

Condominium
Conversion
Ordinance Update-
Public Hearing

1/31/2019

Overview

1. Current context
2. Problems and proposed changes
3. Where to find additional information

Current context:

Rate of condo conversion

- Between 2010-2018, according to data maintained by the Housing Division, **1,357** rental units have been removed from the market and converted to condominium units.
- On average, 150 rental units are converted each year according to data maintained by the Housing Division.
 - 2018 saw the highest number of conversions since 2010 (and possibly beyond) with a total of **220** rental units converted.

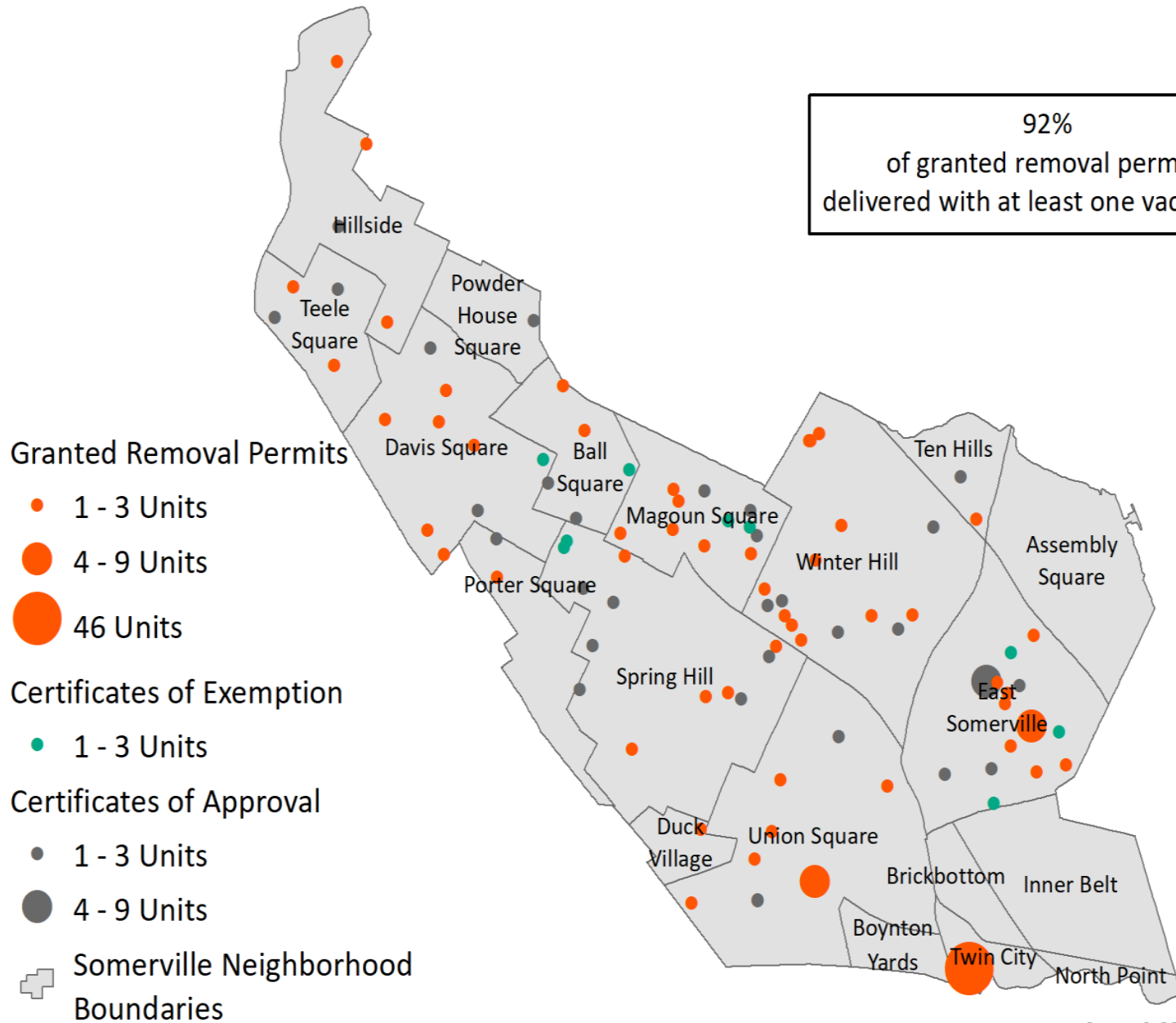
Current context:

