

Skip Schloming, Small Property Owners' Association (SPOA), 102 R Inman Street, submitted a written proposal (**ATTACHMENT A**). He stated that since the end of rent control SPOA has put a lot of thought into how to make housing more affordable. Restricting the supply of housing makes it less affordable. Downzoning is one example of such a restriction. The City should allow owners to subdivide units to make more housing. Transportation must be improved. Everyone will not be able to afford to live in Cambridge, but with good transportation those who no longer live there can come back to their favorite "haunts." There should be a public conversation about NIMBYism. Density should be encouraged where it is likely to be acceptable – industrial and commercial zones. The City should guard against laws that restrict housing supply, like condo conversion protection. No more subsidized units should be built. Subsidized housing should be "vouchered out" to private landlords.

Michael Turk, 24 Prescott Street, former Co-Chair of the Cambridge Tenant Union, stated that the City of Cambridge, along with the whole Boston area, is in the middle of a huge housing crunch, based largely on demand. He submitted a written analysis and proposal (**ATTACHMENT B**). The City needs some type of rent regulation to significantly and directly protect the many tenant households who will otherwise be pushed out. The City should adopt a windfall profits tax on profits that represent rent gouging. He suggested collecting information from large landlords about rent increases since the end of rent control.

Councillor Reeves noted that it is not likely that rent control will come back and stated his hope that people here will not be misled about what is possible.

Gwen Noyes, 175 Richdale Avenue, stated that her company, Oaktree Development, builds housing. There are several housing producers who want to produce affordable housing who are meeting and expect to produce some specific suggestions. It is very difficult to develop housing in Cambridge. Most commercial developers don't want to develop housing. After four sessions to apply for permits that were unanimously granted they are now faced with an appeal, which means more delay and more costs.

Louise Dunlap, 24 McTernan Street, stated that many people in Cambridge are desperately trying to stay in Cambridge. The most affordable form of ownership is limited equity cooperatives. She lives in one which the City helped to establish seventeen years ago. It is a program that works. Residency is a precious resource. Resources need regulation.

Councillor Braude asked John Woods about the limited equity program in Cambridge. Mr. Woods said that the City sponsored eight buildings during the 1980's. There are also scattered site limited equity condominiums made and kept affordable with City assistance.

Peg Connolly, 678 Massachusetts Avenue, stated that she has been involved with the Greater Boston Interfaith Organization (GBIO); she knows there are ongoing attempts in Cambridge to increase the amount of affordable housing, but it will not be enough. She supports more affordable housing, but while the rental market is out of control, the need will be never-ending. Some kind of tenant rent protection is needed. She emphasized that there are some fine landlords and real estate agents who are trying to maintain fair rents; they should be recognized and applauded.

Pat Cassola, 364 Rindge Avenue, thanked the members of the City Council who have worked with the Fresh Pond Tenant Association for their assistance in working out twenty more years of affordability in negotiations with the owner and HUD. Property owners need to get involved in the solution.

William Cavellini, 9 Speridakis Terrace, stated that he is a member of the Eviction Free Zone and active in GBIO. Building new affordable housing helps, but it is not the solution. There is not enough vacant land in Cambridge to build enough affordable housing to house all the tenants in need. No amount of money will make a dent. The loss of affordable housing is the result of the end of rent control. Waiting lists for affordable housing have never been longer. All of the city programs are good. There does need to be more funding for legal services, which is swamped. Dollars spent to move tenants out of the city are not dollars well spent.

Councillor Decker thanked Mr. Cavellini for his many years of work for affordable housing and expressed her concern about the lack of involvement of housing activists.

Mr. Cavellini stated that actually several housing activists have been involved in the growth policy discussions. Cambridgeport provides an example of how zoning can affect affordable housing. You can achieve lower density and affordable housing. You downzone to upzone for affordable housing.

Councillor Born thanked Mr. Cavellini for restating the fact of the insatiable demand for housing in Cambridge. She urged consideration of a transfer fee. If it had been enacted when first proposed, it would have brought in several millions of dollars for affordable housing.

Councillor Davis asked Mr. Cavellini what are the three things that are most promising in terms of a positive effect on affordable housing in Cambridge. Mr. Cavellini responded that he sees condo conversion protection, a transfer tax and tax breaks for homeowners who commit to keeping their rental units affordable as the most promising areas for policy development to support affordable housing.

Terry Crystal, 1200 Massachusetts Avenue, stated that she and several neighbors are being forced out of their units. In her building, the owners are charging \$1,040 for 13' x 13' studios. Those are the market rents. People with vouchers cannot

find landlords to take them in Cambridge or surrounding towns because the vouchers do not pay what the owners can get on the open market. She submitted a list of recommendations for tenant protections (**ATTACHMENT C**), including hiring tenant ombudsmen, creating more incentives for landlords to negotiate with existing tenants, legal representation for all tenants, and legislation to protect tenants through rent stabilization and a requirement that landlords pay realtor fees.

Alfred Paolili, 9 Fairfield Street, said that low income people need housing.

