

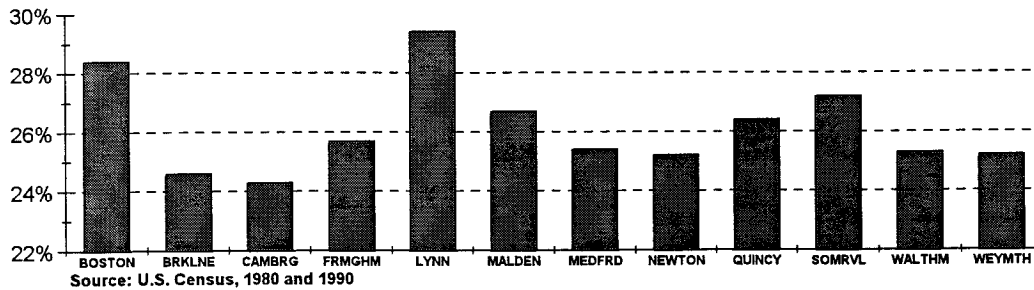
## **Finding 4: Gentrified Tenants Achieved Lighter Rent Burdens<sup>22</sup>**

The assumption underlying rent control is that controls would create a sanctuary for disadvantaged households in a market of rising rents and that these tenants would not move from their units while rents were held low. Gradually, however, almost all of the original tenants did move (as the data above in Figure 9 indicates). And, as succeeding sets of more advantaged tenants moved in, their rent burdens became progressively lighter. Indeed, that is exactly what happened.

**Figure 19: Rent Burdens in Boston Metro Area, 1990**

Ratio of Median Gross Rents to Incomes;  
Communities over 50,000 in the Boston Metro Area

(t18trmp2:rntbrdn90) (1.7r)



In Figure 19, Cambridge and Brookline both stand out as having the lowest rent burdens among all large communities within the Boston metropolitan area. The median gross rents (including utilities) in Cambridge and Brookline required only 24.3 and 24.6 percent, respectively, of the 1990 median renter household income.

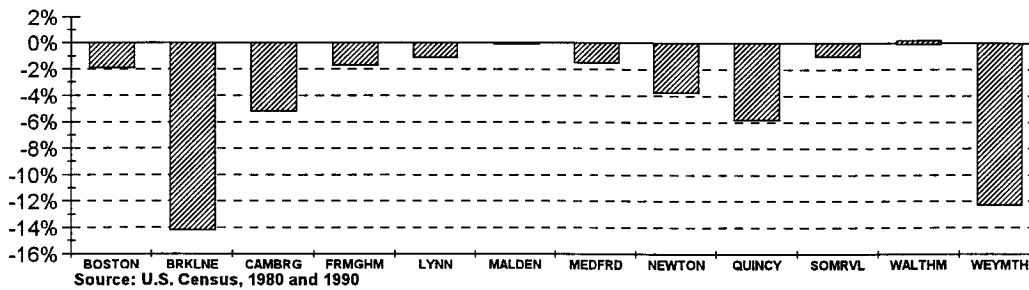
<sup>22</sup> Rent burden is calculated by the U.S. Census as the percentage of household income spent on rent.

**RENT CONTROL: AFFORDABLE HOUSING FOR THE PRIVILEGED, NOT THE POOR**

Rent burdens generally declined during the 1980s, but Figure 20 shows that for tenants living in Brookline and Cambridge their already low rent burdens improved significantly. Underlying these data are the dynamics of more privileged tenants obtaining rent-controlled units.<sup>23</sup>

**Figure 20: Change in Rent Burdens, 1980 - 1990**  
Communities over 50,000 in the Boston Metro Area

(t18tmp2:mtbrdn) (1.8f)

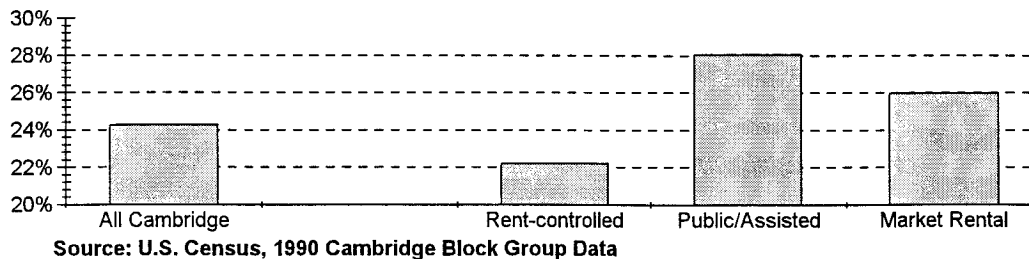


The rent burdens described thus far pertain to all classes of renters. Looking at the tenants in each housing sector in Cambridge, the renters in rent-controlled apartments experienced dramatically lower rent burdens -- approximately 22 percent of income -- while market-rate renters and subsidized/assisted renters had rent burdens of 26 and 28 percent, respectively, as shown in Figure 21.

The unusually low rent burdens for rent-controlled households in Cambridge simply reflect the combining of (1) higher household incomes with (2) artificially low rents.<sup>24</sup>

**Figure 21: Gross Rent Burden of Tenants by Housing Type**  
In each Cambridge Rental Housing Type, 1990

(ch050t: AllRntBrdn) (5.11r)



<sup>23</sup> Weymouth and Quincy show how unregulated markets respond. Both cities had increased vacancy rates (see Figure 8), and Quincy also had an increase in rental stock (Figure 4). As a result of vacancies and sufficient supply, rents remained relatively low. And as incomes increased during the 1980s, rent burdens decreased correspondingly. Cambridge and Brookline had lightened rent burdens also, but under opposite conditions: shrinking supply and high demand.

