

THE MARKET DYNAMICS OF CONDOMINIUM
CONVERSION FROM A SUPPLY PERSPECTIVE:

Brookline -- A Town in Turmoil

by

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FROM A SUPPLY PERSPECTIVE: Brookline -- A Town in Turmoil

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Janey Bishoff Boroff

Submitted to the Department of Urban Studies and
Planning on May 29, 1979 in partial fulfillment of the requirements for the Degree of
Master in Planning.

ABSTRACT

The Town of Brookline is one of several communities which has recently been undergoing conversion of its rental stock to condominiums. A study was undertaken to examine the supply aspects of this trend. The findings document the extent to which condominium conversions have occurred in Brookline and factors in the supply segment of the market which have precipitated it.

Environmental characteristics which appear among converted stock are identified, and motivational factors among individuals who have converted properties are explored. Included in the analysis relating to converters is a profile of individuals involved in this market, a financial analysis of a conversion, and data relating to various aspects of the conversion process.

The findings and analysis are related to a variety of policy options which Brookline and other communities experiencing the same phenomenon might consider in order to legislate change. A model of appropriate objectives and policies are presented.

Thesis Supervisor: Phillip Clay
Title: Assistant Professor of Urban
Studies and Planning

PREFACE

Over one year ago the Town of Brookline began debate on the condominium conversion issue. Since that time the debate has been fueled solely by emotions and politics. To date Town residents do not have a better understanding of the situation, and policy-makers have been forced to make policy choices in a void.

It was about one year ago that this author began to think about the issue as a topic for research. It is with great surprise upon completion of this document that it appears to be the only source of written information about the situation at this time. It is hoped that it will provide the Town of Brookline and other communities with a better understanding of the condominium conversion phenomenon and a solid basis on which to carry out further research in the most efficient and cost-effective manner.

Research undertaken by one individual is rarely pursued in a vacuum. This study was no exception. Special gratitude is given to Charles Peck of the Brookline Savings Bank for the assistance which he kindly volunteered on more than one occasion. At least three Town agencies were extremely cooperative and provided valuable assistance to the researcher. Thanks are owed to the Brookline Rent Control Board Staff, particularly, Assistant Director, John Spear and Director, Roger Lipson, Tax Assessor, Francis Ryan, and the Planning Department Staff. Further, the researcher wishes to thank all of the individuals interviewed who agreed to talk about their experiences and who,

in many instances, offered frank and candid answers to the questions asked of them.

Special thanks are owed to Assistant Professor Phillip Clay for his time, energy, and support which were of invaluable assistance in formulating the research undertaken and the analysis presented in this document. Assistant Professor Lawrence S. Bacow and Associate Professor Leonard G. Buckle were also instrumental in providing the author with critical and thoughtful comments which aided in shaping this document.

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I. INTRODUCTION

Condominiums, a fairly recent option in housing consumption, have become increasingly prevalent and popular in American communities during the past decade. There are many possible explanations for the growth of this phenomenon. Among these are increased longevity of life leading to more and more "empty nesters" seeking housing of smaller size; constant and growing inflation which has made the financial advantages of ownership far outweigh those of renting for many people; the tax incentives in real estate ownership and the prevalence of two income families who are in need of such tax advantages; high housing costs which are making traditional single family home ownership out of reach for many--especially young families who have not previously had some equity investment; the maturation of the "baby boom" generation and its need/desire for ownership or a more settled housing situation.

In the metropolitan Boston area, as in other major cities, there is little vacant land available for the production of new housing. Thus, in order to meet the demand for condominiums existing rental units are being converted into condominiums. One such local community is the Town of Brookline.

Condominium conversion in Brookline has raised concerns on many levels. The most prevalent concern in the community surrounding this issue regards the social impacts of conversion as it results in the dislocation of a segment of the Town's tenant population. Of primary concern is the physical and emotional impact which such dislocation has on those individuals who have been or will be forced to leave their apartments. Of secondary concern is the overall impact which

this disruption in the lives of many Town residents could have upon the Town.

The concern for the dislocated tenants is heightened by the fact that a severe shortage of rental housing, particularly moderately priced rental housing, exists in Brookline and in surrounding communities. This is of special concern in the Town because of its large proportion of elderly residents, many of whom either live on fixed incomes or have rented apartments in order to be free of the responsibilities of ownership. Surrounding these concerns, however, are several unanswered questions. Who is actually being hurt by conversion? To what extent is such dislocation actually causing hardship for residents?

Further, concerns have been raised regarding the need to balance any protections afforded to tenants with the rights of property owners and condominium purchasers. And sentiment against precluding or discouraging condominium conversions has been expressed because of the potential value thought to be associated with conversions in helping the Town achieve greater fiscal and social stability. Again questions remain. Who is benefiting from conversions? And is the Town benefiting in any way from conversions?

Underlying all of these specific concerns and questions, however, are basic questions relating to the Town's ability to make policies which would impact conversions. Why is conversion occurring? Who or what is precipitating it? How extensive is it likely to become without policy intervention?

This document does not answer all of the questions

or address all of the issues of concern stated here. Specifically, it does not address either the issue of the social impact of dislocation caused by conversion or of possible benefits of conversion, although some data relating to each has been obtained in the course of this study and is presented in this document. To have studied the costs of conversion, that is the dislocation phenomenon, would have taken far greater resources than were available to this researcher during the past months. Further, to have studied the potential benefits of conversion seemed too premature given that virtually nothing was known about the phenomenon of conversion itself, and given the community's concentration of efforts to legislate policies which would address the presumed costs of conversion.

This document does address the underlying questions regarding the Town's ability to legislate policy which will change or impact the phenomenon. The analysis sheds light on these questions by documenting and defining factors in market behavior which have prompted conversions to occur.

In order to undertake such a study in a comprehensive manner, it was possible to look at only one side of the housing market. The researcher chose the supply, rather than the demand, perspective because it seemed that it would offer greater information as to why conversions had occurred and it appeared to be easier to obtain data from this perspective. Therefore, the researcher has sought to answer two primary questions in this analysis: how have conversions affected the housing stock thus far in Brookline? and what are the underlying motivations of housing suppliers directly involved in this market? Based

on this analysis, attempts can be made to predict future market behavior and to calculate what might occur in the face of a variety of policy options.

It is hoped that this type of analysis will be useful not only to policy-makers in Brookline but to those in other communities experiencing the same phenomenon. Further, in order to make the analysis meaningful to readers outside of Brookline, a description of the Town is provided so that other communities which have similar characteristics and a similar situation may generalize upon the analysis presented here.