Vacancy rate

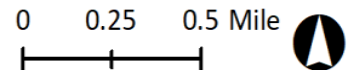
- For the three most recent CRB meetings, **36 of 43** applications were submitted for completely *vacant* properties. In all tenanted situations the tenants waived their rights under the Ordinance and none appeared at the application hearing.
- The volume of properties being delivered partially or completely vacant (92%) compared to the vacancy rate in Somerville (~2%), is a strong indication that displacement is occurring as a result of condominium conversion.
- Somerville's current condo conversion ordinance is not achieving Somerville's original goal of preventing displacement due to condo conversion.

FY18 Condominium Conversions

92%
of granted removal permits
delivered with at least one vacant unit



Data Source: City of Somerville Mayor's Office of Strategic Planning and Community Development



Why is this ordinance being updated?

- The current ordinance is not achieving intended goals of preventing tenant displacement due to condo conversion and/or allowing for successful relocation within Somerville.
- The current ordinance was drafted in 1985 and has not been updated since (34 years) to reflect fundamental changes in the housing market.
- The goal of the proposed ordinance is to **increase and update protections for tenants to better prevent displacement and/or allow for successful relocation to housing each family can afford in Somerville.**

What are the specific changes being proposed and why?

Notice period increase for elderly, disabled, low-/moderate-income tenants

The problem:

- **3,612** elderly/disabled households and **2,073** families were on the Federal and State Waitlists as of April, 2018 for Somerville Housing Authority units.
- Many waitlists have recently closed entirely including: federal family public housing for some bedroom sizes, Kent St. apartments, Cobble Hill apartments and SCC waitlists through Wingate management.
- Average wait times are **5-10 years** for many housing programs.

What are the specific changes being proposed and why?

Notice period increase for elderly, disabled, low-/moderate-income tenants

The proposed change:

- The notice period for elderly/disabled/low/moderate income tenants will increase from two years to five years.
- As is required under state law, the landlord must identify comparable housing for the tenant within the notice period or there may be a two-year extension of the notice period.
 - There will be no extension of the notice period if landlords have been renting their units at or below Section 8 payment standards.
- The notice period for all other tenants remains one year.

What are the specific changes being proposed and why?

Notice Period for Vacant Units

The problem:

- The vast majority of applications for condominium conversion are submitted for vacant units.
- Tenants who vacated prior to application are NOT notified when their units are going before the Condo Review Board for review and thus typically do not have the opportunity to inform the Board if a violation of the notice requirement did occur.

What are the specific changes being proposed and why?

Notice Period for Vacant Units

The proposed change:

- Owners seeking to convert their vacant properties will now need to provide the Condo Review Board with one year's notice prior to obtaining a removal permit.
- This will help to remove an incentive for owners to bring vacant units to the CRB and better ensure that tenants have the opportunity to exercise their rights under the Ordinance.

What are the specific changes being proposed and why?

Providing tenants with an opportunity to be heard

The problem:

- There is no specific language in the current ordinance that requires tenants to be notified of the date and time of any hearing for a conversion permit for their units.
- In FY18 there were 76 applications submitted
 - Aside from Millbrook Apartments (which was a unique case involving a 100-unit fully tenanted building) only **ONE** tenant appeared and spoke at a condominium review board permit application hearing.
 - **Thus far in FY19, that number is zero.**

What are the specific changes being proposed and why?