Marie D'Aoust, 19 Upland Avenue, Dorchester, stated that she lived in Cambridge for twenty-five years and could no longer afford to live there. Affordable housing is finally getting the attention that it deserves. The City has money at this time; and should spend it on affordable housing while it can. She urged support for a constructive housing action plan. Possible solutions include condo conversion protection, increased support for legal services, increase of the City budget for housing to \$10 million and passage of the transfer tax. She criticized the Committee for having this hearing after the City budget has been adopted.

Councillor Braude stated that the purpose of this hearing is to look at the housing agenda for the next two years. The comments so far have included many non-budget items, and in addition, there is always the possibility of a post-budget supplementary adjustment.

Elie Yarden, 143 Pleasant Street, stated that what is going on in Cambridge is not that different from what is going on in Seattle or Philadelphia. There is a national housing crisis, which is the result of bad thinking. Cambridge is wealthy and has a plethora of intellectual wealth. Harvard should be working on this problem. He criticized the attitude of cynicism as an inhibitor of imagination. One must understand a city as a collection of citizens rather than as a collection of real estate parcels. The vision of a city as commerce at the east and west ends to support an artificially low tax rate for rich residents is not sustainable. Achieving an optimal density in each area would result in thriving businesses throughout the City. Cambridge should also get rid of the zoning requirement that every dwelling unit has to have a car.

Dan Bouchard, Plymouth Street, said that he is an organizer with the Eviction Free Zone. He used to be a tenant at 11 Vail Court but he was forced out by rent increases and eviction proceedings. He suggested that the City help in retaining the remaining low and moderate income tenants. He also recommended adopting a condo conversion protection ordinance, supporting expiring use tenants, providing more money to legal services, and creating new affordable housing by increasing the budget for new permanently affordable housing and supporting the transfer tax.

James Williamson, 17 Perry Street, spoke in support of condo conversion laws, the transfer tax, and more money for legal services. He noted the important question of community values. If you have lived here for a certain amount of time, especially if

you were born here, you have the right to live here. If you have lived here since rent control, you should be able to continue to live here. He suggested charging universities a fee for all students housed off campus, and a cap on the number of students. However, the need for universities to house their students shouldn't be used as an excuse to build a 21-story building across the river. Also, Cambridge must put limits on commercial development. The City shouldn't overlook the possibility of the use of eminent domain. Finally, the issue of money and resource allocation throughout society at federal, state and city levels, must be addressed.

Lloyd Smith, 4 New Towne Court, stated that he is very discouraged. He gave up coming to City Council meetings because he decided that it was a sham. He praised Councillor Born for supporting rent caps. He said that speaking up for rent control can be compared to Rosa Park's actions for civil rights.

William Marcotte, 19 Agassiz Street, stated that the tenants who came to tell their stories are a rearguard action. It is worthwhile. What is needed is state law protection and a tenants' bill of rights. Landlords who are trying to keep fair rents are the exception, not the rule. The orders the City Council has passed to urge landlords to negotiate with tenants facing loss of housing have had some effect. He said that he feels like the tenants were misled about the amount of free cash in the City budget that could have been diverted to affordable housing at the end of rent control. He urged the City Council to tax windfall profits from rent increases, to double the funding for legal services, to budget \$10 million for affordable housing, and to pass a condo conversion protection ordinance.

Washington Taylor, 7 R.C. Kelly Street, stated that he is a home owner in Cambridge. Every home owner in Cambridge is profiting from this real estate bubble. Cambridge can choose - everyone who owns property can contribute to affordable housing. He does not want to live in Wellesley or Winchester.

Nancy Hall, Putnam Gardens, suggested using the City's increased revenue from the end of rent control for affordable housing, using eminent domain powers, and working on the state level for just cause eviction and rent control.

Mark Moses, 68 Gore Street, stated that he has been a resident of Cambridge all his life and is now being evicted. His father, who owned the house where he lived with his wife and three children, passed away. Instead of building a new library, the City's money could be better spent on housing.

Jean Keldyz, 14 Allen Street, stated that she has lived in her rented apartment for over fifty years. She has been fighting eviction for five years. It is not a unit, it is her home. Five years ago the house was sold at an IRS auction. So far \$800,000 has been made on the building. She also questions the definition of "affordable." She urged increasing the affordable housing budget to \$10 million, doubling the City

funding for legal services, passing the condo protection law, passing a transfer tax, and supporting expiring use buildings.

Stash Horowitz, 12 Florence Street, suggested the following solutions. In the rezoning area, he agrees with the suggestion that some additional zones be housing only, that the Zoning Ordinance give a FAR bonus to housing and FAR reduction to commercial, and that the special permit criteria include traffic impact. He urged reduction of the competition from the university by encouraging them to house more students. He supported decreasing the pressure on existing land to be developed as biotech uses and providing incentives to switch it to housing. He noted that the Planning Board says there may be only another 10 million square feet of development over the next twenty years. He also suggested eliminating the parking requirement for residential construction. There is a great deal that the City Council can do.

