997.
- The average rents of decontrolled units increased at a much faster rate than those of market rate units; average rents of decontrolled units with new tenants have risen by 73% and those with sitting tenants have gone up by 37%.
- In the two years following the abolition of rent control (1995 and 1996), the RHA found that market rate rents in Cambridge increased more slowly than in comparable Boston neighborhoods and in the state as a whole. This might have been due to the increased supply of market rate units; the end of rent control has, to date, added some 6,000 decontrolled units to the supply of available market units.
- Between 1996 and 1997, the average RHA rent in Cambridge jumped by 10%, an increase of almost \$100 a month. At the same time, the vacancy rate fell from 7% to under 0.5%.

Introduction

The Rental Housing Association (RHA) conducts an annual survey of its members, who submit data on rents charged for 34,000 apartment units owned by RHA members. The RHA data includes only market rate rents; their 1994 data does not include any controlled or subsidized rents.

This chapter compares the trends in rents from 1994 to 1997 recorded by the renter survey conducted by Atlantic Marketing Research with survey data on market rate rents compiled by the RHA. RHA data are also used to compare trends in rents in Cambridge with surrounding areas. Finally, trends in vacancy rates from 1994 to 1997 are reviewed.

Trends in Rents: 1994 to 1997

Table B-1 compares data on average, or mean, rents in Cambridge derived by the RHA with average rents from the renter survey results.¹⁷ The data collected by the Atlantic survey are shown for the four groups of tenants, analyzed earlier in this report. Note that the 1994 mean rent for decontrolled units with new tenants mirrors the mean rent of sitting tenants. This is done to provide a basis for comparing the 1997 mean rent of decontrolled units with new tenants to the 1994 rent of comparable units. In addition, the 1995 and 1996 figures for decontrolled units with new tenants reflect the rents that those tenants were paying at their then current address, regardless of its location. Half of these tenants moved into their current unit during 1995 and an additional 30% moved in during 1996.

Table B-1
Trends in Average Rents 1994 - 1997
 (Comparison of Survey Results with Rental Housing Association Data)

	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>Percent Change</u>	
					<u>Average Annual 1994-1997</u>	<u>Total 1994-1997</u>
<u>Atlantic Survey:</u>						
Market Rate Tenants	\$812	\$865	\$919	\$939	5%	16%
Sitting Tenants of						
Decontrolled Units	\$557	\$626	\$684	\$765	13%	37%
Moved from						
Decontrolled Units	\$558	\$640	\$726	\$843	17%	51%
Decontrolled Units						
with New Tenants	\$557	\$787	\$909	\$964	21%	73%
<u>Rental Housing Assn. Survey</u>						
Cambridge	\$891	\$937	\$933	\$1,025	5%	15%
Greater Boston	\$761	\$826	\$903	\$940	7%	24%
Statewide	\$736	\$790	\$846	\$873	6%	19%

As would be expected, RHA data most closely track the average rents Atlantic recorded for market rate units. The average market rate rents reported by the renters survey fall within 2% to 9% of RHA average rents. The trends shown by the two surveys are also quite similar. From 1994 to 1997 the renter survey found a 16% increase in mean rent for

¹⁷ Note that earlier chapters of this report discussed median rents generated from the renter survey. These median rents are found in tables R-1A, R-1B and R-2. These differ from mean, or average, rents computed from the same data.

market rate units. The RHA reports a 15% increase for the same period. Both surveys found the average rate of annual increase for market rate units to be 5%. RHA average rents consistently rank a bit higher than the averages recorded by Atlantic for market rate properties. This gap may reflect differences between RHA landlords, who tend to be larger property owners and own larger buildings, and the broader class of all market rate property owners.