II. THE PROBLEM AND THE SETTING

The Town of Brookline

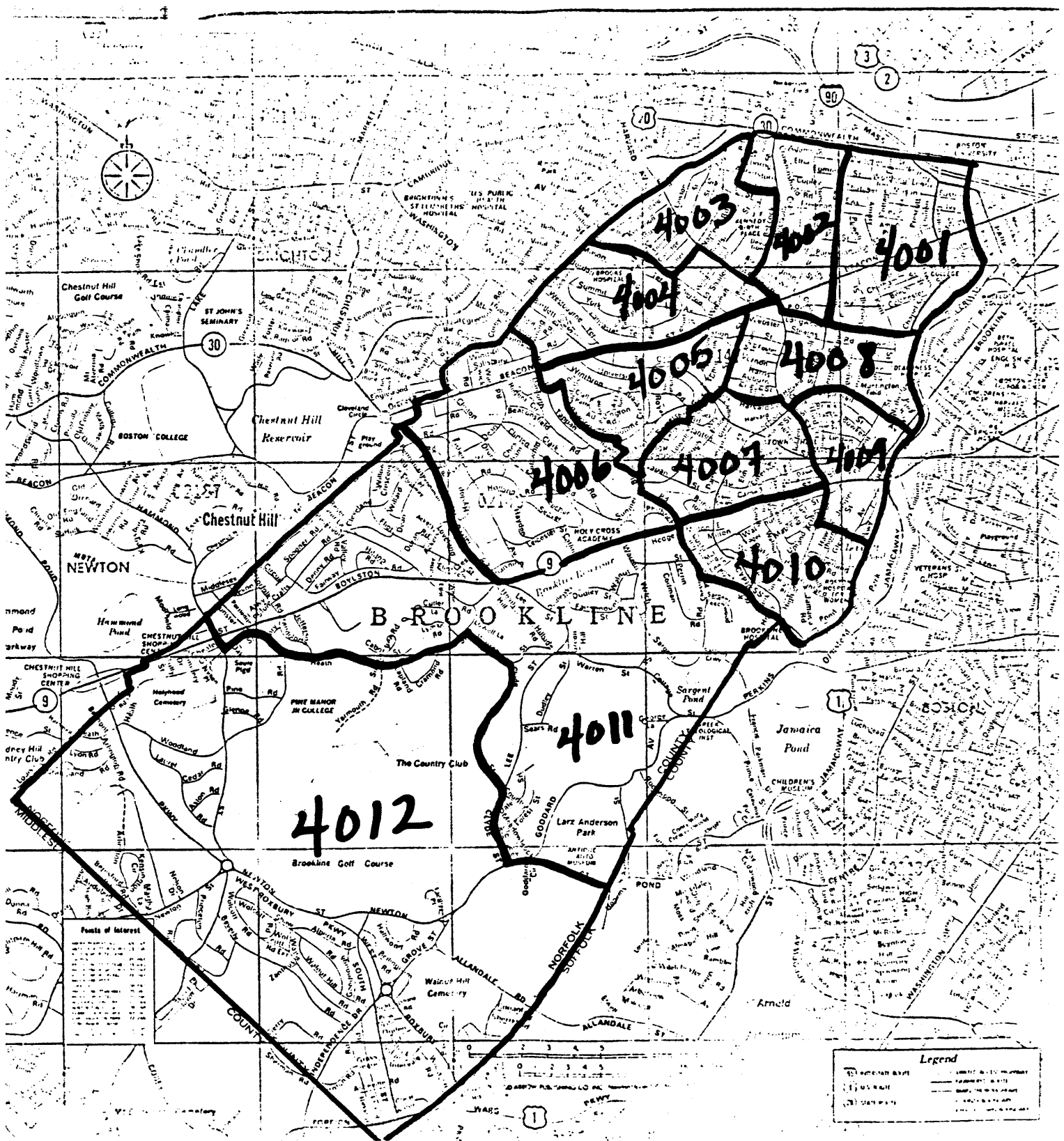
A Physical Description

The town of Brookline is located directly to the south and west of most of the City of Boston. Although it could be considered a suburb of Boston, it is very much an urban community as well as suburban. The Town is very densely populated in some areas, yet the ratio of population to acreage is very low in other areas. This difference in densities both in terms of population and housing may be exhibited sharply by dissecting the Town, horizontally at its mid-point, into two almost equal sections (see Map, Exhibit A).

The southern section of the Town, comprised of the areas of South Brookline and Chestnut Hill, borders with West Roxbury (a middle-class residential part of the City of Boston) to the southeast and Newton (a middle- to upper-middle-class suburb) to the southwest. Density indicators from the 1970 Census show this area (Census Tracts 4011 and 4012) to have the lowest ratio of population to acreage in the entire Town--3.7. This area contains primarily single family homes (approximately 74%) and many of the apartment buildings or condominiums in the area are in the luxury category.¹

The northern section of the Town borders with City of Boston--specifically the Allston-Brighton area to the northwest and the Back Bay, Fenway, and Jamaica Plain areas to the east. Density indicators from the 1970 Census show this part of the Town to have from a seven to ten times higher ratio of

EXHIBIT A



population per acre than the southern section of the Town.²

A mixture of housing stock pervades this part of the Town. Dwellings with five or more units (primarily apartment buildings) constitute over 50% of the total stock. Dwellings with two, three, or four units (primarily houses with rental units) constitute about 30% of the stock, and one unit dwellings (single family homes) represent only 11% of the total stock in the area.³

Its Population

Brookline is basically a white middle-class community. Its total population was 58,689 in 1969 according to the 1970 Census. The Planning Department has projected a nominal increase to 58,800 by 1980.⁴

The median family income according to the 1970 Census was \$13,701. This is just somewhat higher than the median family income for the total Boston SMSA which was \$11,449 at the time. Only 3.9% of Brookline's families however, had income below the property level compared to the 6.1% of the total number of families in the Boston SMSA.

Although the minority population in the Town is not substantial, it could probably be considered to be more open to integration than many other adjacent communities surrounding Boston. According to the 1970 Census, the minority or non-white population was 1,877 or approximately 3.2% of the Town's total population. This percentage has probably increased, if

it has changed at all since 1970. There is a concentration of at least one minority group in one area of the Town. A significant Chinese and Asian-American population lives in or near the Coolidge Corner area--primarily Census Tracts 4002, 4003, 4004, 4005, and 4008.⁵

There is also a large presence of at least two ethnic group populations in the Town. One is a very large Jewish population living throughout the Town. However, it is particularly concentrated in the Coolidge Corner area--again Census Tracts 4002, 4003, 4004, and 4008.⁶ There is also a large concentration of residents of Irish descent living in Census Tracts 4007, 4009, 4010, and 4011.⁷

The Town also has an extremely large proportion of elderly persons, and this population, in addition to lower income residents and minority group residents, tend to live in the more urban areas of the Town. Approximately 27% of the Town's population are persons age 60 or older, and approximately 20% are persons age 65 or older according to the 1970 Census.⁸ This is extremely high compared to the rest of the Boston area. For the Boston SMSA as a whole, approximately 13.85% of the total population is age 62 or older according to the 1970 Census.

Its Government and Politics

Brookline's proximity to Boston as well as its reputation

for excellence in services--particularly its school system-- makes it a highly desirable residential community.

In recent years, however, fiscal problems have plagued Brookline as most other communities. The Town's tax rate rose approximately 12% a year between 1965 and 1975.⁹ During this same period, the Town's reliance on the property tax for meeting its budget rose from 60% to 80%.¹⁰ Since 1975, the tax rate has risen exactly twenty dollars from \$80 per thousand dollar valuation to \$100 per thousand dollar valuation. This rate makes it one of the highest taxed communities in eastern Massachusetts and policy-makers are naturally concerned about relief from this situation.¹¹

Brookline has a long-standing tradition of citizen participation in its political and decision-making structures. The executive branch of the Town government is headed by a five-member elected Board of Selectmen. An appointed Advisory Committee also makes policy and budget recommendations.

The Legislative branch of the Town's government is a 240-member elected Town Meeting (approximately one Town Meeting Member per 245 persons). Each precinct (political division at the subneighborhood level) has fifteen Town Meeting Members, and Town Meeting Members' terms vary from one to three years. The entire budget must be approved by the Town Meeting, and almost all policy issues come before it as well. Thus, there are opportunities for a large number of citizens to participate

in decision-making.

It should also be noted that participation in Town politics and decision-making is very high from an informal standpoint. Many neighborhoods have neighborhood associations which assume active roles in decision-making from time to time on various issues. There is a fairly active Chamber of Commerce, and other groups exist such as formal and informal associations of merchants and landlords. From a participant/observer's perspective, Brookline could easily be termed a town with high citizen participation and active politics.¹²

In recent years, many issues not easily resolvable, particularly those involving expenditures of money, have caused a great deal of division in the Town. Some issues have been brought before the voters of the Town more than once as a result of this division. Actual identifiable factions have emerged. The usual division which exists between "liberals" and "conservatives" over fiscal issues has in many cases pitted landlords and homeowners, who feel that they unfairly bear most of the tax burden, against tenants. Such divisions have become accentuated as condominium conversion has become an issue in the Town.

Its Housing

Of the approximately 25,000 total dwelling units in the Town, only 19% are single family homes. Approximately 26% are two, three, or four family homes. Over 50% of the

housing stock is comprised of buildings containing five or more units.¹³

Approximately 18,609 of the Town's dwelling units are rental units.¹⁴ Only a very minimal number (less than 1,000) of these rental units are in one unit structures.¹⁵ Thus, most of the Town's rental units are in multi-unit buildings.

Most of the housing stock was built prior to 1940 (67.2%).¹⁶ Further, approximately 45.6% of the housing stock containing five or more units was built prior to 1940.¹⁷ And another 36.4% of this stock was constructed prior to 1970. (Thus, only 18% of the multi-family stock containing five units or more is considered to be new construction.)¹⁸

Some 11,000 of Brookline's rental units are maintained under a Rent Control system. This system was created in 1970 as a response to a severe housing shortage. Rent Control governs units which are neither in owner-occupied two or three family houses nor in newly constructed buildings (those built after 1970). This system essentially froze rents when it was initiated. Increases are granted in two ways: 1) general adjustments may be given for all units to allow rental levels to keep pace with taxes, inflation and other increased operating costs such as fuel, and 2) individual landlords may petition for individual increases on the basis of increased operating expenses or capital expenditures for improvements. Tenants also have the right to petition for decreases on the

basis of maintenance, or other problems.

