**PROPOSAL FOR GRADUAL PERCENTAGE RENT INCREASE MARKET TRANSITION CONTROL**

I propose a regulated, precalculated gradual percentage rent increase system which can be applied across the board to all tenants. The purpose of this system is ease the transition from rent control to market rents by providing discreet, predictable and gradual percentage increases over time.

Such a system could be instituted by the landlord as the only system that could be used to raise the rents but would also give landlords the option to maintain present rents.

This system would not be a reconstitution of rent control. The across the board precalculated set of gradual yearly percentage increases could be determined (by arbitration) after Jan 1rst, 1995 but instituted 6 months thereafter.

Such a system would be contingent on the tenants ability to pay given the type of unit he/she occupies (1 bedroom vs. multi-bedroom). That contingency would require no means test and could only be effectively determined if the tenant claimed "hardship" and submitted documentation to substantiate that claim.

The right to claim "hardship" would offer protections to low-income, elderly , handicapped tenants if any percentage rent increase resulted in such. Furthermore hardship would be a function of not only the tenants income level but also the tenants living situation. Overhoused single tenants occupying multi-bedroom units would not be able to claim it but low-income families, some elderly and some handicapped could. Past proposals only account for income status but do not factor in livings situations which differentiates tenants who can pay from those who can't. This system allows individual considerations to be made for everyone who claims hardship and allows for rent increases to some low-income tenants up to the point where "hardship" is claimed.

The Regulatory body needed to oversee such a system would be limited in scope. Such a body would exist to: Monitor rent increases so that they don't exceed the guidelines, (However the body would not determine them as this proposal advocates a predetermination of such after Jan 1 1995.) protect tenants from evictions and evaluate hardship cases.

The system advocates a simple scale which could be used to calculate percent yearly rent increases. That calculation takes into account different rent ranges and the number of bedrooms. Initial rent increases are inversely proportional to the "lowness" or the "highness" of the rent controlled rent. In that way, low rents which deviate most from market rents can be equalized with high rents which deviate least. **Percentage rent increases are calculated as: (Present rent controlled rent)X (the chosen percentage increase for it's overall category) X (the number of bedrooms).**

This proposal accommodates for all combinations of economic diversity but does not predetermine what the economic spread is. However it will produce favorable results for landlords if their contention that "most tenants in rent controlled units are above average income" is true but it makes allocations for this not being true.

Enclosed is the theory behind it and examples of how it operates.

**Overview:**
The Yes on 9 campaign was launched, buttressed and won by bringing to public attention some of the specific inequities associated with the rent control laws. When small property owners testified to the public that under rent control, they could not live in their own condo's or they were fined for taking a vacation or that they were forced to charge 200 for a 4 room apartment occupied by a high income professional, they won the vote. Rent control was not abolished in favor of creating homelessness, social chaos, speedy evictions and abruptly steep rent increases so that property owners could get fair market rent come Jan lrst. It was abolished to rectify and eliminate specific inequities which were harsh on landlords. We must insure that rectifications are achieved without incurring undue hardship on tenants who fear loosing their homes.

The objective of any home rule policy is to protect tenants from losing their homes. Some regulation is needed to insure that this act be introduced responsibly over a period of time and not abruptly. Cambridge needs a policy which will allow for gradual transition through gradual percentage rent increases over a period of time.

Such a policy has to take both sides into consideration. Basic tenant protections must not be sacrificed in an attempt to achieve immediate reform or abolition of rent control. Therefore I offer a policy which will not only protect tenants but will also bring about a steady but cautious progression from rent control to market control.

This policy is intended to protect the tenants who are now occupying rent controlled apartments from eviction and sudden too steep too fast rent increases. Yet it recognizes that there is room for gradual percentage rent increases to be made in which the existing tenants can contribute to rent increases without suffering hardship. It is not a blanket protection from all rent increases. It protects the tenant from the rent increases and evictions that would ensue if landlords shifted immediately to market rents. The protection is afforded by allowing landlords to achieve market rents through gradual percent increases over a gradual period of time from all tenants across the board yet accommodates for "hardship" in some cases where hardship will be experienced before the market rate is achieved.

It recognizes "hardship" as the inability to pay the specific percentage rent increase that will eventually occur to some tenants, who even if low income, will be able to pay gradual percent increases up to a point in time. After which the tenant can claim "hardship" by providing financial information which will substantiate this claim. It assumes that gradual percentage increases over a period of time will answer the question; "Who lives in rent controlled apartments and who can afford what?" Given the contention that property owners have that "most" of the tenants are above average income, gradual percentage increases, across the board will result in the gradual attainment of market rents before hardship is experienced by "most" of the present tenants. "Hardship" of the remainder of tenants could be accommodated by freezing rent increases at the time in which it was claimed. Since landlords contend that few low-income tenants occupy rent controlled units but are willing to accommodate the ones that do as an act of goodwill to the community, this policy holds them to that social commitment.