Hatch Steritt, 333A Harvard Street, emphasized the importance of motivating values to the consideration of this critical issue and the need for realism and close attention to how we use our words in the characterization of the problem and the discussion of the issue. He emphasized that we all share our humanity and must value community together. One quarter of the population here under rent control can no longer afford to be here. Realism demands acknowledgment of the limitations of proposed solutions that sound reassuring but that cannot actually be accomplished. Realistically, where would new, affordable housing buildings for all the displaced residents fit? Cambridge, as a community, has a real problem. Thousands of people have been evicted in Cambridge. Politicians must stop posturing and start speaking the truth to the property interests.

Councillor Braude urged those present to see this as the beginning of a process and to focus on what the goals are and should be.*

Councillor Timothy Toomey stated that he hopes that all can work together but it's not an easy task.

Councillor Braude thanked those present for coming. The hearing was adjourned at 8:00 p.m.

For the Committee,

A handwritten signature in cursive script that reads "Jim Braude".

Councillor Jim Braude, Chair

*A summary list of the suggestions presented in public testimony is attached to this report.

HOUSING FORUM
MAY 16, 2000
SUMMARY OF SUGGESTIONS

Replicate the Cambridgeport zoning model – downzone to upzone for affordable housing.

Adopt home rule legislation for a transfer fee and work for state legislation for a transfer fee.

Adopt condominium conversion protection local ordinance.

Provide tax breaks for owners who commit to keeping rental units affordable.

Hire tenant ombudsmen.

Create more incentive for landlords to negotiate with existing tenants.

Support legislation to require that landlords pay realtor fees for rentals.

Increase the City housing budget to \$10 million.

Remove the zoning requirement of parking spaces for each residential unit.

Support expiring use tenants.

Look into the use of the City's eminent domain powers for affordable housing.

Encourage universities to work with the City to find solutions to the housing crisis.

Charge universities a fee for all students housed off campus.

Encourage universities to house more students.

Work with the universities to cap the number of students admitted.

Require government to address the issue of resource and money allocation throughout society.

Limit commercial development.

Work for state law protections for tenants – just cause eviction and a tenants' bill of rights.

Acknowledge that some form of rent regulation is the only way to protect most of Cambridge's low and moderate income residents in danger of being forced out by increased rents.

Instead of building a new library, use the money for affordable housing.

Rezone additional zones from industrial to housing only.

Provide more zoning incentives to switch from biotech to housing development.

Proposals to improve the supply of lower-cost housing in Cambridge

presented by the Small Property Owners Association
P.O. Box 398115, Cambridge, MA 02139
617-354-2358
Families who provide 75% of all rental housing

Lower-cost housing at all income levels

Since the end of rent control, SPOA has been working hard to come up with practical ideas to increase the supply of housing in Cambridge and elsewhere and thus lower housing costs for families at ALL income levels.

This paper summarizes those suggestions.^o If there is a will, there is a way. We provide some of the ways. We question whether there is the will.

A critical decision for Cambridge

It is by no means clear that most Cantabrigians want more affordable housing for low- and moderate-income residents. It is easily talked about, but when it comes down to action, the city and the residents consistently vote for lower density, open space, building height limits, and downzoning – all of which work against increasing the supply of housing.

It should be clear that increasing the supply will bring down the cost of housing. If Cambridge citizens desire that goal, they must “swallow the bullet” and increase supply. If they do not enact measures to increase supply, then they have de facto decided not to help lower housing costs.

Below are our suggestions, many of which will cost nothing at all except changes in the law.

Preserving our historic neighborhoods and maintain current housing density

Over-zealous downzoning imperils our historic neighborhoods

Zoning laws came into effect long after Cambridge’s traditional multi-family housing was built. Perhaps with a vision of single-family suburbia in mind, the setback requirements imposed by zoning on probably 75% or more of Cambridge’s multi-family housing lots now

make it impossible to reconstruct the same sized house if the house burns down or someone decides to tear it down and rebuild. There are two serious consequences:

- (a) Inevitably over time, as older housing gets lost, it cannot be replaced with the same number of units. A continuing attrition of the housing supply is build right into zoning laws. Over time, then, Cambridge is destined to steadily lose its supply of rental housing simply because of zoning setbacks that do not respect the existing housing and neighborhood character.
- (b) New housing built on these downzoned lots – if it is even possible to build it at all – inevitably does not match the neighborhood character of the existing housing. This mismatch is a deterrent to building the new housing and, if it is built, destroys the architectural “feel” of the neighborhood. Our historic housing can be seriously devalued by the mismatched new construction next door or down the block. Meanwhile, of course, there is also less housing supply.

Zoning should be revised in multi-family neighborhoods so that existing housing sizes, scales and styles can be permanently maintained.

Adjust to household size

Especially in Cambridge, single-person households are predominating. Adjust unit sizes accordingly.

One major contributor to a squeeze on the housing supply is the ongoing trend toward single-person households. One solution, not always happily greeted, is to suggest roommates, which for persons in a pinch is the ideal way to reduce housing costs. But given the preference for single-person households, owners need to be allowed to subdivide larger apartments. They also need to be allowed to bring accessory apartments into service – attics and basements (“garden” apartments) that usually make little or no change to the physical (and historic) appearance of buildings, but allow more single-person households to reside in them. The market, in other words, should be allowed to adjust apartment size to the financial demands of housing seekers.