Although the Rent Control Board is comprised of an equal number of tenant representatives and landlord representatives and some "public interest" representatives, cries of bias have been heard from each side at one time or another during the past nine years.

General Adjustments have been granted each year since 1971 excepting 1974.¹⁹ Advocates of Rent Control argue that such general adjustments have kept pace with rising taxes and inflation. Opponents argue that such adjustments have not.

Regardless of whether Brookline's Rent Control system is equitable, it has and does maintain rents in the Town at a considerably lower rate than those of comparable units elsewhere in the metropolitan Boston market.

The vacancy rate for rental units in the Town is negligible.²⁰ Demand often exceeds supply for the rent controlled units as evidenced by the fact that many units never even get on the "open market" when they become vacant, landlords have the ability to "hand select" their tenants, and some tenants are forced to pay "finders fees" to landlords.

Condominium Conversions

Why do condominium conversion cause a problem for the community? It has been suggested that conversions are exacerbating a housing, and particularly a rental housing, shortage and causing hardship for Brookline's tenant population. The extent to which conversions have taken place and the significance of this occurrence must therefore be defined. Further, the impact this phenomenon may be having on both the local housing market and population and the impact which it has obviously had on the political structure must also be explored.

Scope

Rental properties began to be converted to condominiums in Brookline in 1971. At least one known conversion took place even prior to 1970. There was an initial spurt of conversions in the early 1970's (approximately 20 properties were converted between 1971 and the beginning of 1975). This diminished the rental market by roughly 410 units. (See Appendix A--List of Converted Properties.) Few conversions took place during 1975 or 1976--possibly due to the lack of available mortgage money. The depletion of rental units caused by these conversions were however, more than offset by the construction of new rental buildings during the same time period. Between 1971 and the end of 1976, approximately 1,647 rental units were added to the Town's rental stock.²¹

Since any buildings built after 1970 are exempt from Rent Control, such units might not have had comparable rents to the units which underwent conversion.

However, in 1977 conversions began again, and the process accelerated during 1978. Between January, 1977 and December, 1978, approximately 1040 units in 39 properties had undergone or were undergoing conversion to condominiums. (See Appendix A--List of Converted Properties.)

And during 1977 and 1978, little new construction if any rental units occurred.²² Thus, not only did the rate of conversion increase greatly, but there was little, if any, new construction to offset this reduction of units.

This means that approximately 13% of the total number of rent-controlled units and approximately 8.7% of the total number of rental units have undergone conversion to condominiums in the past eight years. And most of this conversion activity has taken place during the past two years. Thus, if the trend were to continue, it is no exaggeration to say that Brookline's low/moderately priced rental housing stock would rapidly diminish.

Impact: The Housing Market

At the same time that the number of low and moderately priced rental units have decreased, demand for such units may have decreased, due to the displacement of tenants who are seeking other rental units of comparable prices in Brookline.

It has been thought within the community that an extremely limited number of tenants living in units which have undergone conversion have purchased the units, and the data presented in this document confirms that the majority of tenants have not purchased their units. It is not known where the displaced residents are finding housing. However, they are unlikely to find comparable dwelling units at comparable prices in the immediate area--i.e., those communities immediately surrounding Brookline--Boston, Newton, Cambridge and possibly in the metropolitan Boston area. Further, many of the amenities which Brookline provides are unique and cannot be found elsewhere. Due to its large Jewish population a proliferation of synagogues, kosher meat markets and bakeries exist within walking distance of many apartment buildings. Mass transit lines into Boston and bus routes to other communities are readily available. This is particularly important for lower income residents who cannot afford private transportation. Further, the Town provides special transportation services for elderly residents. Such amenities are simply not available in other communities where comparably priced housing might be available.

As a result of the increased demand, it is thought that vacant apartments, and most particularly rent-controlled apartments, are simply non-existent at the present time in the Town.

Impact: The Population

Due to the lack of available rental housing, and particularly low/moderately priced rental housing in the Town, any tenants who have been displaced, have been uprooted not only from their dwelling units but also from the Town which they consider to be their home.

Further, certain populations living in the rent-controlled units may have special problems in relocating or finding other suitable housing. The extraordinarily high concentration of elderly persons living in the Town is one example. Since many live on fixed or low incomes, and since the number of elderly eligible for the elderly subsidized housing in the Town far exceeds the number of units in these complexes, rent-controlled units probably have fulfilled a need for low and moderately priced rental units for this population. Some elderly tenants may have problems which exacerbate the problem of insufficient income to purchase the unit or find other comparable housing. Those who are ill or infirm or otherwise physically incapacitated may be unable to seek housing or go through the process of arranging a move. For these people and for many of the elderly who depend upon neighbors and merchants with whom they are familiar, or special transportation services provided for the elderly by the Town, to meet their daily needs, the trauma of dislocation would be multiplied greatly.

There may be other population groups living in rent-controlled units who would be particularly affected by the dislocation which condominium conversions cause. One specific population group thought to be living in such units is families with children. The rent-controlled housing stock in Brookline provides not only a good financial option for families with low/moderate incomes but is also suitable because of the spaciousness of many of the older units (both in terms of number of rooms and size). Thus, any such families may have special needs which cannot be readily filled by the rest of the metropolitan area's housing market due both to price and unit quality (size included) differentials.

Impact: The Political Structure

During the past year, the issue of condominium conversion has become a focal point of the Town's attention and of the Town's policy-making processes.

During the past ten months, several alternatives for intervention have been presented to the Town's legislative body, Town Meeting, for consideration. The most prevalent proposal has been the virtual ban on condominium conversions by way of banning tenant eviction in rent-controlled buildings for the purpose of conversion. This proposal was rejected at both the July and November, 1978 Town Meetings, although by a noticeably slim margin in the November meeting (9 votes out of a total of 224 present voting members). A moratorium on

evictions for the purposes of conversion was voted at the November Town Meeting effective until June 1979. A fact-finding Committee was appointed by the Board of Selectmen after the enactment of the moratorium. However, this Committee's work was held in abeyance since funds for professional assistance were requested and the Town Advisory Committee deferred the allocation of such funds to Town Meeting.

In the May, 1979 Town Meeting, the proposal to ban tenant evictions for the purposes of condominium conversion was accepted. It is applicable only to properties affected by Rent Control.

In the interim period of the past year, however, the political division which previously existed among residents in the Town over Rent Control, taxes, and other issues, has grown and hardened as a result of individuals' views on the issue of conversion and the voting positions of Town Meeting Members and other officials on the related proposals.

Although policy-makers have had to make policy choices several times during the past year, there has been no information about the situation to aid them in these choices.

Policy-Making and Research

The most recent vote of Town Meeting to enact a ban on evictions makes it clear that the sentiment of Town policy-makers is that the market situation which existed during 1977 and 1978 is unsatisfactory. It would appear, from the policy legislated by Town Meeting's vote that the true objective which the Town desires to achieve is to entirely stop conversions. One could argue however, that in fact, the policy adopted might not be sufficient toward achieving that end.

According to the Rent Control Board, only 35 evictions were necessary to force tenants to leave (or purchase) approximately units.²³ If most tenants left or purchased their units because the threat of eviction existed, then perhaps the ban on evictions will be successful in stopping conversions. If most tenants left or purchased their units because of pressure or harrassment (either from the converter, the purchasers or potential purchasers of the unit, or from other tenants in the building who purchased their units and wished the conversion to become complete), there are no guarantees that a ban against evictions will stop conversions--particularly if converters believe that such a ban is unlikely to withstand a court test.

Further, this might mean that converters will specifically choose buildings for future conversions with tenant populations who are more likely to succumb to pressure or

Focus For Study

The supply aspect of conversion is a particularly useful and readily available source of information as to who or what has precipitated the conversion trend. Housing suppliers' motivations should reveal some information as to the reasons for the market behavior.