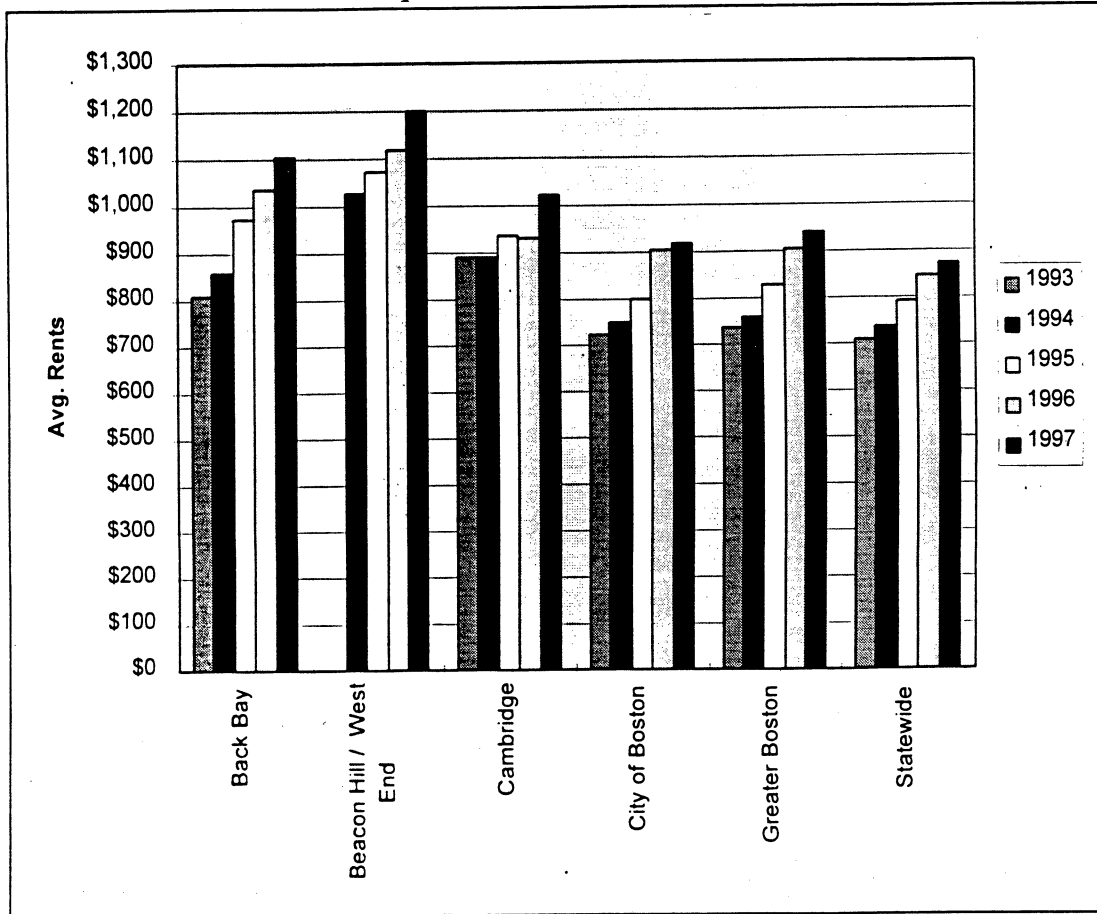
The 1996 and 1997 average rents reported by the RHA also track those reported by new tenants of decontrolled units. The Atlantic survey found a 1996 average rent for these units of \$909, compared to \$933 reported by the RHA. For 1997, the Atlantic survey found an average rent of \$964; the RHA 1997 survey average was \$1,025. On the other hand, sitting tenants of decontrolled units, on average, paid much less in rent than the units covered by the RHA survey, though the gap has narrowed from 1994 to 1997 from one-third less to one-fourth less in rent.

Comparisons with Surrounding Areas

Chart B-1 compares trends in rents in Cambridge with those the RHA recorded for Back Bay, Beacon Hill, the City of Boston, the Greater Boston area, and with RHA statewide averages from 1993 to 1997. Average rents in Cambridge were stable from 1993 to 1994, while in the comparison areas they increased by \$25 to \$30 a month. In 1995, the first year of decontrolled rents, rents in Cambridge increased by 6%, less than the 9% increase experienced for Greater Boston and the 7% increase for the state as a whole. During 1996 average rents in Cambridge declined slightly, from \$937 to \$933, while average rents in the City of Boston increased by 7% and by 9% in Greater Boston.

Chart B-1

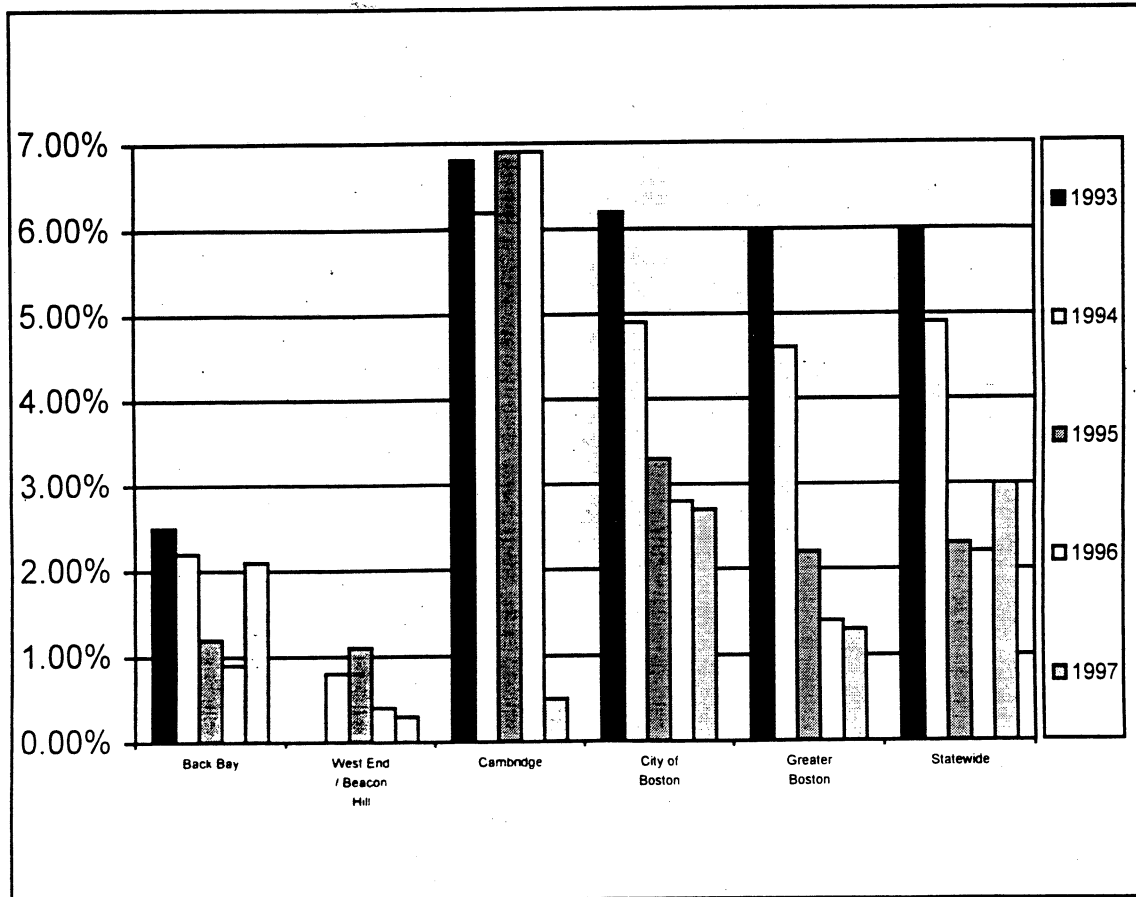
Trends in Rents in Apartments and Condos : 1993 to 1997