The cruel truth and Cambridge’s parking problem

A better public transportation system will solve two difficult problems: not everyone can live in Cambridge – and all the cars

One recurring dissent we hear in SPOA is against the idea that everyone feels they have a right to live in Cambridge (or Boston or Jamaica Plain or the South End or the city they grew up in or the city they lived in for the last 15 years or the city where they work). We can sympathize with this concern, but logically thought through, it just will not be possible for Cambridge or Boston or any other municipality to guarantee housing for any given mix of residents or any given set of qualifying characteristics. Where we live in relation to how much

housing costs are life choices we must all make as individuals and families; government cannot solve this dilemma.

But one government-assisted function can help tremendously: a much improved regional public transportation system. If people can get to work fast, or get back to their favorite old-time “haunts” fast, then their housing options are opened up.

We have studied Boston’s and Massachusetts’ housing and rental costs. Contrary to popular view, there is a broad range of rents and housing costs available – it’s just that they are in neighborhoods not considered as “desirable” or too far away by current transportation methods.

By improving public transportation and targeting it to areas where housing costs are lower, the effect is an increase in the housing supply that would effectively improve the housing supply of Cambridge.

Meanwhile, there is one other great boon to a better public transportation system: less need for cars. With fewer cars, there will be less objection to accessory apartments being brought on line, since traffic congestion will not increase significantly.

Zone for housing in the least hostile areas

Commercial and industrial zones may be the best sites for new housing

One assumption that governed zoning laws when they were first imposed was the segregation of all urban living functions into their separate territories. It was an idea, considered “modern” at the time (like suburbs were modern), that violated the natural diverse mixture of uses that characterizes older cities like Cambridge: housing above storefronts, housing next to workshops, offices in homes, etc. There are many inspiring ideas that attempt a modern re-creation of the old, mixed diversity of cities:

1. Allow new housing above single-story commercial structure.
2. Allow new housing in industrial zones.
3. Allow use of former commercial or industrial buildings as housing.
4. Allow housing in as many commercial and industrial zones as possible, because neighborhood opposition will be the least.

Generate a public conversation against NIMBYism

Increasing density carefully needs to win out if the goal is to increase the housing supply.

We propose a great challenge here – to examine carefully our current assumptions about density. Open space is great. We need it. We don’t want crowding either. But a suburban model for Cambridge is just all wrong. In fact, there is much praise right now for the “Main Streets” idea and for reviving a new urbanism. These ideas need to take hold. This is a matter of increasing public dialogue so that – eventually – the public accepts more density

in carefully chosen sections of the city. It may take time, but it is perfectly consistent with the anti-suburban, back-to-the-city mentality that is slowly taking hold.

Guard against laws that restrict the housing supply

Cambridge has been historically prone to enact laws that drive up the cost of housing by restricting the supply. Here are some of them.

1. Rent control. A recent study of 22 cities found that rent control drove UP the price of housing in the non-controlled sector of the housing market, up by 13-15%. Of course it would, because it restricts the supply of housing in the free market. Here is just one more well-founded reason why, as you know, SPOA is absolutely and unconditionally opposed to rent control. Besides this effect, rent control destroys any incentive to build new housing. It does not itself increase the supply of housing. It leads to deteriorated and abandoned housing. It does not deliver housing to the people it is intended to protect. The people of Massachusetts spoke loud and clearly against this approach to housing. It was a disaster seen far and wide.

2. Condo conversion ban. Here we have a proposed ordinance that does nothing to increase the supply of housing in general. Meanwhile, it would reduce the availability of condominiums at the same time driving up their cost. Condos are the cheapest form of homeownership. This most affordable kind of housing should be encouraged. SPOA will watch actively to see how each councilor votes on this critical issue for our organization. The present draft is the worst form of law-making and would result in endless disputes. That, of course, is what its proponents want. The city must think intelligently and for the sake of the community as a whole. It is stupidity to try to restrict condominiums, the most affordable way a household can get a permanent foot in Cambridge.

3. No more subsidized housing units. The old idea of government-built or tax-built housing is wrong, and the federal government is moving away from it fast. We discuss this issue in greater detail below (see "Voucher out the projects"), but here let us note the effect on the private market. As units get transferred from the private sector to "socially owned" housing, the private sector gets squeezed and the free market housing supply declines. That drives the price of the remaining market rate units up. Subsidized housing may be great for the people who develop it, build it, manage it, and for the very few people who can live in this very costly tax-funded housing. But it is no good for the rest of the housing market. It makes their housing costs go up.