There are several types of individuals who could be categorized as housing suppliers playing a role in the market in which conversions have taken place. One obvious group are those individuals who are responsible for the actual conversions of properties. They will be referred to throughout this document as the "converters." There are actually two sub-groups within this group--owners of rental properties who have converted the properties themselves, and those who have bought the properties as rental properties and converted them to condominiums (referred to throughout this document as the "purchaser/converters"). Another type of housing supplier are the owners of rental property who sold their buildings to purchaser/converters. And another group are those landlords who presently own rental property in the Town of Brookline. One other group in this category who may not be thought of as housing suppliers but who appear to be directly involved in some conversions and indirectly involved in most conversions, are the money-lenders who have financed conversions (primarily banks and to a lesser extent some private money-lenders).

Each of these groups of suppliers have a different perspective on conversions, and it would be desirable to understand the perspective of each. However, given the limited time

harrassment--populations such as the elderly.

It is also unclear as to whether there is consensus that stopping conversions is really the desired objective. Most, if not all, of the concerns of the community relate to the consequences of conversions rather than the actual occurrence itself. Thus, policy-makers in the Town must decide what objective(s) they wish to achieve, and policy alternatives must be formulated on the basis of these objectives. However, in order to make informed choices about which policies will have the greatest impact or will most effectively change the market situation, it is necessary to have some understanding about why conversions are occurring and whether they are likely to continue to occur. For example, if conversions have occurred solely because of Rent Control policy in the Town, it would be logical that conversion would continue to occur among rent controlled stock, and it would be necessary to reconsider and change such policy in order to affect conversion.

Further, it is presumed that both costs and benefits exist with regard to the conversion phenomenon. Some of the costs are obvious, as explained in the preceding description, although their exact extent is not known. Although it is desirable to know more about the benefits and costs of conversion in order to evaluate proposed policies and to refine the desired objectives, the key aspect to developing alternative policies is obtaining information which will enable a better understanding of the dynamics of the market in which the conversion phenomenon has occurred, the extent to which it has occurred and to which it is likely to continue to occur.

and resources available to undertake this study, the researcher chose to examine in depth the perspective of the converters in order to obtain maximum information about not only why conversions have been taking place at the recent rate, but also to obtain data about how they have been occurring. Further, this perspective represents the perspective of both subgroups involved--the landlords who converted themselves and the purchaser/converters.

Even prior to considering the question of why this trend has occurred, it is necessary to understand the extent to which conversions have actually affected the Town's rental housing. Such an analysis regarding the environmental characteristics of conversion may also highlight/point out patterns which suggest predictable nature of the phenomenon.

Data regarding the converted stock in comparison to other multi-unit rental stock in the Town was gathered and analyzed in order to determine whether any environmental or physical characteristics have played a role in the conversion phenomenon. This analysis is presented first in order to give the reader a better sense of the proportions of conversions in terms of how it has affected the rental stock in Brookline thus far.

III. PROFILE OF CONVERTED STOCK

The following chapter establishes a profile of converted stock in order to provide information as to how conversion has actually impacted Brookline's rental stock thus far. This profile also provides a data base upon which to make assessments or predictions as to what segment of the rental stock future conversions would be likely to affect.

There are many different characteristics which could be used to compare converted stock to other rental (or in some cases rent-controlled) stock. Such characteristics include condition of building, captial improvement/maintenance history, type of construction, building size, Rent Control status, vintage, location, unit sizes, rental levels before conversion, ownership history, types of amenities offered, and individual adjustment (for rent-controlled property) history. Certain of these might be more helpful than others in comparing the converted stock to other rental stock. For instance, if there is a pattern regarding the prior condition of the converted properties, this might be key in determining which properties are likely to undergo conversion. However, information for some of the characteristics listed above or other characteristics is simply not obtainable for all rental or rent-controlled property. And some is not easily definable, such as the condition of the buildings.

The first set of data that was gathered which is analyzed here, is data regarding characteristics which are readily identifiable for all converted buildings and for all rental buildings. These characteristics include: Rent-Control status, vintage, and location of property. Building size (in

terms of number of units) is available for all of the converted properties. However, for purposes of comparison to the larger rental stock population, this data is only readily available for rent-controlled properties.

Data regarding unit characteristics which could be easily obtained for rent-controlled property and for a sample of converted properties was also gathered and will be analyzed in this chapter. These characteristics include unit sizes (number of bedrooms) and rental levels prior to conversion.

Some of the characteristics identified may be indicators of other characteristics for which data is not readily available. For instance, building vintage may indicate the type of amenities a building offers. Buildings constructed after 1960 are likely to have "modern" kitchens (i.e., recent appliances and possibly garbage disposals and dishwashers) and bedrooms (i.e., tiled showers or tubs), whereas buildings built before 1940 are not likely to have similar amenities but probably have larger rooms, wooden floors, and high ceilings.

Since there was no data upon which to make initial assessments or assumptions regarding possible findings about the representativeness of converted stock, it was presumed that any of these characteristics could be important in identifying unique patterns of the converted stock.

The analysis reveals that the converted stock is not representative of the larger rental stock populations (either all rental stock or all rent-controlled stock) with regard to any of these characteristics.

Characteristics Of Converted Buildings

Size

As previously stated, sixty-two properties totaling 1,467 units have undergone conversion to condominiums since 1970. (See Appendix A, List of Converted Properties.)

The majority of properties having undergone conversion are either small buildings (10 units or less) or large buildings (26 units or more). Although some moderate size buildings have been converted, this type of property represents only about one-sixth of the total number of conversions (see Table 3-1). The most dramatic increase in the rate of conversions is exhibited in the moderate and the large property size categories (see Table 2-1). The number of conversions of moderate size buildings in 1978 (8) was four times greater than the total number which had undergone conversion in the seven years prior (only 2). The number of large properties which underwent conversion in 1978 (17) was over one and a half times greater than the total number of large properties which had undergone conversion in the seven years previous (10).

Compared to other rent-controlled properties, converted buildings, which were previously under Rent Control, are not very representative in size (see Table 3-2).

The available data on size category of buildings under Rent Control is as of February, 1977. Although this data only represents a static picture of the buildings in the Rent Control Board's files at that time, the population of controlled buildings has been fairly stable since the beginning of Rent

TABLE 3-1

NUMBER, SIZE AND RENT CONTROL STATUS OF PROPERTIES CONVERTED

<u>Year of Conversion</u>	<u>SIZE: 3-10 Units</u>	<u>11-25 Units</u>	<u>26+ Units</u>	<u>Total No. of Converted Bldgs.</u>	<u>Total No. of Converted Units</u>
1971	4		1	5	(71)
1972	5	1	2	8	(149)
1973	2		2	4	(119)
1974	1		2	4	(71)
1975	2			2	(13)
1976	1			1	(4)
1977	3*	1	3*	7	(116)
1978	7**	8	17	32	(924)
TOTAL	25	10	27	62	(1,467)

*1 Rent Control Exempt Property

**2 Rent Control Exempt Properties

All others under Rent Control

SOURCE: See Appendix A

Control.¹ Also, it should be noted that although buildings which underwent conversion in 1977 or 1978 are included in the rent-controlled building population, this number is only 36 buildings or less than 5% of the total number of rent-controlled buildings (861).

Since the size categories used by the Rent Control Board are not the exact size categories used in this document, the data has been adjusted to provide an exact comparison (see Table 3-2).

As in the distribution of converted buildings, the smallest group of rent-controlled buildings are those of a moderate size (13-24 units) (see Table 2-2). The proportions of buildings in this size category pair up fairly close for the two distributions -- 11% of all rent-controlled buildings and 14% of all converted buildings previously under Rent Control.

For the smallest size buildings, the gap between the proportion of rent-controlled buildings and the proportion of converted buildings previously under Rent Control, widens (see Table 2-2). While over half (59%) of all rent-controlled buildings have only 3 to 12 units, less than half (41%) of all converted buildings previously under Rent Control are in this category. Thus, small buildings have undergone conversion at a disproportionately low rate.