<sup>24</sup> The Abt study also noted, in 1987, that Cambridge rent-controlled households had the lightest rent burdens of all housing categories. The federal standard for "affordable" housing is that its costs not exceed 30 percent of household income. The public/assisted housing sector comes in just under the standard at 28 percent. The unregulated market sector is further under the standard at 26 percent. The rent-controlled sector, at 22 percent, is being held considerably below the federal standard by regulation.

## **RENT CONTROL: AFFORDABLE HOUSING FOR THE PRIVILEGED, NOT THE POOR**

After two decades, rent control has dramatically altered a major sector of the housing market in Cambridge, stimulated gentrification of that market, and -- in the end -- delivered well below-market rents to a select, advantaged population. For the typical household in that privileged population, rent control translates into thousands of dollars annually of additional, disposable income not available to other tenants either displaced or living elsewhere in the city, whether in market-rate or subsidized apartments.

### **. . . in the Absence of Rent Control**

Even if the data show that rent-controlled housing in Cambridge gentrified over the past decade compared to other communities in Massachusetts, is it possible that this very desirable community might have become even more upscale -- even more gentrified -- had it not imposed rent control? Comparing the rent-controlled tenant population to the market-rate tenant population provides some useful insight.

The market-rate tenant population living within Cambridge reflects an unregulated part of the housing market that exists along with the rent-controlled housing stock. The market rate sector suggests the likely composition of Cambridge tenants if rent control were absent and rents adjusted to market-rate levels throughout the city.<sup>25</sup>

Since nearly every comparison cited in this study found the Cambridge market-rate tenant population was no more gentrified -- and often less gentrified -- than the rent-controlled tenant population, it is unlikely that Cambridge would have become more gentrified in the absence of rent control.

The paradoxical effects of rent control documented by this study are reversible. The removal of rent control would allow more private rental housing to be developed and return this rental housing stock to more normal levels of utilization.

As supply expands and utilization improves, Cambridge market rents would come down toward the rent levels in surrounding communities. The City would become less exclusive than at present, while perhaps remaining more exclusive than other communities.

Decontrolled rents would eventually approach those of surrounding communities -- and then only after the effects of long-term physical deterioration had been corrected. Similarly, rent burdens would tend to converge with current market-rate burdens, which are well below the 30 percent federal standard for affordability.

In the absence of rent control and restrictions on condominium conversions (which are now virtually prohibited), more existing rental units would be converted into legal condominiums, especially for first time homebuyers. A significant number of tenants would buy units in order to remain in their neighborhood. This, in turn, would bring the city additional property taxpaying stakeholders, thereby increasing local resources.

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<sup>25</sup> Rent control intensified a shortage of rental housing in Cambridge. Persons wanting to live in the city but unable to gain access to controlled units bid up the price of the limited supply of market-rate apartments to artificially high levels. Thus rent control caused market rent levels to be higher than they would have been in the absence of rent control.

## **RENT CONTROL: AFFORDABLE HOUSING FOR THE PRIVILEGED, NOT THE POOR**

Even with rent control, today there are several thousand Cambridge households with critical housing needs which have been unable to gain access to either public/assisted housing or rent-controlled units. More resources are needed to address their needs -- and a sounder tax base resting on market values could help provide a source.

### **In Conclusion**

This study, based on extensive empirical data, makes clear that the special protection promised by rent control -- for families, for less affluent households, and for the elderly -- has failed. Instead, rent control has caused the gradual displacement of a large disadvantaged renter population by a younger, higher income, better educated, singles population. In short, rent control has spurred gentrification.

The control of rents did not noticeably alter the rates of tenant turnover, but controls did reduce the supply, i.e. the number of available apartments. In the inevitable "musical chairs"-style rotation of renters, the poor and needy were gradually squeezed out, and displaced by more advantaged renters.

As the data clearly show, Cambridge and Brookline became more gentrified than any of the other larger cities and towns in the metropolitan Boston area, and more gentrified than any of the largest 19 cities and towns in Massachusetts. Rent-controlled Cambridge and Brookline stand apart in their declining number of apartments, in their underutilization of rental space by tenants, in their loss of renter population (especially those in poverty), and in their comparatively low rent burdens. The critical factor producing this result was the artificial constraint of rent levels without any corresponding regulation of tenant access to controlled apartments.

This study reveals the following adverse effects of rent control over time, which the "progressive hypothesis" fails to consider:

1. rent control fosters the removal of existing apartments from the market;
2. rent control discourages the development of more private rental housing;
3. rent control induces underutilization (waste) of rental space by tenants;
4. the combined effect of declining numbers of apartments and underutilization displaces a significant number of tenants from the local housing market; and
5. in the competition to secure increasingly scarce apartments, advantaged households typically prevail over disadvantaged ones, resulting in gentrification.

Rent control is paradoxical in that it produces the opposite of the promised results; it is an initially well-intentioned but ultimately destructive housing policy that actually reduces supply, hurts the poor and displaces the needy.