4. Inclusionary zoning. Someone recently remarked that everyone in Brookline was happy with inclusionary zoning. The advocates got acknowledgement for their cause, and the private citizens were happy because they knew none of the housing would be built. Inclusionary zoning is a real barrier to building housing. It restricts construction, what little

occurs, to very large developers who can afford the extra, upfront costs. It increases the cost of the market-rate units. If it also increases density, neighbors will oppose it. The idea, instead, is that Cambridge should commit to building any new housing that is possibly can, even luxury housing, because that increases the housing supply. Then, as people move into the luxury housing, less valued units become open and available, then people move into those units, allowing even less valued units to open up, and so forth down the housing ladder. ANY NEW HOUSING will benefit and reduce upward pressures on costs at all levels of the housing market.

No more money

22% subsidized housing is enough. Restructure existing public funds.

About 22% of all Massachusetts rental housing is already subsidized. In Cambridge, it may be higher. How much do we need? There will never be enough for housing activists, who make their living building it. There will always be way more than enough people to take a tax-funded cut in rent.

It's time to say: "We have enough government money going into subsidized housing. Let's focus on using it better."

More housing for the same dollars

The latest craze in subsidized housing construction is very expensive. A major rehab or brand-new construction costs \$150,000 to \$200,000 per subsidized unit. Heavy subsidies are needed to build each unit, and then more ongoing subsidies are needed to help tenants pay the rent. It's a double-subsidy system.

The lowest-cost option for subsidizing tenants – giving them rent supplement vouchers to live in private housing – is shunned by most housing advocates because they will lose their jobs. Mobile tenant vouchers, as they are called, are administratively simpler. They use older, existing, private rental housing – average assessed market value between \$30,000 and \$65,000 per unit – to keep costs down.

'Voucher out the projects'

A decade ago, the federal government decided just exactly this: constructing and maintaining big housing projects is very expensive – let's move to vouchers. They began a policy to "voucher out the projects" as contracts expired. Thus was born the "expiring-use" issue where tenants are given "enhanced" mobile vouchers when owners (usually of large apartment complexes) end their federal subsidy contracts or prepay their federally subsidized mortgages. Advocates have vigorously opposed this new federal policy because they lose control over the physical housing structures that create little kingdoms for them. But the hard crunch of money dictates that mobile vouchers are the way to go to get more housing for the same bucks. Vouchering out projects is not an idea limited to so-called "expiring-use" buildings; it applies to any housing where the physical unit is subsidized, not the tenant household.

A Funding Proposal

When older subsidized housing projects require major rehab, sell the projects to private developers as favorably as possible and use the proceeds, plus the ongoing subsidies attached to the former project, to **fund mobile tenant vouchers**. The same dollar amount of public funds will produce fewer subsidized **units**, but more subsidized **households** than were previously assisted.

State-level programs the city needs to support

Rehab loans to small owners

Let's face it, when you get bureaucrats and large organizations involved, the cost goes up. So when public funds go to non-profit corporations and management companies to build or rehab and maintain subsidized housing projects, the costs – overhead costs especially – are very high.

The job of rehabbing housing should be in the hands of those who do it best for the least cost – the many small owners of rental property and the small construction crews they hire.

Loan programs that do just exactly this are already operating. In exchange for getting a low-interest loan, private owners do an agreed-upon rehab of their property and further agree to rent to lower-income tenants at lower rents for an agreed-upon period of time, usually five or ten years. The housing gets fixed up. Appropriate tenants get a break on their rent. The deals are voluntary.

Funding Proposal

Transfer loan and grant funds from costlier non-profit programs into **loan programs directed at small private owners**, especially in economically depressed lower-income neighborhoods. Because bureaucratic overhead is reduced, the same dollar amount of public funds will subsidize more households than before.

Regulatory change: three proposals

Heavy-handed regulation has choked rental housing. Let's loosen up.

Below are three proposals. The first two won attention in the Pioneer Institute's 1999 Better Government Competition. Both promise to stimulate millions of dollars of private and non-profit investment in lower-cost inner-city housing. But not unless old entrenched ideas of regulation are changed.

Over the past four decades, government regulation of rental housing has tried to reform it, modernize it, bureaucratize it and take it over. In public housing, the social experiment in big housing projects soured and failed miserably. In private housing, production of new multi-family housing has declined to a trickle and older rental housing has been made unsavory for ownership or investment. Regulation caused it; regulation needs to be changed.

Regulatory Proposal No. 1

Change the building code

Rehab rules that make sense and attract investment. If necessary, Cambridge could petition the Legislature for its own rehab subcode.

Scarcely more than a year after its adoption, New Jersey's new Rehabilitation Subcode has stimulated millions of dollars of new investment in dilapidated and abandoned inner-city housing in New Jersey cities.

Each project is costing less. Planning uncertainty has been reduced. Owners and developers are responding, including smaller ones.

What was the trick? Revising New Jersey's building code so that older buildings, during rehabilitation, don't have to twist and turn unpredictably to meet all the requirements in a modern code fashioned for all-new construction.

The rule-changers in New Jersey were the state's own Department of Community Affairs, joined by a broad committee of stakeholders, all coordinated by Rutgers University's Center for Urban Policy Research.

Everyone had a hand in it: code officials, fire officials, architects, historic preservationists, advocates for people with disabilities, and government representatives.