And the most dramatic difference between the two groups is in the largest size category of buildings. While less than 10% of all buildings under Rent Control have 25 or more units, almost half (45%) of all the converted buildings previously

TABLE 3-2

SIZE OF CONVERTED PROPERTIES
PREVIOUSLY UNDER RENT CONTROL
COMPARED TO SIZE OF ALL OTHER
RENT CONTROL PROPERTIES

<u>Rent Controlled Buildings</u>			<u>Converted Buildings*</u> (Previously Under Rent Control)		
<u>Size</u>	<u>N</u>	<u>%</u>	<u>Size</u>	<u>N</u>	<u>%</u>
3-12 units	639	59%	3-12 units	24	41%
13-24 units	119	11%	13-24 units	8	14%
25+ units	103	9%	25+ units	26	45%
TOTAL	861	79%**	TOTAL	58	100%

*Data Adjusted for purposes of exact comparison

Unadjusted Data:	3-10 units	22	38%
	11-25 units	10	17%
	26+ units	26	45%
	TOTAL	58	100%

**21% of rent controlled properties are in 1 and 2 unit buildings.

under Rent Control are in this size category.

Obviously, then, large buildings previously under Rent Control have been undergoing conversion at a disproportionately higher rate. If this trend were to continue (even at lesser proportions), the impact on the total number of available rent-controlled units would be tremendous. Eighteen of the twenty-six buildings with 25 or more units which have undergone conversion were converted in 1977 or 1978 (see Appendix A -- List of Converted Properties). This constitutes almost one-fifth (18%) of the total number of buildings with 25 or more units which are under Rent Control. And almost half (42%) of all rent-controlled units are in buildings with 25 or more units. Therefore, almost 10% of the total number of rent-controlled units depleted by conversion is due just to the 1977/1978 conversions of buildings with 25 or more units (see Tables 3-1 and 3-2). At this rate, if only buildings with 25 or more units were converted, it would take only six years to deplete about half of all rent-controlled stock. This emphasizes the importance of identifying any predictability with regard to future conversions both in terms of stock characteristics and converters' perceptions and motivations.

There are several possible reasons why, of converted properties previously under Rent Control, large buildings have undergone conversion at a disproportionately high rate. One possible reason might be that it is more profitable for

investors to convert large buildings. If there is a minimum amount of capital which must be invested in either a small or large building for renovation, and the large building would not necessitate all that much more of an investment (e.g., because not all the units need renovation or will be given renovation), then the probability is that a large building may command a better rate of return in conversion because it results in so much more of a gross sell-out price. This theory will be addressed in the next chapter.

Another reason for this phenomenon might be that small buildings are owned by a different type of landlord--either (1) an occupant of the building or (2) a small owner with few other real estate holdings who is not interested in the most profitable way to exploit the property, but who is interested in holding the property as secure income over a long period of time or as a tax shelter.

A third hypothesis as to why small buildings have undergone conversion at a lower rate than large building is that perhaps smaller buildings are able to offer owners a better rate of return under controlled rents than large buildings.

One other reason for this occurrence might be related to building vintage or locational factors among the converted stock. These factors are explored in the following section.

Rent Control Status

Most but not all properties having undergone conversion were previously under Rent Control (see Table 3-1). Four of the 62 converted properties listed in Appendix A were exempt from Rent Control (see Table 3-1). Three of these exempted properties are small properties (three unit owner-occupied dwellings), and one is a large building which was constructed after 1970. Thus, out of a total of 1,467 converted units, 1,432 (or 98%) were previously under Rent Control, and of a total of 62 buildings, 58 (or 94%) were previously under Rent Control.

The total number of rent-controlled units as of February, 1977, was 10,689. This constitutes approximately 57% of the total number of rental units (roughly 18,609) in the Town. Obviously, the proportion of total converted units which were previously under Rent Control is much larger than this (98%).

Although it would then appear that the Town's Rent Control system is in some way contributing to the conversion phenomenon, such conclusions should not be drawn upon the basis of this percentage.

Specifically, those properties which are exempt from Rent Control are owner-occupied two and three family houses and what is referred to as "new" construction (buildings constructed in 1970 or after). Many, if not most, two and three family homes (owner occupied) are unlikely to undergo conversion to condominiums because many people who purchase them do so in order to use the rental income to pay mortgage payments and/or property taxes.² Further, new construction

is unlikely to undergo conversion because much of it was built with state or federal subsidies. Therefore, it is not surprising that 98% of the converted units are in previously rent-controlled stock. Although this stock constitutes only a little over half of all rental proper-stock, it constitutes close to 100% of the multi-family stock of four or more units built prior to 1970.

Vintage

The vintage of converted properties is primarily older construction--i.e., pre-1940 (see Table 3-3). However, except for one, all of the converted buildings built between 1940 and 1960 have 26 or more units, therefore the percentage of converted units built during this period is much higher than the percentage of converted buildings.³ Further, except for one, all of the converted buildings build during and after 1960 have 26 or more units, therefore the percentage of converted units built during this period is much higher than the percentage of converted buildings built during the same period.⁴

Comparing the percentages of pre-1940, 1940 to 1959, and post-1959 converted units to the same percentages of total rental units (see Table 3-3), it appears that a disproportionately large amount of converted stock is of the 1940 to 1970 vintage. However, because units are used as the measure of comparison, this may not be an entirely accurate representation of building vintage. It is possible that the converted buildings built prior to 1940 are simply

TABLE 3-3

VINTAGE OF CONVERTED STOCK

<u>Year Built</u>	<u>Converted Units</u>	<u>Converted Buildings</u>	<u>(Ratio of) (Units/Bldgs.)</u>	<u>% of Total Converted Units</u>	<u>Total Rental Units</u>	<u>Total Rental Buildings</u>	<u>(Ratio) (of Units) (Building)</u>	<u>% of Total Rental Units</u>
Pre-1960	699	45	(16/1)	47%	12,428	(?)	(?)	67%
1940-1959	359	8	(45/1)	25%	1,626	30	(54/1)	8%
1960 Post-1960	409*	9	(45/1)	28%	4,555**	50	(91/1)	25%
TOTAL	1,467	62		100%	18,609			100%

SOURCE: Appendix A

SOURCE: 1970 U.S. Census & Brookline Building
Permit List (1940 to present)

*383 of these units built between 1960 and 1970.

**Approximately 2,531 rental units built between 1960 and 1970.

smaller buildings than those of similar vintage which did not undergo conversions, or that the converted buildings built between 1940 and 1970 are simply larger buildings than those of similar vintage which did not undergo conversion.

Since neither data regarding the total number of rental buildings in the Town nor the number of rental buildings built prior to 1940 was available, it was impossible to calculate percentages for buildings in the same manner as was done for units. However, it was possible to derive ratios of units to buildings in order to detect whether those buildings built after 1940 which underwent conversion are likely to be larger buildings than those of the same vintage which had not undergone conversion.⁵

It appears from such calculations (see Table 3-3) that the converted buildings built after 1940 are on average somewhat smaller than the total rental stock built during this same period. Therefore, it would appear that the initial observation, that a disproportionate amount of converted stock is of the 1940 to 1970 vintage, was correct.

It seems then that there is something specific about stock built between 1940 and 1970 which makes it particularly appropriate for conversion. One reason might be that these buildings were all built specifically to be apartment buildings (whereas some buildings built prior to 1940 may have been built for other purposes and later subdivided), and these offer more amenities (such as spacious units) than buildings built after 1959 because it became more expensive to build and land became more scarce in the 1960's.

Another reason for the disproportionate representation of this stock could be due to the location and size of these properties. In fact, all of the converted properties of 1940 to 1970 vintage have 24 or more units and all are located in those six census tracts with the greatest number of converted units (with only one exception).

Location

Conversions to condominiums have taken place almost exclusively in the northern section of the Town. Only three of the total known building conversions have occurred in Census Tract 4011 or 4012 which comprises the southern section of the Town (see Table 3-4 and Map, Exhibit A). This fact is not surprising since the majority of rental units are located in the northern part of the Town. The total number of converted units in these two "southern" Census Tracts is 107. However, one building alone contains 96 of these units. Because of this fact and because of the fact that only a minimal number of rental units exist in Census Tracts 4011 and 4012 (see Table 3-5), the percentage of total rental units having undergone conversion is so much higher for the Census Tract 4011 (see Table 3-4).