Source: Rental Housing Association Annual Reports

According to the RHA, between 1996 and 1997 average rents in Cambridge jumped by 10%, an increase of almost \$100 per month (from \$933 to \$1025 per month), the largest percentage increase of any of the comparison areas. At the same time, RHA found that the vacancy rate in Cambridge plummeted to less than 1%, after hovering around the 6% to 7% mark from 1993 to 1996. Chart B-2 shows vacancy rates for Cambridge and the five comparison areas from 1993 to 1997.

Chart B-2
Trends in Vacancy in Selected Areas: 1993 - 1997



Source: Rental Housing Association Annual Reports

The data reported by both the RHA and the renter survey suggest that the deregulation of rents that took effect on January 1, 1995 may have had a somewhat depressing effect on market rate rents during the following two years. During 1995 and 1996 the growth rate of Cambridge rents lagged behind that of Boston neighborhoods, of Greater Boston, and of the state as a whole. This occurred in spite of a sizable increase in the number of units entering the rental market at full market prices.

The renter survey results indicate that 38% of the approximately 16,000 decontrolled units have entered the market since the end of 1994. This amounts to an additional 6,000 units that have likely entered the rental market since December 1994 at full market prices. By way of comparison, a total of 24,630 non-subsidized rental units were reported to exist in Cambridge as of January 1996; the entire market rate stock, prior to deregulation of rents, totaled about 9,500 units.¹⁸

Despite the enormous suggested increase in supply, the Cambridge vacancy rate increased only slightly during 1995 and 1996. Although demand for the increased supply

¹⁸ Information reported by the Cambridge Revaluation Office and the Cambridge Community Development Department.

of market rate housing was strong enough to keep vacancies below 10% throughout this period, it proved insufficient to support a level of rent increases comparable to that found in adjoining areas during the same period.

Summary of Key Findings

- From 1994 to 1996, the median sale price for decontrolled housing in Cambridge increased by 24%, nearly three times the increase registered by market rate properties.
- Prices of condominiums and buildings with 4 or more units showed the most profound impacts from the end of rent control. Prices of decontrolled condos rose by 41% between 1994 and 1996 and the number of condo sales tripled. Prices of buildings with over three units more than tripled.
- Price increases for decontrolled units in Cambridge averaged 24%, outstripping increases for properties in Boston, Somerville, and in Middlesex County, where median sale prices grew by 16%, 14% and 8% respectively during the period 1994 through 1996.

Introduction

This section presents the results of an analysis of shifts in housing prices following the end of rent control. Changes in prices of decontrolled and market rate properties are compared with changes in surrounding towns and in Middlesex County during the period from 1994 (the last year rent control was in full effect) to 1996. Data presented in this section are based on actual sales transactions, as reported in the *Banker & Tradesmen COMPreports*.

Impact on Prices

Table P-1 shows that in 1994 the median sales price for all properties subject to rent control was \$136,000, 22% less than the \$175,000 median sales price for all market rate properties. By 1996, the median price of decontrolled properties had risen by 24%, to \$168,000, while the prices of market rate properties rose by 9% to \$191,000. Decontrolled properties represented about 10% of all residential sales in 1994, rising to 15% of sales in 1996.

Table P-1
Change in Median Sale Prices & Sales Volume in Cambridge
(all prices in thousands)

	<u>Sales Price</u>			<u>No. of Sales</u>		
	<u>1994</u>	<u>1996</u>	<u>Increase</u>	<u>1994</u>	<u>1996</u>	<u>Increase</u>
All Market Rate Housing	\$ 175	\$ 191	9%	805	1,020	27%
All Decontrolled Housing	\$ 136	\$ 168	24%	104	175	68%
Market Rate Condos	\$ 158	\$ 172	9%	516	611	18%
Decontrolled Condos	\$ 99	\$ 140	41%	35	110	214%
Market Rate Two Unit Bldg.	\$ 192	\$ 252	31%	120	78	-35%
Decontrolled Two Unit Bldg.	\$ 200	\$ 217	9%	21	16	-24%
Market Rate Three Unit Bldg.	\$ 197	\$ 225	14%	50	50	0%
Decontrolled Three Unit Bldg.	\$ 188	\$ 236	26%	20	14	-30%
Market Rate with 4-8 Units	\$ 187	\$ 310	66%	4	11	175%
Decontrolled 4-8 Unit	\$ 90	\$ 308	242%	14	21	50%

Source: Banker & Tradesmen, COMPreports, 1994 and 1996.

Data for all sales are broken down by type of structure in Table P-1 and Chart P-1. The impact of the end of rent control on sale prices was most pronounced for condominiums and for buildings with four or more units. Prices of decontrolled condos rose by 41% between 1994 and 1996, five times the increase for market rate condos, which was just 9%. Median values of decontrolled buildings with four to eight units more than tripled from \$90,000 in 1994 to \$308,000 in 1996, while those of market rate buildings with four to eight units increased by 66% to \$310,000. Differences in price increases of two and three unit buildings, which were exempt from rent control if owner-occupied, were less pronounced.

