



CITY OF CAMBRIDGE
CAMBRIDGE, MASSACHUSETTS 02139

TEL. 349-4300
FAX. 349-4307

EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

RICHARD C. ROSSI
Deputy City Manager

RENT CONTROL HOME RULE PETITION

Statement of City Manager Robert W. Healy

The Home Rule Petition, that the Joint Committee on Local Affairs considers today is the result of much hard work by the City Council and the City Administration. The Petition provides for some limited and temporary protection of the most needy rent controlled tenants. On this very difficult issue, there are no solutions that will please every one. Practical and political realities, both in Cambridge and at the State legislative and executive levels, have resulted in a document that addresses the realities of the passage of Question 9. This document retains as much as appears achievable. It provides some protection for the people and the principles agreed to by a majority of the City Council. While recognizing the rights and needs of property owners, everyone involved is deeply concerned about the impact of a sudden and dramatic change on January 1, 1995 on the housing status of people most in need. The home rule petition provides for as much protection as appears possible, without jeopardizing the potential State approval of

this petition. In the ensuing months, the City Council and the City Administration will look to the potential for expanding our already successful affordable housing strategy by identifying potential revenue sources, without damaging the City's fiscal stability, to expand the resources of the City's Affordable Housing Trust Fund. In the interim, it is important to recognize that this Home Rule Petition results in the phase out of rent control in Cambridge over the next five years and a rapid but transitional decontrol of greater than 2/3rds of the now controlled units by July 31, 1995. This is an unpopular but critically important approach to ameliorating the immediate impact of a January 1st implementation of Question 9. While the voters across the State have spoken I respectfully request that this Committee recommend to allow the only three communities in the Commonwealth directly affected by Question 9, to be allowed the Home Rule Authority, that we all hold important, to implement their plans without creating chaos. Recognizing the time demands of today's hearing I would like to submit a copy of my testimony along with some additional information explaining the distinction the proposed law makes among different groups of tenants and among different categories of buildings.

The Cambridge Home Rule Petition treats buildings differently based upon their categorization into one of four classes:

1. Condominiums
2. Buildings of one to three units
3. Buildings of four to six units
4. Buildings of seven or more units

In addition, the proposed law treats tenants differently depending upon their status, with the most protections being provided to income eligible families with children and income eligible elderly, and with lesser protections being provided to disabled tenants and to other income eligible tenants and the elderly regardless of income.

The distinctions made between buildings based on building size were drawn on a variety of different characteristics that, in general, are shared by the different categories of buildings within each group.

For example, the speedier and fuller decontrol of the buildings in four to six units as compared with the larger buildings reflects the greater need that those smaller buildings have for more immediate infusion of capital based on their age, the general building style, the physical condition of the buildings, the age of the systems within the buildings, the higher cost of operating

those buildings, and their overall current lower rent structure. These characteristics support the earlier decontrol of more units in these buildings to allow owners the ability to charge market rents for more units to assist them in obtaining access to capital to maintain, operate and improve their buildings.

At the same time, the smaller buildings have higher owner occupancy rates than do the larger buildings. As the Marshall House Court surmised in 1971, exemption of buildings that are owner occupied may not defeat the general purposes of rent controls because the owner occupancy of the buildings may lead to closer relations with tenants, better maintenance of common areas in the absence of controls and a lesser need for rent controls generally. The proposed law does not distinguish between buildings based on owner occupancy for a variety of reasons, including the long history of acrimonious disputes and fraudulent claims before the Rent Control Board over the issue of whether a building was owner occupied, where owner occupancy was the critical fact for decontrol. To avoid these problems, owner occupancy is not a determinative fact for decontrol. But the distinction between buildings based on size recognizes that more of the smaller buildings are now and will become owner occupied, making their earlier decontrol somewhat less likely to lead to the harms that the continued control was designed to prevent.

The one, two and three units buildings are immediately decontrolled

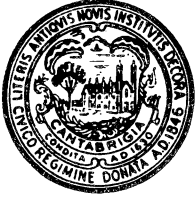
under the proposed law recognizing that since 1970 they could have been decontrolled by an owner occupant at any time. Many of the buildings currently listed by the Rent Control Board as controlled may be exempt based on owner occupancy since owners of such buildings have had no obligation to inform the Board of their occupancy and exemption. Tenants of one, two and three unit buildings have been on notice that at any point, they could lose the protections of rent control should the owner move into the building or sell it to an owner who wished to occupy it.

The condominium units are subject to immediate owner occupancy in recognition of the acrimonious history of preventing owners from living in condominiums that they own. Those units that are occupied by Specially Protected Tenants remain subject to the proposed law.

The proposed law provides greater protections to two categories of tenants than to other protected tenants: income eligible families with a child age 19 or under and income eligible elderly tenants. Families, but not other tenants, are protected in smaller buildings for several reasons, including that families have much greater difficulty locating housing in Cambridge because of lead paint issues, because they need larger units and because they are more likely to have lower incomes than other tenant households in rent controlled units. The smaller buildings generally have larger units that are more suitable to families so providing special protections for families in those units prevents them from being displaced from

the most suitable housing for them. Income eligible elderly are also given more protections in these buildings than are other income eligible households because they are less able to find suitable housing and more vulnerable to having to make changes in their housing given health, age and psychological factors.

The tenants who are provided protections in the larger buildings, income eligible tenants, disabled and elderly are protected because, among other reasons, the difficulty of locating affordable housing in the City for those of moderate means. The average rent controlled rent for a two bedroom apartment is \$519. Surveys of market rents in Cambridge for a similar size unit show a range between \$725 and \$1800 depending on the neighborhood and the unit. Income eligible tenants could not afford market rents in many areas and immediate decontrol of all units in the City would lead to enormous disruption and hardship. The protections for disabled persons are targeted to those whose disability may make it difficult for them to find other suitable housing. The five year phased decontrol of units occupied by income eligible tenants as well as elderly and disabled tenants provides a reasonable time period for an orderly transition to the market.



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December 12, 1994

To The Honorable, The City Council:

Attached for your information is the testimony that I submitted to the Local Affairs Committee of the State Legislature on November 21, 1994. I am providing it to you because it contains a portion of the legislative record for the Home Rule Petition that was presented to the Legislature.

Very truly yours,

Robert W. Healy
City Manager

Consent Agenda # 20 0-21

Testimony submitted to the Local Affairs
Committee of the State Legislature on
November 21, 1994 on Rent Control.

In City Council,

December 12, 1994

Plaus on file