The predominance of the converted units in particular parts of the Town suggests that location has been a major factor in the conversion phenomenon. Census Tracts 4008, 4001, and 4002, which form the northeastern most part of the Town, have the highest, third highest, and fourth highest ranking number of known conversions, respectively. Interestingly

TABLE 3-4
DISTRIBUTION OF CONVERTED PROPERTIES BY (CENSUS TRACTS) LOCATION

Census Tract Number	4001	4002	4003	4004	4005	4006
Number of Buildings	8	8	3	1	7	9
Number of Units	187	182	102	29	179	237
% of Rental Units Which Have Undergone Conversion	9%	8%	9%	1%	9%	13%

	4007	4008	4009	4010	4011	4011	TOTAL
Number of Buildings	6	13	2	2	1	2	62
Number of Units	88	317	30	9	96	11	1,467
% of Rental Units Which Have Undergone Conversion	10%	14%	2%	1%	25%	1%	NA

TABLE 3-5

COMPARISON BETWEEN CONVERTED UNITS AND
RENTAL UNITS BY (CENSUS TRACT) LOCATION

Census Tract Number	4001	4002*	4003*	4004*	4005*	4006*	4007
No. of Dwelling Units	2416	2593	1686	2904	2478	2399	1345
No. of Rental Units	2080	2259	1183	2327	2062	1758	915
Percent of Rental Units	86%	87%	70%	80%	83%	73%	68%
No. of Converted Units	187	182	102	29	179	237	88

*Rental construction since 1970 added to 1970 U.S. Census Data

TABLE 3-5
(Continued)

COMPARISON BETWEEN CONVERTED UNITS AND
RENTAL UNITS BY (CENSUS TRACT) LOCATION

Census Tract Number	4008*	4009*	4010	4011	4012	TOTAL
No. of Dwelling Units	2617	1952	1200	1364	2061	25,015
No. of Rental Units	2278	1592	767	404	848	18,473**
Percent of Rental Units	87%	82%	64%	30%	41%	74%
No. of Converted Units	317	30	9	96	11	1,467

*Rental construction since 1970 added to 1970 U.S. Census Data

**136 units missing due to error in 1970 U.S. Census Data

enough these three Census Tracts are the closest to Boston's commercial, business, and "medical" (i.e., the concentration of the Harvard affiliated hospitals in the Longwood/Fenway area) districts and to Cambridge (see Map, Exhibit A).

Census Tract 4001 is the closest to these areas, and a rapid transit line into Boston runs right through the middle of this Tract. The same rapid transit line runs through Tracts 4002 and 4008, and each is also within the close proximity of one other major rapid transit line and major bus routes. Census Tracts 4002 and 4008 surround the largest commercial district within the Town which is known as Coolidge Corner. This intersection meets at the borders of Census Tracts 4002 and 4008. Census Tract 4001 is also within relatively close proximity to the Coolidge Corner area. Further, there is at least one commercial "pocket" (e.g., two blocks of small shops, a neighborhood grocery store, bank branch, drugstore, etc.) on Beacon Street in Census Tract 4001. All are also in close proximity to major highways-- such as the Massachusetts Turnpike, Storrow and Memorial Drives, and Route 1 which leads to areas south of Boston.

The areas with the second and fifth highest absolute number of conversions (Census Tracts 4006 and 4005, respectively), are contiguous with the areas mentioned above in that they stretch along Beacon Street continuously from the Coolidge Corner Area (see Map, Exhibit A).

The rapid transit line referred to above also runs through Tract 4006 and along the border of Tract 4005. A second rapid transit line also runs through Tract 4006.

A major highway, Route 9, which connects Boston and Brookline with areas to the west and with other major routes such as the Massachusetts Turnpike and Route 128, also runs through Census Tract 4006. Further, these Census Tracts are still relatively close to the Coolidge Corner area, Census Tract 4006 is also close to the Chestnut Hill Mall (a more regional type of shopping center with specialty shops), and each has some commercial activity. Census Tract 4005 has a fairly sizable commercial "pocket" near the intersection of Washington and Beacon Streets (the "Washington Square" area--about four or five blocks of small shops and restaurants). Census Tract 4006 also has a commercial "pocket" which it shares with the adjacent Brighton neighborhood (the "Cleveland Circle" area--about three or four blocks of small shops and restaurants), and some small shops and restaurants line Beacon Street between these two areas--serving both of these Census Tracts.

In the five Census Tracts mentioned, conversions have diminished the amount of rental units by between 8% (Census Tract 4002) and 14% (Census Tract 4008) (see Table 3-4).

The conversions, however, do not seem to be entirely representative of the distribution of rental units by location. Of the Census Tracts which have the six highest numbers of converted units and the six highest numbers of rental units, only four Tracts seem to pair up somewhat closely according to rank for each characteristic (see Table 3-5). Census Tracts 4008, 4001, 4002, and 4005, which have the highest, third, fourth, and fifth highest amount of

converted units, respectively, also have the second, third, fourth, and fifth highest amounts of rental units, respectively (see Table 3-5).

Census Tracts 4006, especially, and 4003, however, have disproportionately higher amounts of converted units. And Census Tracts 4004, particularly, and 4009, each have disproportionately lesser amounts of converted units.

Locational features of both Census Tracts 4006 and 4003 may aid in explaining the desirability of the units in these areas.

Census Tract 4006 is really comprised of parts of two distinctly different areas. One area, Fisher Hill, is comprised mainly of large lot single family homes, and the other, the upper Beacon area, is comprised of densely-spaced multi-unit housing along the Beacon Street "corridor." As previously stated, the area has two major MBTA lines running through it, and is within fairly close proximity of the Washington Square, Cleveland Circle, Coolidge Corner shopping area, the Chestnut Hill Mall, and Route 9. There is at least one large playground in this Census Tract, and the public elementary school in it (although it does not serve the entire area) is probably one of the most desired schools in Brookline.

Census Tract 4003 is within very close proximity of two major rapid transit lines, the Coolidge Corner area, and is within close proximity to Cambridge and such major highways as the Massachusetts Turnpike and Storrow Drive. It contains two playgrounds, and there are other parks and playgrounds nearby. The elementary school located in this Census

Tract is also among the most desired in the Town. Further, multi-family housing is interspersed with many older single, two, and three family homes.

The residential character of both of these neighborhoods together with the amenities each offers such as rapid transit, good schools, parks, playgrounds, and proximity to shopping areas and major highways, seem a solid explanation for the disproportionately high levels of conversion in these areas. Such desirability might make investors more confident in their ability to sell units in these areas.

Many of the same locational features which could be attributed to Census Tract 4003 would also hold true for Tract 4004. This Census Tract has the largest number of rental units in the Town, and yet it has remained relatively untouched by conversions.

One partial explanation for this could be that approximately 600 rental units have been added to this area since 1970 by new construction. (Much of this new construction has been partially subsidized by either the federal or state governments and therefore is subject to federal and state guidelines.) However, this would still mean that 1,727 rental units in the area are pre-1970 vintage stock -- no different from the stock composition of the other areas, and yet only 29 units have undergone conversion. A survey of census data regarding the population by age, economic, and social characteristics and the breakdown of dwelling structures by size composition in this Tract (i.e., 2, 3, 4 unit versus 5 or more unit structures) reveals no patterns which make this

area at all unique.

One hypothesis for this phenomenon is that perhaps some type of sub-market similar to that described by Roger Krohn and E. Berkeley Fleming exists in this area. Krohn and Fleming in their paper, "The Other Economy and the Urban Housing Problem: A Study of Older Rental Neighborhoods in Montreal," describe an area where a non-economic relationship between landlord and tenants prevails.⁶ The landlords described are typically residents of the area and do not own property on a large scale. They choose their tenants on the basis of similar characteristics to themselves (often ethnic identification); they may rely on informal agreements with tenants rather than actual contracts or leases; they maintain lower than market rate rents; and the relationship between these tenants and landlords is generally less formal and often more social in nature.

There is a sizable Chinese American population Census Tract 4004 (see Chapter I--Brookline's Population) as in other tracts in and around the Coolidge Corner area. It is possible that if rental property in this area is owned by members of this population group and rented to members of the same group, these property owners feel certain ties and responsibilities towards their tenants--preventing them from simply converting or selling the properties. Or, these landlords may be less concerned with the limitations put upon their rates of return on investment by controlled rents than landlords who are specifically profit-motivated.

Such a sub-market may also exist among another ethnic

or cultural group whose presence in the Census Tract is not identifiable using 1970 Census data.

Another reason for the disproportionately low number of conversions in Census Tract 4004 might be that much of the rental property in the area is owned by one or two property owners who are not interested in conversion. If future research proves that there is limited ownership of rental property in this area, it would certainly be useful to understand the motivations or perspectives of such individuals.