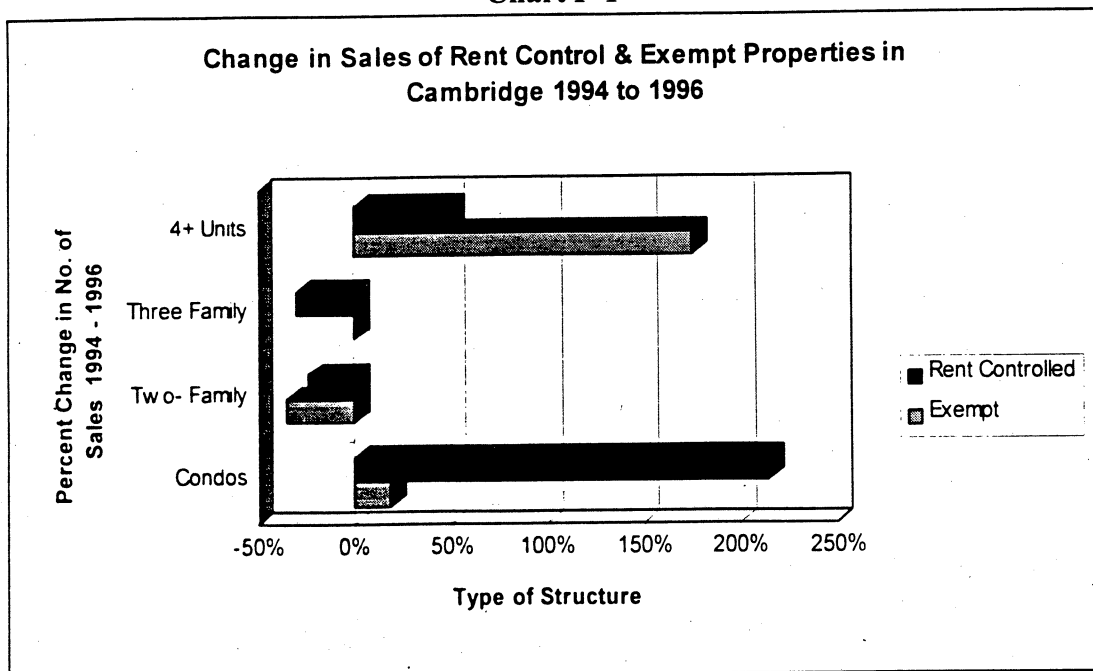
By 1996, prices of both decontrolled and market rate properties with 4-8 units were nearly equal, while those of decontrolled condos and two unit buildings remained 15% and 20% lower than for market rate properties. 1996 median prices of decontrolled three unit buildings, however, were 5% greater than for market rate properties. By 1996 the values of decontrolled three unit buildings had increased by 26%, while the value of market rate three unit buildings had grown by 14% over the same period.

Impact on Sales Volume

From 1994 to 1996, total sales of residential properties in Cambridge increased by 31%. During 1994, properties subject to rent control represented 11% of total sales. By 1996, sales of decontrolled properties made up 15% of total sales.

Chart P-1 looks at growth in sales of decontrolled and market rate properties during the two years that followed the end of rent control. Sales of decontrolled condominiums, many of which were subject to rent control rules prohibiting owner-occupancy, registered the most pronounced impact, rising by over 200% between 1994 and 1996. The number of sales of two and three unit buildings, both decontrolled and market rate, declined or held even during this period. Sales of decontrolled buildings with four or more units increased, but at a much slower rate than market rate multi-unit buildings, which almost tripled.

Chart P-1



Source: Banker & Tradesmen, 1994 & 1996 Annual COMPreports

Comparison with Other Areas

Chart P-2 compares increases in the median price of all decontrolled properties in Cambridge from 1994 to 1996 with price increases for all market rate Cambridge housing and with price increases in Boston, Somerville, Arlington, and Middlesex County. Growth in sales prices of all market rate Cambridge properties (9%) exceed that of Middlesex County as a whole (7%) but lagged behind that of the surrounding areas of Arlington, Boston, and Somerville. However, price increases of decontrolled Cambridge properties (23%), exceeded those of all surrounding areas including Boston (16%), Somerville (14%), and Arlington (14%).