The resulting Subcode, adopted in January 1998, had widespread acceptance and is being pushed as a national model for other states to follow. With many policy issues resolved, a similar Subcode would be easy for a state to adopt.

The Subcode is a very-low-cost regulatory change that produces powerful, broad incentives to invest in older buildings, both commercial and residential, especially in urban areas. In little more than a year, New Jersey has seen dramatic increases in urban investment compared to the state as a whole. Officials attribute most of the increase to the new Subcode.

A driving force behind the new code was William M. Connolly, director of New Jersey's Division of Codes and Standards. Connolly won "Honorable Mention" in the Pioneer Institute's 1999 Better Government Competition for his paper describing the new Subcode.

The principle governing the new "rehab" Subcode is that, after rehab, a building can be no less safe than it was before rehab. Costly new requirements in the affected area of rehab work are dropped if the existing features are reasonably safe and little safety improvement would result. Extensive improvements beyond the affected work area are also not required just because rehab work is taking place.

What are some of the obstacles in New Jersey's old code and in Massachusetts' current code?

- Having to "fire-sprinkler" an entire building when it would be cheaper to sprinkler the affected work area only. Currently, the whole-building sprinkler requirement stops rehab work, so buildings remain unimproved altogether.
- Having to tear out perfectly sound, older staircases that are slightly steeper than modern codes require. Since the new staircases need more space, whole areas of buildings must be reconfigured. Safety is hardly improved. Historic architecture is lost. Cost often becomes prohibitive.

- Having to widen a 40-inch hallway to a 42-inch hallway. Costly. No real improvement in safety.

The costly new features required in modern, high-tech construction cost even more when they are shoe-horned into old buildings. The extra cost, by itself, is a major deterrent to even starting rehab projects. Uncertainty about exactly what new features are required, and how to shoe-horn them in, also stops projects. The situation is just as expensive and unpredictable for nonprofit developers. It runs up everyone's costs, slows down everyone's incentive. The result, after many years, is disinvestment in older structures even when they have historic character, as they almost always do. These older buildings, of course, are located in every inner-city neighborhood. And let's face it, almost every city and town, however big or small, has its "inner-city" neighborhood.

The solution is to scale back the forced modernization that the current code requires, thus making rehab less expensive, thus stimulating more of it. As buildings get improved, neighborhoods get stimulated, and an upward cycle begins. Much of the dilapidation in older buildings, even in small towns, can be traced to code barriers to rehab.

Regulatory Proposal No. 2

Mandatory rent escrowing & a multi-tiered sanitary code

Simple changes to draw small owners back & preserve older housing

It's a paradox. We're in an economic boom and activists create headlines claiming there is a housing shortage, yet we still have boarded-up housing in most cities and towns in Massachusetts, many units kept off the market by fearful owners (especially elderly owners), and no new multi-family housing is being built except high-rise buildings. We need to reaffirm the role of small property owners and encourage ownership of multi-family housing.

What role do small property owners play? "Mom and pop" landlords own virtually all the housing in moderate-income neighborhoods – about 75 percent of all rental housing in Massachusetts. Their management style keeps rents down. Usually just a step or two above their tenants on the income scale, most small owners do their own repairs and delay costly capital improvements as long as they can.

Yet this management style, while it keeps rents lower, puts the housing at risk. Several state laws require "code-perfect" apartments. Tenants in code-imperfect apartments have the right to withhold their entire rent. Facing eviction, a non-paying tenant's first response – always recommended by lawyers – is to call the health inspector and report violations. Until repaired, minor defects in an apartment will stop an eviction cold. Tenants quickly learn to block repairs or do damage in order to live rent-free for months and sometimes years.

The combination of no rent and costly repairs can result in bankruptcy for small owners. This "free rent" game can break any small owner. SPOA has many stories of financially stressed owners. These horror stories help drive more owners out of business and keep others from becoming rental owners.

One simple requirement would make a world of difference: mandatory rent escrowing. Instead of pocketing the rent, tenants would have to put rent withheld for code violations in a special account to be distributed upon settlement of the dispute. Rent escrowing is in effect in 35 other states, and people are often shocked that it is not already required here. Escrowing would eliminate the obvious incentive for abuse in the current law.

Another change would also help preserve older housing: prioritizing the state sanitary code so that real structural and preservation problems get top priority, not complaint-driven minor defects and amenities.

Simple changes like mandatory rent escrowing and a prioritized housing code would end the hostile regulatory environment that has driven many small owners out and discouraged others from even entering the small landlord business. We need these small owners to preserve our older, lower-cost, multi-family housing and to continue to provide rental housing that lower-income families can afford without government subsidies.

The ideas in Regulatory Proposal No. 2 come from an award-winning paper in the Pioneer Institute's 1999 Better Government Competition. The paper, entitled "The Road Home: Working with small property owners to preserve and create affordable housing," was written by Lenore and Skip Schloming, Small Property Owners Association.

