Exhibit A

CITY OF CAMBRIDGE

831 MASSACHUSETTS AVENUE
CAMBRIDGE, MASSACHUSETTS 02139
TEL (617) 349-6161

RENT CONTROL BOARD
TERRENCE P. MORRIS,
EXECUTIVE DIRECTOR

TO: Terrence Morris, Patricia Cantor
FROM: Andrea Devine
DATE: November 16, 1992
RE: Availability of "Replacement Units"

I looked at fourteen properties between July 20 and August 26 in search of potential replacement rental housing units.

I worked with Gary Vrotsos, realtor with Hunneman. He directed me to units that met the following criteria: two- and three-family houses, preferably never registered, in good condition, preferably with vacant units.

I was assisted by Peter Daly of CNAHS in assessing the physical condition of the properties and the cost of renovations related to preserving affordability. He looked at four of the properties and consulted with me regarding others.

Of the fourteen properties I saw, seven were in such poor condition that the cost of renovation would preclude affordability; three were inappropriate housing for families (because of either their size, location, or building site); and at least four were prohibitively expensive (including three of the properties that were also in very poor condition!). One property contained one unit with lead paint and two units with "Section 8" tenants. Another property is "under agreement" with Just-A-Start (which agreement includes various complexities regarding toxic waste on the adjoining lot). Another is not for sale.

(You may refer to my memoranda dated July 20, August 6, and August 26 for detailed descriptions of all the properties referred to above.)

Exhibit B

1

FERRARO & WALSH
COUNSELLORS AT LAW

954 CAMBRIDGE STREET
CAMBRIDGE, MASSACHUSETTS 02141

TELEPHONE: (617) 354-3366
TELECOPIER: (617) 876-9331

August 13, 1990

Davis Pasquariello
220 Lincoln Street
Lexington, Massachusetts

Luiz Costa
23 Johnson Road
Arlington, Massachusetts

Dear Louie and Davis:

This is a summary of the Acton situation as of August 10, 1990:

TOTAL UNITS	168
Units Unsold	- 2
	166
Units Sold to Acton Housing Authority	- 4
	162
Owner Occupants	- 4
	158
Units Sold To Dick Farrington and Barry Hallett with Subsidies but Without Buybacks	- 39
	119
Units Sold with Subsidies and Buybacks	-119
	-0-

Of the 119 units with subsidies and buybacks, the average second mortgage is $21,000.00. Of the 39 units with subsidies and no buybacks, the average second mortgage is $10,500.00. There is approximately $300,000.00 left in the subsidy account. Thus, the two unsold units (two bedrooms) if sold for $100,000.00 each would leave us with $500,000.00 subsidy money which is needed until next June or July, 1991 to fulfill subsidy requirements. Options available to the Non-Core members in my opinion are as follows:

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Option 1

Barry Hallett, Sara Cooper, John McGirr and I have been working with the Affordable Housing component of the Acton Housing Authority for the sale of all units, i.e., the 158 units or any portion thereof. The program would go as follows:

Average Selling Price	$96,000.00
Assumption of Existing Average First Mortgage with Renegotiated Terms	-81,000.00
	$15,000.00
Second Mortgage - Terms and Conditions to be Negotiated with the Affordable Housing Representative	-10,000.00
	$ 5,000.00
Cash	- 5,000.00*
	-0-

*This would be the maximum amount of cash and could be less. If less, there would be a higher second mortgage.

Option 2

This option would be for Non-Core members to take Units for just the existing first mortgages based on the same purchase price as the Affordable Housing Trust Fund. Thus if a person had $100,000.00 invested, they could take six (two bedrooms) and one (one bedroom) or some combination of that nature.

Option 3

This option is to have Non-Core members join with Core members and convert the building back to an apartmeent building. This would require major restructuring of the financing.

Option 4

This option is to distribute the non-buyback second mortgages on some percentage to the Non-Core members and sell some units to the Affordable Housing Trust Fund in accordance with Option 1 and some to the Non-Core members in accordance with Option 2.

After you have had a chance to review this, please contact me.

Very truly yours,

Wm H Walsh (Bill)

William H. Walsh

WHW/lm

ltr-costa/bill(C)-A

"E"

CTU CAMBRIDGE TENANTS UNION

February 18, 1993

1993 FEB 18 PM 3:26

Cambridge City Council
City Hall
795 Massachusetts Avenue
Cambridge, Mass. 02139

To the Honorable; the City Council:

On February 8, 1993, Councillor Walsh introduced an order to promote the sale of rent-controlled apartments as condominiums, ostensibly spurred by a recent court decision involving Cambridge landlord Alex Steinbergh and the Cambridge Rent Control Board. Mr. Walsh then exercised his charter right to delay consideration of his own order until the next council meeting.

As a party to the Rent Board case which is the subject of Mr. Walsh's order, I can state that Mr. Walsh's description of the content and context of the case is belied by the facts of the case and the course of the proceedings. Moreover, the order does not represent good housing policy; rather, it is an attempt to promote the business interests of landlord/developers, especially Mr. Steinbergh.

Here are some of the ways in which Mr. Walsh's order does not measure up to the facts:

1. <u>No new standard for granting removal permits was established in the courts</u>.