Chart P-2

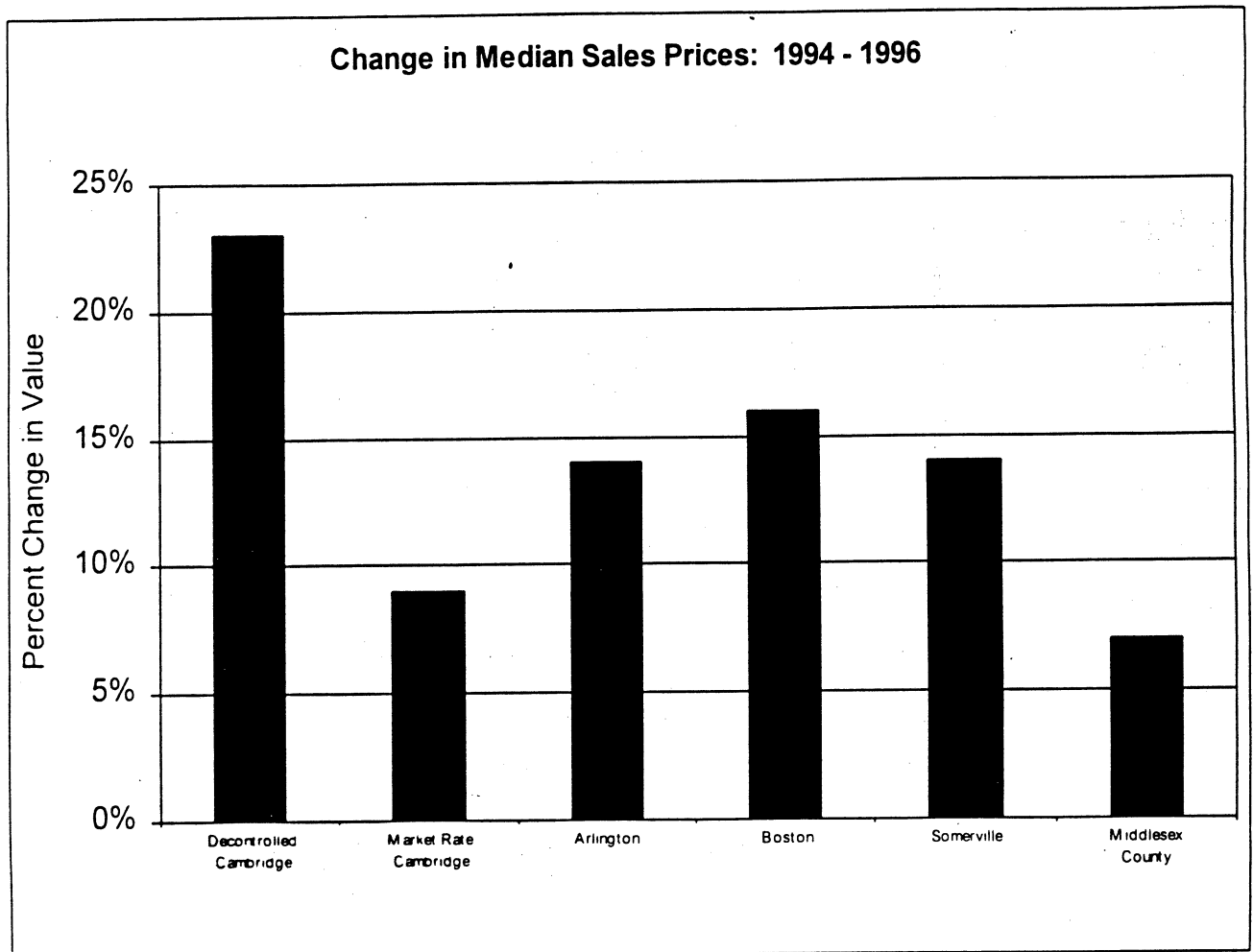
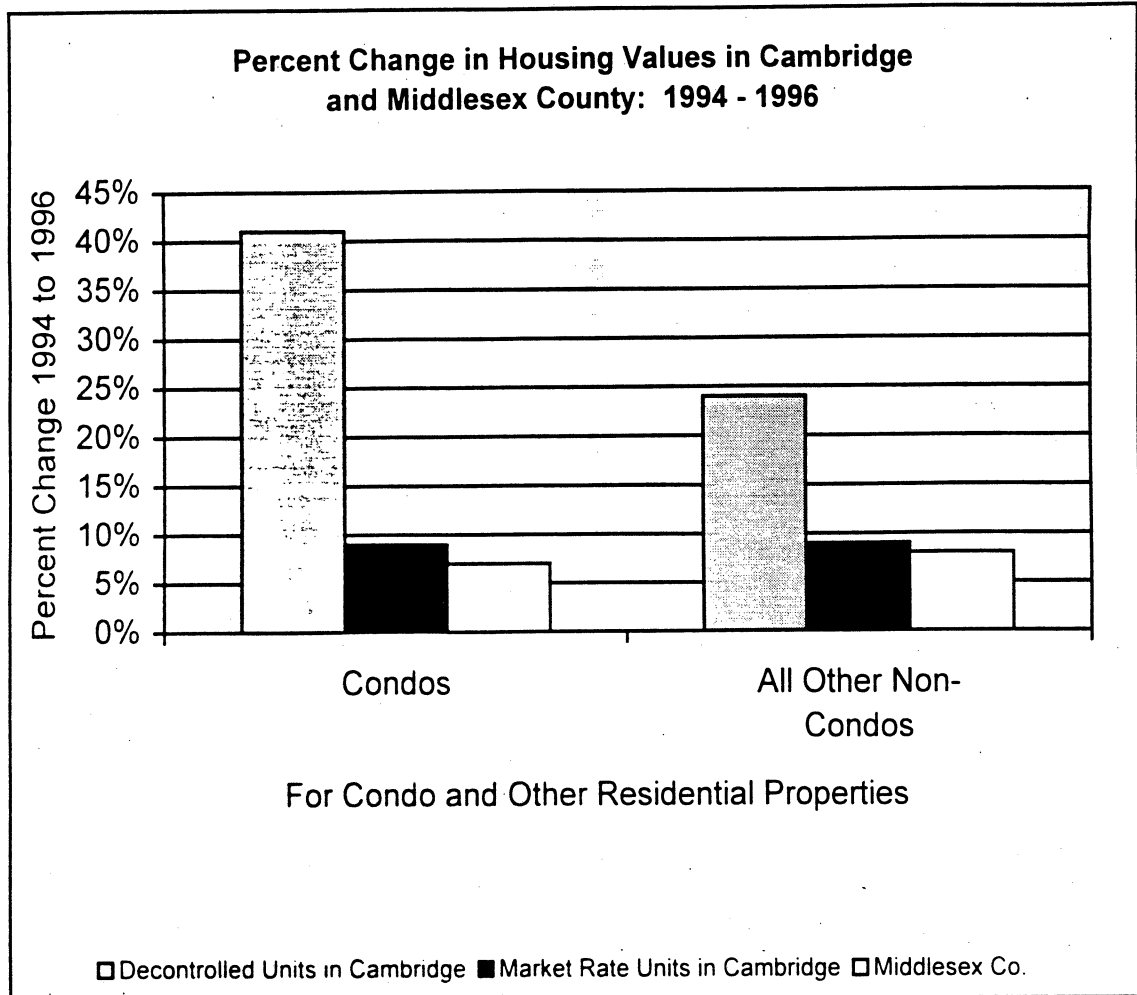


