

Rent control

All about power, not housing

How it happened in Cambridge

Over 50 years ago, rent control was enacted in Cambridge, the city of many professors, scientists, and artists. Cambridge was the cultural capital of Massachusetts if not the whole nation (and still is). Rent control at that time was a socialist experiment, arguably the beginning of what today has become a broader movement to reform all aspects of American society along socialist lines.

Well before rent control arrived in Cambridge, these cultural elites had formed the **Cambridge Civic Association (CCA)**, a good-government group seeking competence and ending political influence in city affairs. When rent control arrived in 1969, however, the CCA tied their wagon to it – and used it precisely for political power. For every city election, the CCA sponsored a slate of pro-rent-control candidates that always won.

For 25 years, the Cambridge city council was always 8-to-1 pro-rent-control, and the rent board was always 3-to-2 pro-tenant. But, after 25 short years, the rent control experiment had failed spectacularly. It was ended -- by popular vote -- in a 1994 statewide referendum in this very liberal state.

Ten years after rent control's defeat, having lost their power base, the CCA was dead.

How it happened

As we said in the last Small Landlord Letter No. 6, rent control had significant negative impacts. But they did not matter. It did not matter that it hurt small landlords deeply. Or increased property taxes on all non-controlled property owners. Or pushed the poor and minorities out. Or turned the controlled housing into “rent control wrecks.” Rent control created these problems and conveniently ignored them. It did not solve them.

Because rent control was so useful in getting votes to keep pro-rent-control city councilors in power, rent control pursued only one goal: to increase the number of rent-controlled units and make rents get lower and lower. This power dynamic means that rent control only gets stricter over time. With tenants awakened to their \$\$\$ benefits and being a large majority over landlords, getting rid of it within the rent-control jurisdiction (town, city, or state) is virtually impossible.

The ruling socialist-Marxist paradigm behind rent control was and still is: “Tenants are oppressed; landlords are the oppressors.” High rents are the oppression, low rents are the sole solution. Cambridge's tenant leaders were openly socialist. “Eviction Free Zone” was the name of their Cambridge organization, which came to an end. But these same three words continue to this day, appearing regularly in large letters on picket signs at tenant demonstrations, along with “housing for all,” “people not profits,” and similar lofty slogans.

But these abstract ideas had no substance to them, no program, no policy, no plan – except low rents. The brilliance of rent control is that it requires no large outlays of tax dollars, only enough to administer it. Instead, the “oppressing” landlords pay for it. In effect, money is taken out of the landlords' pockets and given to their tenants in low rents. No surprise, vicious fights often occurred between landlords and their tenants.

Keeping rents low

In theory, the operation of rent control was fair. It guaranteed a “fair net operating income.” It gave across-the-board annual rent increases. It had procedures for individual landlords to apply for rent increases for capital improvements. But “fair,” in practice, was always pro-tenant.

For example, capital improvements required a hearing. All a landlord's receipts (too bad if any were lost) were reviewed. Each one was challenged by tenants as either “**shoddy workmanship**” or “**gold-plating**” (doing more than code-minimum). The hearing examiners, who were always tenants, found the tenant complaints “credible” without any inspections. When landlords never got reimbursed even for their out-of-pocket expenses, they stopped doing capital improvements. And the housing

steadily deteriorated, some of it simply taken off the market. At the same time, no new rental housing was being built for fear of it becoming rent-controlled.

These impacts were also ignored because those low rents guaranteed that tenants would show up at the polls and vote. City councilors, so dependent on tenant votes, enacted only pro-rent-control policies and put huge pressure on the rent control board to walk a strict pro-tenant line.

Getting really strict

Another instance of rent control's power motive showed up when the Cambridge city council enacted an ordinance regarding condos, which were viewed as former apartments that had been "stolen" from tenants. The ordinance required all future condo sales to be **tenant-occupied only** and rent-controlled, a huge taking of condo owners' property. They lost in property values and could not keep their condos as investments. But the ordinance swelled the tenant voter base.

Yet another case of rent control's power motive is the tragic Peter Petrillo case. The Petrillos lived on the second floor of a grand triple-decker on Magazine Street, and their daughter lived in a finished-off basement space. As an owner-occupied three-unit property, it was exempt from rent control. The Petrillo's tenants, however, saw \$\$\$ and told the rent board about the basement, claiming that it was a fourth unit requiring the property to be rent-controlled. But, with a seven-foot ceiling, the basement unit was illegal.

What could be done to put one more property under rent control? The rent board ordered Peter Petrillo to jack up his entire house, finish off all the too-short walls, redo the electricity and plumbing, and legalize the basement unit – all at his expense! Within a few days, Peter Petrillo died of a heart attack. It was an extreme case, and the rent board let the matter drop. But this case shows how far rent control will go to put money into tenants' pockets with complete disregard to the impact on the "oppressing" landlords.

Rent control and tenant leaders, then, dominated city politics, even on matters unrelated to housing. The city's cultural elites cheered on. But the seeds of rent control's destruction had been sowed.

Small landlords organize

Cambridge's small landlords suffered the most. Large landlords with attorneys got rent increases. Unsophisticated small landlords could not understand the complex rules and failed.

In 1987, after suffering for 18 years, the city's small landlords organized into the **Small Property Owners Association** (SPOA), and they got media attention. They picketed city council meetings and reported the "horror stories" of small landlords viciously abused. They repeated all the well-off people living in rent-controlled apartments, including the Cambridge mayor (an attorney), a Supreme Judicial Court judge, and a real estate mogul with an ocean-front estate who used his rent-controlled apartment for guests. The news media spread it all across the state.

SPOA asked for reforms and got none. It challenged rent control's constitutionality in a lawsuit that was dismissed. Then, just eight years after it was formed, SPOA members gathered thousands of signatures and with help from landlords across the state, mounted a statewide referendum in 1994. **And won it!** The three systems of rent control in Boston, Brookline, and Cambridge ended. Only a force outside the rent-controlled cities could end it.

Rent control, then, was and remains an easy path to voting power and political power in general. The top agenda item of Democratic Socialists of America and other left-progressive groups today is, no surprise, rent control. **But power is not policy.**