Providing tenants with an opportunity to be heard

Proposed Ordinance Change:

- The owner will be required to provide tenant contact information to the Condo Review Board for any tenants living in the unit within the previous twelve months, if known.
- The Condo Review Board will send notice of the date and time a conversion application will go before the Condo Review Board to all tenants identified by the landlord.

What are the specific changes being proposed and why?

Preventing displacement through third party right to purchase

The problem:

- The current Ordinance gives a tenant 30 days to execute a purchase and sale agreement for their unit, which is often insufficient to obtain financing particularly for lower or moderate income tenants or those with credit issues.
- If a tenant cannot afford to purchase their unit at market prices, there are no options available under the current ordinance to avoid displacement.

What are the specific changes being proposed and why?

Preventing Displacement through third party right to purchase

The proposed change:

- The new Ordinance allows **120 days for all tenants** to purchase and **180 days if a tenant is elderly/disabled/low or moderate income**, providing a more meaningful purchase option.

What are the specific changes being proposed and why?

Preventing Displacement through third party right to purchase

The proposed change:

- The **City or designated affordable housing developer** will now have a right to purchase a unit being converted if the existing tenant does not wish to or cannot exercise their right to purchase.
- If an affordable housing developer is able to purchase the unit, the tenant may be able to stay in the unit paying affordable rent or purchase the unit at an affordable price.

What are the specific changes being proposed and why?

Preventing Displacement through third party right to purchase

The proposed change:

- The City does not desire or intend to own purchased condominium units. The City wishes to retain a right to purchase to maintain flexibility to maximize effectiveness of the right to purchase provisions of the Ordinance. The City might, for example, purchase and then resell a condo unit to a non-profit that was unable to complete the initial purchase transaction within the notice period.

What are the specific changes being proposed and why?

Relocation payment increase to reflect actual cost of moving

The problem:

- Under the current Ordinance elderly/disabled/low and moderate income tenants receive \$300 or one month's rent, whichever is greater, for moving expenses when forced to relocate due to condo conversion.
- NO relocation funds are required to be paid to any other tenants.
- There is no provision in the current ordinance for low or moderate income tenants to get moving expenses paid up front if they lack the resources for relocation.

What are the specific changes being proposed and why?

Relocation payment increase to reflect actual cost of moving

What it costs to move in today's Somerville:

- Currently, according to Rent Café rental data, the average price for a 2-bedroom unit in Somerville is **\$3,212**.
 - Assuming a tenant is required to pay first, last, security deposit and a realtors fee, it will cost **\$12,848** to relocate in Somerville at the current average rate for a 2-bedroom unit.
 - This figure does NOT include the cost of movers.

What are the specific changes being proposed and why?

Relocation payment increase to reflect actual cost of moving

The proposed change:

- \$10,000 for elderly, disabled and/or low-income tenants
- \$6,000 for all other tenants
- Tenants can request that payment be made directly to third parties as needed in order to finance the securing of a unit and movers

What are the specific changes being proposed and why?

Permits can now lapse

The problem:

- Currently, Removal Permits do not have an expiration date. This means that an owner can obtain a conversion permit at a time when a building or unit is vacant, but not convert the unit until years later if they so choose. In these cases, because the owner already went through the process to obtain a removal permit, there is no enforcement mechanism to ensure that any future tenants rights have been protected.

What are the specific changes being proposed and why?

Permits can now lapse

The proposed change:

- A conversion permit will now lapse if:
 - The unit which has been approved for the Conversion permit has not been sold within two years after the date the permit was granted.
 - An owner fails to file a master deed within one year of the date on which the conditional permit was granted.

Additional Information

- For more information and updates on next steps once they are available, visit:
<https://www.somervillema.gov/condo-conversion>
- You can also contact:
 - Hannah Carrillo, Sustainable Neighborhoods Initiative Coordinator
 - (617) 625-6600 Ext. 2575 hcarrillo@somervillema.gov
 - Ellen Shachter, Office of Housing Stability
 - (617) 625-6600 Ext. 2580 eshachter@somervillema.gov