Chart P-3 compares changes in median prices of decontrolled condominium and non-condominium housing in Cambridge with market rate properties in the City and with the averages for Middlesex County. From 1994 to 1996, prices of decontrolled condos in Cambridge increased by over 40% — more than four times the rates of increase for market rate condos in both Cambridge and in Middlesex County, which averaged 9% and 7%, respectively. For all non-condominium Cambridge housing, the difference in price increases between decontrolled (24%) and market rate housing (9%) were much less pronounced but still substantial.

Chart P-3



Source: Banker & Tradesmen, 1994 & 1996 Annual COMPreports

Summary of Key Findings

- From 1994 to 1996, the value of permits for improvements to decontrolled properties has risen by 68%, while those for improvements to market rate properties increased by just 13%.
- Although the percentage increases for investment in decontrolled properties are substantial, the numbers are relatively modest. The actual increase in investment between the first six months of 1994 and the first six months of 1996 was just under \$1 million. During the first six months of 1996 the \$2.4 million investment in decontrolled properties was just 2% of the total value of building permits issued.
- In 1995, the first year of deregulated rents, condominium conversions increased by a factor of more than four to 255. During 1996, another 142 units were converted from apartments to condominiums. Condo conversions are now approaching the levels of the mid to late 1980's, when 200 to 400 units a year were converted.

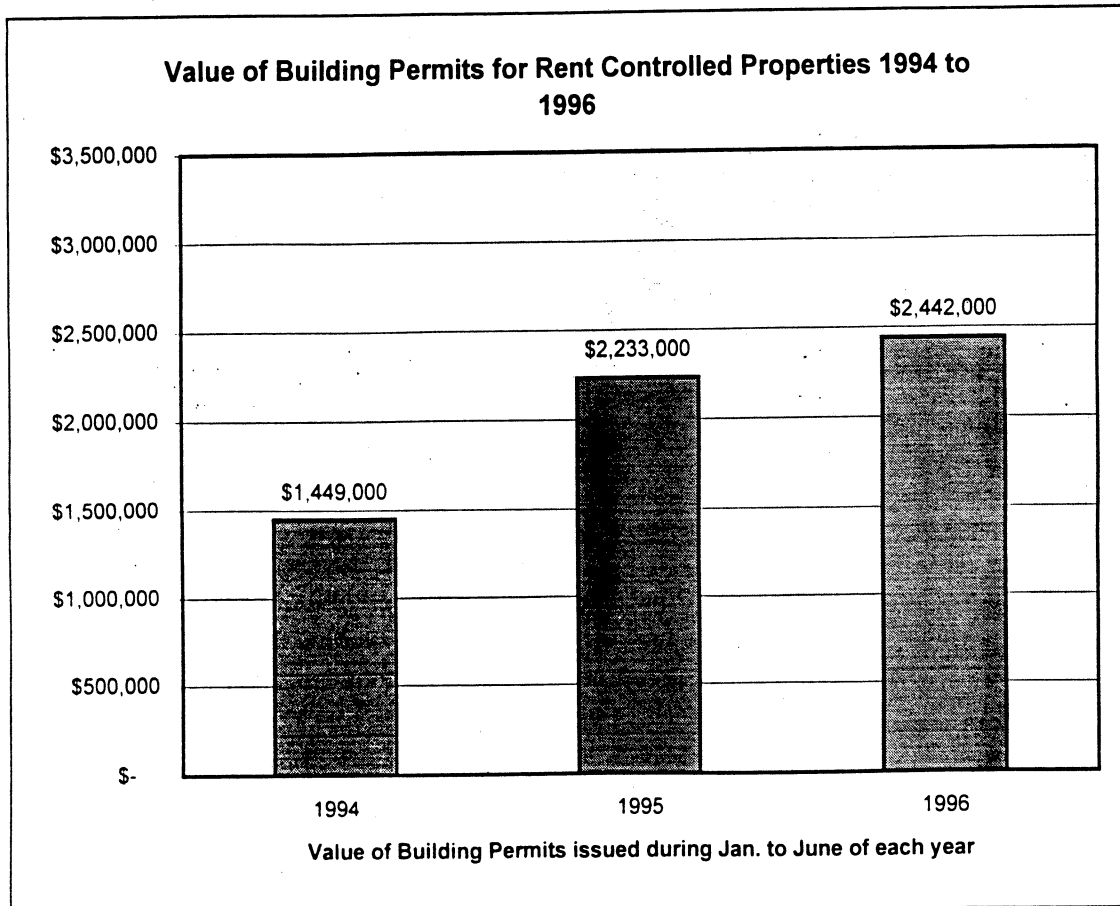
Introduction

This final chapter of our report presents the results of an analysis of building permits for additions, alterations, and repairs for the period before and after the end of rent control. Data from the City of Cambridge Inspectional Services Division were gathered for the first six months of 1994, 1995, and 1996 and analyzed by the former rent control status of the building.