**Market Transition Control:**
We need some regulations mandating the transition from rent control to free market so that immediate transitions don't cause undue hardships to anyone. These transitions, gradual rent increases would be applied across the board to all tenants over a period of time (perhaps 2-5 years) so that each tenant could contribute to the amount of rent increases which is within his means. Those means need not be determined by a means test before hand. They can be determined only when the tenant comes to the fore and claims "hardship" when the gradual percentage rent increase reaches a point where the tenant can substantiate that the new rent is indeed beyond his means.

Unlike other proposals that advocate means tests and provide the blanket protection of no increase for those qualifying as "low-income", this proposal assumes that there will be some low-income tenants who can pay increases up to a point. This proposal advocates that income levels become an issue when the tenant himself, comes to the fore by claiming hardship. That is the only way to determine who needs help and at what point.

**Determining percentage rent increases**

Total percentage rent increases are a function of the number of bedrooms a rent control unit has and the current rent controlled rent. Taking into account the number of bedrooms allows for adjustments that just cant be made on the rent alone and will make rent adjustments a function of a tenant occupying a one bedroom apartment vs a multi bedroom apartment.

Initial percentage rent increases are also a function of the current rent controlled rent but are inversely proportional to it. Low rents receiving the highest initial percentage rent increase and high rents receiving the lowest initial percentage rent increase. The operating principle behind this is that low rents deviate the most from market rents where as high rents deviate the least.
on.

**Defining the classes and categories.**

The simplest classification comprising all rent control units is as follows: (The percent increases would be multiplied by the number of bedrooms that each unit had.)

Percent increases for each class

| A | B | C | D | E |
|---|---|---|---|---|
| 20% | 15% | 10% | 5% | 3% |
| $100-200 | $300-400 | $500-600 | $700-800 | over $900 |

(The subclasses are rents in between the main classes and the percent increase for say a class AB unit would be 20% + 15%/2= 18)

<u>Example 1</u>
A single bedroom unit renting for $200 would rent for $240 but a 4 bedroom unit would rent for $360

<u>Example 2</u>
A $400 unit with one bedroom would rent for $460 but a 3 bedroom unit

would rent for $580

**Sample situations arising**

The rent increases take into account the number of rooms not the financial status of the occupant. For instance even if the occupant of a 3 bedroom $400 apartment were low-income, this occupant could provide the landlord with $580 if the occupant got a roommate or shared the cost with an existing roommate. (Even though the occupant signing the check is low-income other occupants actually share the total rent.) If the "tenant" happened to be a low-income family, hardship could be claimed if the new rent was actually beyond the means for the family to pay. If the tenant happened to be an elderly person who didn't want to find a roommate, hardship could be granted on those grounds. If the tenant were a middle income professional no hardship could be claimed.

If in example 2, the tenant was either handicapped or elderly but lived in a one bedroom unit, it would be possible for that tenant to pay an increased rent of $460. However if it were not, that tenant could apply for hardship.

No matter what the income level of the tenant is, this proposal seeks to accommodate it.

Gradual percentage rent increases are predictable. Landlords would be required to give tenants at least 6 months notice before instituting them. Regulatory bodies could be formed to insure that rent increases did not exceed the basic guidelines,protect tenants from evictions and hear hardship cases. They would not be responsible for calculating rent increases since the basis of this proposal calls for a precalculation of such.

**This proposal seeks only to regulate the transition from rent control to market rate rents such that both the needs of tenants and landlords are taken into consideration. IT SIMPLY ASSUMES THAT THOSE WHO CAN PAY RENT INCREASES WILL AND THOSE WHO CAN'T WILL FILE FOR HARDSHIP.**

It allows landlords to seek market rates in a steady but cautious manner and produces a system that allows the tenant to identify himself if the system produces hardship. It does not presuppose that most tenants are middle or high income but rather accommodates that as being true. It also accommodates for the contrary being true!

It trades off blanket locked in rent-controlled rates for low-income tenants for specific protections which would address the different circumstances of many low-income tenants if a rent increase would infact cause a hardship.

I propose that Cambridge adopt this homerule policy.

Jane Butler PO BOX 214 Cambrridge MA 02140 492-2492

Comm. # 3

S-531

Comm. from Jane Butler, P. O. Box 214, Cambridge, transmitting a proposal of gradual percentage rent increase market transition control.

In City Council,

November 19, 1994

11/19/94 no action taken

11/20/94 Placed on file