A final clue to the untouched conversion market in this Census Tract, might be the nature of the physical terrain in this area. The streets in the Census Tract comprise a series of very steeply graded hills and can cause particular inconvenience for residents in the winter months or for certain population groups such as the elderly. However, this theory seems less plausible since there are many single and two family homes in this area which exhibit very marketable property values.

Finally, one hypothesis which may explain the disproportionately low number of conversions in Census Tract 4009 relates to the general condition of the housing stock in this area. In preparing for the Town's FY 1980 Community Development Plan, the Brookline Planning Department developed an index of housing condition by enumerating the number of blocks with moderate and major building deficiencies in each area.⁷ Census Tracts 7, 9, and 10, Brookline Village (the Census Tracts are grouped together by planning area designations), have 19 blocks in this condition -- the second highest rank in the entire Town.

(The third highest ranking area has only 9 blocks). This does not necessarily relate only to rental properties, but it may indicate that rental properties are in need of so much repair or renovation that it would take enormous amounts of investment capital in order to make units in these properties marketable.

The Brookline Village area has recently been the target area for the Town's Community Development Block Grant funding for housing rehabilitation. However, according to individuals involved in its administration, this program has not proved very successful in funneling funding to sizable rental properties.⁸ Rather, its main focus has been single, two, and three family homes. Thus, the poor condition of properties in the area might reduce the market values of, even improved, units, and few investors might be willing to utilize this stock because it represents a greater risk in investment. Further, Census Tract 4009 may have had disproportionately fewer conversions because its locational desirability is less than that of other Census Tracts previously referred to.

As stated in the beginning of this chapter, data for some characteristics of the converted stock is available, however, such data is not easily obtainable for all of the converted stock. This is particularly true of those characteristics relating to individual units rather than buildings. The following section is an analysis of some characteristics relating to unit sizes.

Characteristics of Converted Units

The analysis regarding unit size and rental level characteristics of the converted stock is based upon data collected in Sample A from the Rent Control Board's files.

Appendix B provides a detailed description of the way in which both the sample and the data for this section were derived. Although there may be some inherent biases in the sample (Sample A) due to the manner in which the sample properties were chosen, the sample has been shown to be fairly representative of the total population of converted properties with regard to building size and location (see Appendix B). Due to the limitations of available data, this sample can only be inclusive of stock previously under Rent Control. However, given that 97.61% of all converted units were previously under Rent Control, it seems reasonable to use this portion of the stock as a first base for investigation.

Sample A consists of 19 buildings (approximately 31% of the total number of converted properties) with 457 units approximately (31% of the total number of converted units). Seven buildings in the Sample have 3 to 10 units. This constitutes 28% of the total number of converted properties in this size category. There are four buildings in the Sample which fall into the 11 to 25 unit category, and this constitutes 40% of the converted stock in this category. And eight buildings in the Sample have 26 or more units, which makes up

about 30% of the converted stock in this category.

Unit Sizes

There are at least three different ways to measure unit size differentials--number of rooms, number of bedrooms, and square footage of units. Although all of these measurements were obtained for most properties in Sample B through interviews, only the number of rooms and the number of bedrooms could be accurately verified using files in the Rent Control Board's office. Further, for information regarding those properties which are included in Sample A but are not in Sample B (i.e., where no interviews took place), the files in the Rent Control Board office were the sole source of data used. Thus, square footage cannot be adequately used as a measure of unit size in this document. And, for the purposes of comparing the converted units previously under Rent Control to the total population of rent-controlled units by size, total number of rooms per unit is an inadequate measure because this distribution is unavailable for the total population.

It should, however, be noted that square footage and number of rooms do account for disparities between units of the same size (according to the number of bedrooms). For example, information obtained on some of the converted two bedroom units shows these units to vary in dimension from

1100 square feet up to 1500 square feet and information obtained on some of the converted three bedroom units shows these units to vary from 1300 square feet up to 2000 square feet. Although one might argue that such differences are merely representations of the differences in property owners' or developers' "perceptions" of size, in reality such differences are probably accurate given the different architectural styles and vintages of the properties represented in the Sample. In a similar vein, differences in the total number of rooms exist among units with the same number of bedrooms.⁹

Although the disparities mentioned above cannot be accounted for in this analysis, it is important, in the opinion of this researcher, to recognize that they exist. Such disparities may have relationships to use, demand, and value of properties as rental buildings and of units as condominiums.

The largest number of previously rent-controlled units which have undergone conversion, according to the Sample data, are two bedroom (178 units or approximately 31%), one bedroom (121 units or 27%), and three bedroom (117 units or 26%) units, respectively (see Table 3-6). The number of studios and four bedroom units included in the Sample is extremely small (under 5%--see Table 3-6) and the number of units with five bedrooms (the largest units sampled) is almost negligible. This, statements cannot be made with any degree of reliability regarding these unit sizes.

TABLE 3-6

CONVERTED UNIT SIZES
(Number of Bedrooms)

<u>Number of Bedrooms</u>	<u>0</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	
Incident Per Sample Property	7	12	1	9	3	3	
	4	52	12	3	12	1	
	9	26	10	37			
	1	4	4	6			
		6	6	10			
		13	35	22			
		3	30	6			
		1	4	17			
		3	34	6			
		1	20	1			
			4				
			13				
			2				
			3				
TOTAL	21	121	178	117	15	4	455*
%	5	27	39	26	3	-	100%

*Total number of units in sample is larger than 455. However, some units excluded due to owner occupancy.

SOURCE: Rent Control Board's files and interviews with converters.

Compared to the distribution of unit sizes for all rent-controlled units, the breakdown of converted unit sizes is not too much different. (See Tables 3-6 and 3-7). Two bedroom units account for the largest amount of units in both groups. Approximately 39% of all rent-controlled units are two bedroom units compared to approximately 39% of the previously rent-controlled converted units sampled.

Although one bedroom units account for the next largest group of units in both the total rent-controlled unit population and the Sample, the proportions are dissimilar. Among converted units sampled, approximately 27% are one bedroom units. Among the total number of rent-controlled units, the percentage of one bedroom units is close to 10% higher or 36%. (See Tables 3-6 and 3-7).

Although three bedroom units also account for the next highest ranking amount of units in both populations, the proportions are again dissimilar. Among converted units sampled there are approximately 26% three bedroom units. However, this is about 10% higher than the incidence of three bedroom units among all rent-controlled units--15%.

Thus, for one, two, and three bedroom units, the only ways that the distribution seems to differ from the distribution of rent-controlled units, is that one bedroom units seem to be somewhat less likely to undergo conversion, and three bedroom units seem to be somewhat more likely to undergo conversion.

This tendency may be due to several factors. The factors which would probably have the greatest significance with regard to understanding the conversion phenomenon would be if

TABLE 3-7

SIZE OF CONVERTED UNITS PREVIOUSLY
UNDER RENT CONTROL COMPARED TO
SIZE OF RENT CONTROLLED UNITS

<u>Converted</u> <u>Units</u>		<u>(Previously)</u> <u>(Under Rent Control)</u>		<u>No. of</u> <u>Bedrooms</u>	<u>Rent-Controlled Units</u>	
<u>N</u>	<u>%</u>				<u>N</u>	<u>%</u>
21	5			0	387	4
121	27			1	3,476	36
178	39			2	3,746	39
117	26			3	1,429	15
15	3			4	552	6
<u>4</u>	<u>-</u>			5	71	-
				6+	<u>36</u>	<u>-</u>
TOTAL	455		100%		9,697	100%

the uniqueness of the unit sizes is directly related to the type of purchasers who are creating market demand for condominiums. Perhaps potential purchasers need or desire three bedroom units because they are primarily young families with children or young families who expect to have children while living in the unit. In a similar fashion, the disproportionately small number of single bedroom units converted suggests the hypothesis that single persons or childless couples do not constitute the greatest portion of market demand among condominium purchasers. If this is the case, it would contradict the theory that condominium purchasers are comprised of the "baby boom" generation who need housing alternatives to the suburban single family home because they have remained single or childless later in life than previous generations.

Perhaps purchasers are simply interested in as much unit space as they can afford to obtain because they feel that larger units will yield a greater return on investment.