Building Permits

Chart I-1 shows changes in the total value of building permits issued for improvements to rent controlled and decontrolled properties issued during the first six months of 1994, 1995, and 1996. From 1994 (the last year of rent control) to 1996, the value of permits issued for rent controlled and decontrolled properties increased by about \$1 million. Most of this increase occurred between 1994 and 1995, when all building permits increased by \$784,000 to \$2.2 million. A more modest increase of about \$200,000 occurred from 1995 to 1996, by which time permits issued from January to June totaled \$2.4 million.

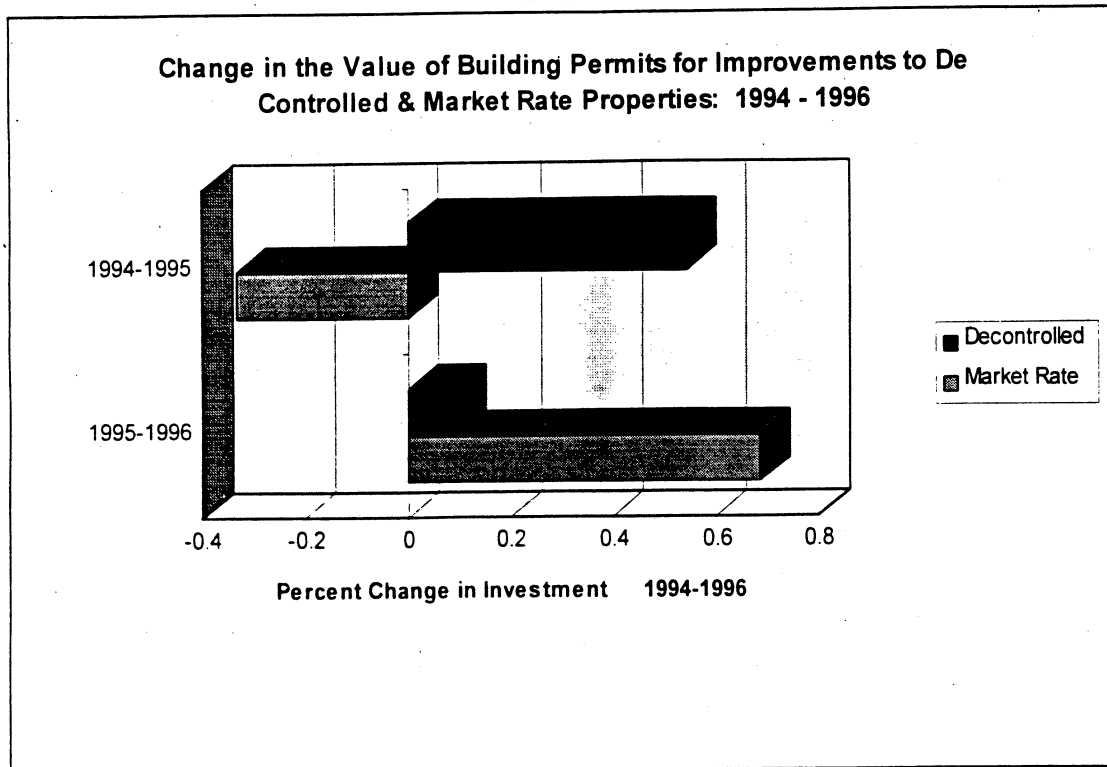
Chart I-1



Source: Data for 1996 from Cambridge Inspectional Services Division. Data for 1994 and 1995 from City of Cambridge De-Rent Control Impact Study, 1996.

Chart I-2 compares investment trends in decontrolled and market rate properties during this period. During 1995, the first year of decontrol, permits issued during the first six months of the year for decontrolled properties grew by 55% while permits issued for market rate commercial and residential properties actually declined by 33%. During 1996, however, when permits for market rate properties grew by nearly 70%, permits issued for decontrolled properties increased by just 13%.

Chart I-2



Over the two-year period since the end of rent control (1994 to 1996), permits for improvements to decontrolled properties rose by 68%, while those for improvements to market rate properties increased by just 13%. Although the percentage increases for investment in decontrolled properties are substantial, the numbers are relatively modest.

As was shown in Chart I-1, the actual increase in investment between the first six months of 1994 and the first six months of 1996 was just under \$1 million. The 1996 investment of \$2.4 million in decontrolled properties was just 2.4% of the total \$98.2 million value of building permits for residential and commercial properties issued in that year. This would appear to be a relatively modest level of investment given that some 15,900 units — nearly 40% of the city's housing stock — was under rent control prior to 1994.

Condominium Conversions

Data from the Assessor's Office show that, in 1995, the number of condominium conversions increased to 255, over four times their typical level during rent control. During 1996, another 142 units were converted from apartments to condominiums. Condo conversions are now approaching the levels of the mid to late 1980's, when 200 to 400 units per year were converted. The increase in conversions might be related to

strong market conditions, but some of this growth could be due to the conversion of properties which, under rent control, could not be owner-occupied.