The Rent Board denied the permit, and the Superior Court upheld the Board's denial.

2. <u>The Board decision contained no guidelines for granting removal permits on any new basis</u>.

While the hearing officer in this case recommended that certain conditions be set under which a removal permit would be granted, the Board hesitated to accept this recommendation and, in the end, did not adopt the hearing officer's recommendation. Instead, the Board began to consider other ways of conditioning the granting of a removal permit. This led to further deliberations by the Board. Mr. Steinbergh, the seller and driving force behind the case, did not like the tack the Board was taking, and demanded an up-or-down decision on granting the permit. The Board obliged, and denied the permit.

3. Converting the unit in question to owner-occupancy would dramatically reduce the property taxes collectible from it.

At the evidentiary hearing the petitioner buyer testified that if he purchased the apartment as an owner-occupant, the property taxes on the unit would drop to $51/year. Since the current taxes collectible from the unit are $457/year, his owner-occupancy--based on his projections--would produce a 90-percent reduction in the taxes collectible.

How is this possible? Whatever increase in assessed value that might result from the sale of the property to the petitioner would be more than offset, for tax purposes, by the owner-occupant's claim of the residential exemption.

4. Converting the unit in question to owner-occupancy would not result in the infusion of new capital into the unit.

This apartment, like many rent-controlled properties, has already undergone substantial capital improvements. In fact, the rent, which was $636/month in 1990, has been driven up through rent increases for capital improvements, so much so that the purchase-and-sale agreement between Mr. Steinbergh and the buyer actually contains a provision that the cost of upgrading the electric service, for which Mr. Steinbergh planned to seek an additional rent increase, was discounted in the purchase price. This provision, which I suggested in the proceedings was a pressure tactic by Mr. Steinbergh to induce the petitioner to buy, runs as follows:

> "Seller shall be responsible for the cost of installing new electric service which would otherwise be chargeable to [the unit in question]."

More generally, it is time to explode the myth, advanced once more by Mr. Walsh in this order, that rent-controlled properties are somehow necessarily more deteriorated than non-rent-controlled properties.

On the one hand, there are a large number of capital improvements which have been made to many rent-controlled properties. The apartment in this case is but one example. On the other, some non-rent-controlled properties are rundown. The Rent Board recently surveyed fourteen properties that have never been under rent control and were recently on the market for sale. The Board, as part of a settlement agreement, was looking at these properties as possible replacement housing for two rent-controlled units illegally removed by condo developer Andrew Vitvitsky, a client of Mr. Walsh and Ferraro and Walsh, at 58 Trowbridge Street. Half of these exempt properties were in poor condition.

According to the Board memorandum prepared by Andrea Devine on November 16, 1992: "Of the fourteen [exempt two- and three-family houses] I saw, seven were in such poor condition that the cost of renovation would preclude affordability." The cover sheet of Ms. Devine's report is attached as Exhibit A.

Moreover, where disinvestment in Cambridge rental property has occurred, it can be attributed, at least in part, to the willingness of some Cambridge landlords to seek speculative profits elsewhere, including in the now-failed condominium-conversion projects of Mr. Walsh. In April 1991 the Cambridge Tenants Union submitted a report to the City Council on such disinvestment.

As housing policy, the strengths of Cambridge's regulations limiting condominium conversion are all the more evident when contrasted with the disastrous consequences of the speculative real estate market that took hold of much of the Greater Boston area in the 1980s. Cambridge's prudent regulation of condominium conversion has been a major benefit to all Cambridge residents: there are no boarded-up Camelot Villages, fewer tax defaults by developers who have tried to escape the consequences of their failed conversions, and many more affordable housing units preserved than would have been the case otherwise.

Elsewhere, condo developers have even contemplated undoing the damage by converting condo projects back into apartment buildings. Mr. Walsh, the maker of this order, raised this very possibility in 1990 with some of his investors in a failing condo-conversion project of his in Acton. (See attached Exhibit B, page 2, Option 3.)

Finally, Mr. Walsh's order is intended to undercut a Rent Board decision and provide Mr. Steinbergh with that which he failed to gain through the courts. Mr. Steinbergh's role--and interest--in this case cannot be overstated. The centerpiece of the purchase-and-sale agreement between Mr. Steinbergh and the petitioner buyer is an agreement to challenge the Removal Ordinance. They agreed to take any denial of a permit through the courts. The relevant clause in the agreement reads in part:

> "On behalf of BUYER, SELLER has undertaken a judicial appeal to obtain such permission to occupy the subject premises. BUYER and SELLER agree to pursue such judicial process until a final judicial determination is rendered. SELLER is responsible for selecting

legal counsel and paying all legal fees and costs of the judicial process."

This is thus a test case for Mr. Steinbergh, who continues to own and manage a large number of rent-controlled condominiums and who has sought to sell them individually in the last few years.

On behalf of the Cambridge Tenants Union I urge the City Council to reject the attempt, through this order, to promote the interests of Cambridge's condo developers.

Respectfully submitted,

Michael H. Turk

Michael H. Turk
Co-chair
Cambridge Tenants Union

Consent Communications #9
Promotion of sale of
rent controlled apartments
as condominiums

S-8

In City Council,

February 22, 1993

Placed on file