Regulatory Proposal No. 3

Resurrect rooming houses

Saving the lowest-cost form of housing

The lowest-cost housing of all is rooming houses, a potential harbor for the homeless, the mentally ill, the struggling. But rooming houses have become all but illegal and nearly disappeared. In Massachusetts as a whole, we have lost 96% of our rooming houses since 1960, exactly the same period over which homelessness has grown. A local homelessness advocate agrees that that loss accounts for about 80% of the homeless, those who are simply in transition (job change, divorce, etc.) and those who may have personal limitations of one sort or another but can live successfully on their own.

What is the critical problem? Ineffective eviction laws that take away owner control of residents. Neighborhood hostility to rooming houses is often justified because owners have lost control.

Currently, rooming houses operate under the same eviction laws as apartments, but they could be given special status and allowed to evict tenants quickly. Quick eviction, a threat used occasionally, would give troublesome rooming-house residents a strong incentive to shape up fast and would give clout to any neighbor complaints. Rooming houses can work and regain acceptability.

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24 Prescott Street
Cambridge, MA 02138
April 7, 1998

Councillor Kathleen Born
Chair
Committee on Housing and Community
Development
Cambridge City Council
City Hall
Cambridge, MA 02139

Dear Councillor Born:

As I indicated at the committee hearing of April 1, 1998, I would like to expand upon my comments given about the deleterious impact of the end of rent control and to elaborate upon the policies I suggested would address some of its major consequences.

I have taken the data gathered in the study done by Atlantic Marketing Research for the Community Development Department as the basis for the analysis that follows. This is so even though it was evident from questions of both councillors and the public that the study may well have understated the damaging effects of the end of rent control by ignoring, among other factors, the impact of condominium conversion and the extent to which formerly rent controlled tenants sought shelter through public housing and the use of Section 8 certificates, as well as by the not uncommon biases of standard statistical methods to miss or undercount low-income, foreign-language speaking, or immigrant households. Nonetheless, in its current form the study presents a staggering picture, from which I would like to highlight three elements.

1. Soaring Rents

Rents have skyrocketed since the end of rent control. From December 1994 to the summer of 1997 the rents of remaining, formerly rent controlled tenants rose on average by \$200/month. Where formerly rent controlled apartments had been vacated--and nearly two-fifths had been by 1997--rents had increased on average by \$425/month. Rents in vacated apartments were actually higher than those which had always been market-rate, but it is also important to note that those "market-rate" apartments have seen not insignificant rent increases since 1994 as well.

It is sometimes--wrongly--assumed that the "market" defines an equilibrium representing a balance between supply and demand

in the rental housing market. This is not the case. The surging rents in Cambridge are the product of a seemingly inexhaustible demand set against a relatively fixed supply of housing units. Technically this is called an economic rent, where high demand drives up prices, in this case, rents beyond any reasonable level. Under these circumstances landlords operate effectively like a monopolist, taking advantage of limited supply to charge excessive rents. This practice is generally described as rent gouging.

To this end, landlords have adopted a business strategy of renting vacated apartments to groups of individuals, often students, who by rooming together are able to pay exorbitant rents. The study found that 31 percent of the vacated units are occupied by students, and 39 percent are occupied by roommates. By this strategy landlords artificially raise the demand for rental housing, since demand depends upon both need and ability to pay. This in turn pushes all rents upward, as the threshold for what rent levels are or ought to be in the "market" is raised.

2. Very High Rent Burden

According to the study, 40 percent of all tenant households in privately-owned housing pay more than 30 percent of their income for housing, a percentage set in the early 1980s by the Reagan Administration to establish when excessive housing costs constitute a hardship. With policies largely hostile to low-income renters, the Reagan Administration had raised this threshold figure from 25 percent, so that the actual financial hardship to current Cambridge tenants is seriously understated.

Moreover, if one surveys all tenant households, including those in public housing and supported by Section 8 certificates, it seems likely that the median gross rent burden, the ratio of housing costs to income, of renters in Cambridge will exceed 30 percent. The 1990 U.S. Census provided figures for the median gross rent burden for renters in every town and city in Massachusetts: extrapolating from that, one can project that at 30 percent or higher, Cambridge would now place at or near the top of all communities in the state for the rent burden imposed upon tenants.

3. Limited New Investment

Through an accounting of the dollar value of all the building permits filed for rent-controlled properties in the first half of 1994, which was then compared with the value of all building permits filed for formerly rent-controlled properties in the first half of 1995 and 1996, the study was able to document the extent

to which new investment in buildings followed the end of rent control. The study found that the level of such investment was "quite modest", less than \$1 million more in the first half of 1996 than in the first half of 1994. Across all formerly rent controlled units this additional investment averages out to an additional \$10/month per unit above the 1994 rent-controlled rent. That "modest" increase to allow for fixing up properties contrasts sharply with the median increases in rent of \$200/month per unit for remaining tenants and \$425/month per unit for vacated apartments. This contrast demonstrates that the windfall in rent increases taken in by landlords of formerly rent-controlled properties, more than \$50 million annually, by 1997, has not been used --or was not required--to repair or improve buildings.