Appendix A: Report on Single Women



Summary of Key Findings

- The housing challenges faced by women who live alone in Cambridge mirrored those of sitting tenants of decontrolled units.
- Over two-thirds of single person female households earn less than \$40,000 per year, compared to 47% of other households.
- Among single person female households, 37% paid more than 30% of income for rent.
- The majority of single person female households planned to move from their current apartment within two years, over 41% citing high rent as the reason.

Introduction

Based on anecdotal evidence, there has been concern that the end of rent control has had a more pronounced impact on women who reside in single person households. This group tends to have a lower income profile than other households. In this appendix, we investigate issues relating to the rent burden for households comprised of single women living alone.¹

Sample Size

The 209 women living alone in our sample constituted 21% of the households surveyed. Nearly 60% are current or former occupants of decontrolled housing, compared with just 39% of other groups surveyed. Over 20% have moved out of a decontrolled apartment since 1994.

Income

Single women living alone in Cambridge had a weighted average income of \$32,190 which was 40% below the \$45,210 weighted average income of other households, most of whom have two incomes (see Table W-1). Over two-thirds of single female households earn less than \$40,000 per year, compared to 47% of other households.

¹ According to the 1990 Census, women living alone comprise 28% of Cambridge households, a much higher proportion than single male households, which made up just 16% of the 1990 total.

Table W-1

Single Females Living Alone²

Summary of Findings

	Single Female Living Alone	Non-single Female Households ³
<u>Sample</u>		
Number Interviewed:	209	752 ⁴
Percent of Total Sample	21%	75%
<u>Rent</u>		
Median 1997 Rent	\$675	\$900
Avg. Rent Increase 1994-1997	35%	39%
% with Rent burden more than 30%	37%	40%
Mean Rent Burden	25%	28%
<u>Tenure</u>		
Mean years in Current Units	4	4
Mean years in resident in Cambridge	17	5
Mean years planning to stay in unit	2	1
Intend to move because rent too high	41%	28%
Moved from a Decontrolled Apt.	21%	9%
Moved because rent is too high	41%	28%
<u>Income</u>		
Mean	\$32,190	\$45,210
<20,000	27%	17%
\$20,000-39,999	45%	30%
\$40,000-\$59,999	21%	24%
\$60,000-\$79,999	5%	12%
\$80,000+	2%	12%
Don't Know	1%	5%
<u>Age</u>		
Median Age	45	30
% over 55	29%	10%
<u>Marital Status</u>		
% Single	73%	54%
% Divorced or Separated	19%	5%
% Widowed	7%	2%
% Married	2%	39%
<u>Education</u>		
% High School or Less	8%	10%
% College Graduates	80%	78%
% with Post Graduate Education	53%	47%
<u>Race</u>		
Percent White	87%	82%
<u>Condition of Building/Unit</u>		
Percent Positive Unit Ratings (Excellent/Good)	67%	65%
Percent Positive Building Ratings (Excellent/Good)	68%	68%

² Table does not include female headed single parent households or 39 of the 100 households surveyed.

³ Certain categories reflect answers of the individual responding to the questions, while others reflect the entire household.

⁴ Not all survey respondents answered the question which describes their household.

Rents & Rent Burden

Since 1994, the rent paid by women living alone in Cambridge had increased by 35%, below the 39% average increase for non-single person female households. In 1997, single female households paid a median rent of \$675 per month, substantially below the \$900 per month median that other renters paid (See Table W-1).

Single females had incomes 40% below those of other households, but their median rent was only 33% lower than other tenant groups. Thirty-seven percent of single women paid more than 30% for rent, similar to other households, 40% of which pay more than 30% of their incomes in rent.

Tenure & Occupancy

Corresponding to the relatively low rents that they paid, single women had an average tenure in Cambridge of 17 years, which was significantly longer than others. The survey has found significantly lower rents for long term residents of the city.

Most single women planned to move within two years. Of those who planned to move, 41% percent stated that they planned to do so because their rent was too high. Other frequently mentioned reasons include lease ending (10%), a new job (10%), a desire to move to a nicer (3%) or safer (3%) area, and a dislike of Cambridge (3%).

General Demographics

The profile of single women living alone corresponds closely with that of sitting tenants of decontrolled buildings: women living alone comprised a large portion of the latter group.

The median age of women living alone in Cambridge was 45, compared with 30 for all other survey respondents. They were more than twice as likely to be over 55 than all other renters, with 29% over 55 compared with 10% of the rest of the sample. Nearly three-quarters of single women living alone had never been married, compared with 54% of the rest of the sample. Not surprisingly, the proportion of single women who were divorced, separated, or widowed was three times that found among all other survey respondents (26% compared with 7%).

Education

Although single women living alone had incomes significantly lower than other households, they were somewhat more educated. Over 80% were college graduates and over half had some post-graduate education.



EXECUTIVE DEPARTMENT
ROBERT W. HEALY
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TEL. 349-4300
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February 2, 1998

To The Honorable, The City Council:

Please find attached for your information the Study of Impacts on the Termination of Rent Control, received from Assistant City Manager for Community Development Susan Schlesinger.

Very truly yours,

Robert W. Healy
City Manager

RWH/mec
attachment

Consent Agenda #18

S-71

Relative to the Study of Impacts on the
Termination of Rent Control.

In City Council February 2, 1998

Referred to Housing
and Communities

Development
on motion of
Councillor Sullivan