Two policy suggestions follow from the above analysis:

1. Reinstituting Rent Regulation

Rent regulation offers the best, comprehensive approach to preserving affordable housing in the face of widespread rent gouging and the housing jeopardy facing many thousands of Cambridge tenants today. While it would do nothing for those who have moved and left the city, already a shockingly large number, rent regulation would make it possible to slow significantly the continuing and rapid loss of affordable housing in the city and the large-scale displacement of tenants from the city.

2. Introducing a Windfall Profits Tax

Where landlords have pocketed a windfall through rent gouging, it would be equitable to tax part of that windfall to create a substantial housing fund to alleviate some of the deleterious effects of the end of rent control. Such funds could be used, for example, to help tenants already displaced to return to the city or to support other measures intended to preserve longer-term affordability of housing for low and moderate-income households. A windfall profits tax could be set on the basis of a combination of a threshold "high" rent and the amount by which the rent has increased since the end of 1994. In that way it would apply specifically to those landlords who have engaged in rent gouging.

I do not see these policy suggestions as mutually exclusive, and would ask both the Committee on Housing and Community Development and the City Council to give both serious consideration.

Respectfully submitted,

Michael Turk

Michael Turk

cc: Cambridge City Council
Community Development Department

Changes in Rents in Resource Capital Group
Rental Apartments

- as presented by Alex Steinbock
in November 1999

	End of 1994	November 1999
Vacated Units Average rent	\$510/Lo.	\$1016/Lo.
For Existing Tenants Average rent	\$576/Lo.	\$967/Lo.

Of all tenant households, 32% are existing tenants

No information was provided as to the number of units converted to use as condos or the status of existing tenants as a consequence of such conversions.

Recommendations for tenant protections

1. Hire Tenant Ombudsman - One point of contact who can work with tenants to navigate city resources, and interface with landlords, city and community groups and agencies, council members, and city personnel to:

- a. Negotiate new leases between tenants and landlords
- b. Help people find new homes in the city (public or private)
- c. Develop list of local affordable units willing to take section 8 tenants

2. Create more incentives for landlords to negotiate with existing tenants (where vouchers and low interest rehab loans are not enough)

- a. Lower taxes in exchange for affordable units
- b. Investigate and expose landlord holdings and profits (where suitable)

3. All tenants need legal representation

- a. Significantly increase the income cap for Cambridge Somerville Legal Services
- b. Hire more legal help

4. Legislation to protect tenants

- a. Rent Stabilization
- b. Realtor fees should be paid by landlord - at the very least, split by landlord and tenant.

5. Rent Freeze for nine months (while you figure out what needs to be done to address this severe housing emergency) - Tomorrow, get on the phone with Mayor Menino of Boston, and ask the state legislature for permission to institute a moratorium on rent increases and condo conversions)

City of Cambridge

HOUSING COMMITTEE MEMBERS

*Councillor Jim Braude, Chair
Councillor Kathleen L. Born
Councillor Henrietta Davis
Councillor Marjorie C. Decker
Vice Mayor David P. Maher*

In City Council June 5, 2000

The Housing Committee held a public hearing on May 16, 2000, beginning at 5:32 P.M. in the Sullivan Chamber for the purpose of hearing the concerns, opinions and suggestions of Cambridge residents regarding housing issues, housing goals, which housing programs are successful and which need improvement.

Present at the hearing were Councillor Jim Braude, Chair of the Committee, Councillor Kathleen L. Born, Councillor Henrietta Davis, Councillor Marjorie C. Decker, Councillor Kenneth E. Reeves, Councillor Michael A. Sullivan, Councillor Timothy T. Toomey and City Clerk D. Margaret Drury. Also present were Beth Rubenstein, Assistant City Manager for Community Development Department, Darcy Jameson, Housing Director for Community Development Department (CDD), John Woods, CDD, Elizabeth Sternberg, CDD.

Councillor Braude convened the hearing and made a brief opening statement. He explained that the City Council is here to listen, as are members of the City's housing staff. He invited other members of the City Council to make brief introductory statements.

Councillor Kathleen L. Born noted the changes in Cambridge and expressed a hope that there will be new attention to affordable housing on the national agenda.

Councillor Marjorie C. Decker thanked all those present for coming and expressed her interest in hearing from residents about their concerns and suggestions.

Councillor Jim Braude then invited public testimony.

Lenore Schloming, 102R Inman Street, said that when you look at the City's actions in the area of zoning law, it is clear that open space and lowering density are valued more highly than affordable housing. She also urged support for vouchers and changes to the state landlord/tenant law.

Councillor Kathleen L. Born asked Ms. Schloming who would pay for more housing vouchers, and whether she would be willing to have the City pay with tax revenues. Ms. Schloming said that she does not care which entity pays for them.

Committee Report #7

1645

A report was received from Councillor Braude, Chair of the Housing Committee for a meeting held on May 16, 2000 for the purpose of hearing the concerns, opinions and suggestions of Cambridge residents regarding housing issues, housing goals, which housing programs are successful and which need improvements.

S-164

In City Council June 5, 2000

Report Accepted.

Placed on file.