Regardless of purchasers' actual needs or desires, converters may perceive that there is a greater demand for larger than smaller (as defined by number of bedrooms) units, and thus, they are choosing buildings with units of this size for conversion.

Other possible reasons for the disproportionately high number of three bedroom units and disproportionately low number of one bedroom units may have little to do with demand for particular units at all. It may be that the buildings that investors have considered "appropriate" for conversion because of their physical characteristics or investment

potential happen to be those with more three bedroom units and less one bedroom units. These theories will be explored further in Chapter IV.

Rental Levels

In order to make a meaningful assessment of the nature of rental levels for converted units prior to conversion, it is necessary to compare the rents of converted units previously under Rent Control with those of non-converted rent-controlled units. Since the only breakdown for rental levels by unit size (or number of bedrooms) which is available in 1978 data, it was necessary to bring rental levels from earlier conversions up to 1978 levels. (See Appendix D -- Methodology for Deriving Mean Rental Levels.) Table 3-8 shows the distribution of mean levels by number of bedroom groupings for each converted building in the Sample.

If one compares the mean rental levels of the sampled converted properties to the distribution of rental levels for all rent-controlled properties (see Table 3-8 and 3-9), the following pattern emerges: the mean rents for converted units are at least one rental category higher than the modal rent category for units with none, one, two, and three bedrooms. For units with four bedrooms, the mean rental category for converted units is the same as the modal category for all rent-controlled units. However, it should be noted that the number of four bedroom units in the Sample is very limited (only 15 units). At five bedroom units the trend reverses, and the mean rental category for converted units is lower than the modal

TABLE 3-8

MEAN RENTAL LEVELS FOR
EACH SAMPLE CONVERTED BUILDING

<u>Studio</u>	<u>1 bdrm.</u>	<u>2 bdrm.</u>	<u>3 bdrm.</u>	<u>4 bdrm.</u>	<u>5 bdrm.</u>
\$245*	\$429*	\$240*	\$480*	\$479*	\$483*
\$245*	\$318*	\$572*	\$309*	\$521	\$312
\$212	\$315	\$457*	\$322*		
\$	\$171	\$365*	\$365		
\$213	\$377	\$259	\$396		
	\$117	\$324	\$412		
	\$292	\$405	\$357		
	\$241	\$337	\$270		
	\$221	\$509	\$445		
		\$267	\$289		
		\$425			
		\$306			
		\$239			
		\$147			

MEAN RENTAL LEVELS: ALL SAMPLED CONVERTED UNITS

\$233	\$276	\$347	\$365	\$500	\$398
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SOURCE: Rent Control Board files

*Data obtained for year other than 1978, and means imputed. See Appendix D.

TABLE 3-9

1978 RENTS FOR ALL RENT-CONTROLLED UNITS

1. 300 units distributed among rent ranges - (\$5 higher) GA not complete.
2. 62 units - bedroom size unknown - distributed proportionately.
3. 482 unheated units - assume fall into next rental category less than \$100, into 100-150; 100-150 into 150-200; etc.
4. Includes 1978 General Adjustment (11/20/78).

<u>Bedroom</u> <u>Rent</u>	0	1	2	3	4	5	6+	<u>Total</u>
0-100	2	47	0	2	0	0	0	51
100-149	28	134	56	18	1	0	0	237
150-199	124	599	206	130	17	1	0	1077
200-249	94	1196	695	245	30	2	0	2262
250-299	68	996	1158	324	70	4	4	2624
300-349	20	258	928	239	88	5	5	1543
350-399	20	103	339	225	98	6	2	793
400-449	10	55	137	142	91	15	3	453
450+	21	88	227	104	157	38	22	657
Total	387	3476	3746	1429	552	71	36	9697

Modal rent category circled.

SOURCE: Brookline Rent Control Board

rent category for all rent-controlled units. But the number of five bedroom units in the Sample is so small (only 4 units) that this part of the data cannot be given much credence.

It would appear that the average rents of the bulk of the converted units (units up to three bedrooms) were at the higher end of the scale for rent-controlled units. Further, the distribution of rents for converted units is smaller than the total distribution of rent-controlled rents. For units with zero bedrooms the distribution is a great deal smaller-- it only spans four of the rental categories for all rent-controlled units. (This may be due to the smaller number of units sampled in this category (21)). However, none of the converted one, two, or three bedroom units falls into the lowest rental category, although each has some units in the highest rental category.

The fact that the sampled converted units seem to have generally higher rents seems to suggest that there is something inherently different about them. One possibility is that some of these units are more desirable than the average rental units in the Town. Although Rent Control has prevented actual market forces from operating with regard to all units under its jurisdiction, it is possible that the relative relationship between rental levels of rent-controlled units has maintained certain market characteristics.

The converted units which have not received individual adjustments (shown to be roughly 61% among sampled converted units) have received General Adjustments to those received by all other units.¹⁰ Thus, these converted units should be in

the same relative position compared to other non-converted units which also have not received individual rent adjustments. Further, rental units which have received individual adjustments have had the opportunity to "outrank" converted units which did not receive individual adjustments.

Another possibility is that some of the converted units are more costly to operate. Converted units which did receive individual adjustments while maintained as rental units had equal opportunities of receiving adjustments equivalent to those received by other rental units. It would seem that either these converted units started at higher rent levels (before any adjustments were applied) or that they received a greater incidence of adjustments (General Adjustments and individual adjustments combined) or that they received higher total increases (General Adjustments and individual adjustments combined) than the non-converted rental units which received individual adjustments.

Conclusions

In conclusion, patterns can be found among certain characteristics of the converted stock from which some inferences may be drawn. The rent-controlled status of the converted buildings is of itself meaningless because most buildings with four or more units which are of pre-1970 vintage are under Rent Control. That large buildings (26 or more units) have been the prime target for conversions seems to indicate that investors have them more conducive, probably from an investment standpoint, for conversion. This contention is further supported by the fact that of the disproportionately large amount of newer stock (1940 or later vintage) which has undergone conversion, the buildings range in size from 24 units to 96 units.

Further, location has been shown to be a primary factor in conversion--particularly in the conversion of large buildings and buildings of the vintage referred to above. The census tracts with the greatest levels of conversion have been shown to have many specifically desirable characteristics which probably guarantee investors high unit selling prices and ultimately profitable returns on investments.

The relatively high rental levels of converted units may be a further indication of desirability. However, this characteristic may also indicate that these units or properties were more expensive to operate as rental properties than the average rent-controlled properties. If this is the

case, it may reflect upon motivations of the prior landlords in selling or converting their properties rather than the purchaser/converters' motivations for investing in them.

The preceding description thus suggests that the units which have undergone conversion are among the newer, better quality, more centrally located units in Town.

This analysis implies that as such units become converted, not only is the supply of rental units diminishing, but the overall quality of rental units, and most particularly of rent-controlled units, is declining. This further emphasizes the impact of conversion on the Town's rental stock.

What the profile of converted stock is not useful in predicting is whether conversions, allowed to occur unregulated, would be confined to such "desirable" buildings as defined here or whether conversions would only affect such properties first and then move on to other older properties in worse condition in other "less desirable" (according to the standards described here) locations.

Even among converters interviewed, there seems to be little agreement regarding the extent to which unregulated conversion would occur. According to one converter, "Brookline has an inordinate supply of well-built apartments appropriate for conversion." Yet according to another converter active in the Brookline market, "Not all buildings are appropriate for conversions. [Such buildings must have] units with the right lay-outs, parking, and a good location, and most of this supply of buildings have been exhausted."

In order to determine the answer to this question, three factors would have to be examined. A more detailed assessment of the Town's rental stock would have to be undertaken in connection with in-depth surveys of converters' parameters for choosing properties and a detailed study of the demand sector of the market. The following chapter provides some of this information from the converters' perspective.

IV. THE CONVERTER'S PERSPECTIVE

The following analysis regarding landlords' and converters' motivational factors and perceptions of demand is an attempt to define the operational forces in the Brookline housing market which have prompted conversions to occur. It also is an attempt to further refine the probabilities that conversions would continue to occur in an unregulated market and the patterns [in this] occurrence which might logically result.

The Converters: A Profile

Most of the individuals responsible for the conversion of the properties listed in Appendix A are professionally involved in the real estate development or management field.¹ Within this group, there are a variety of types of real estate concerns. Some are primarily local businesses--concentrating their operations within the Town of Brookline. Others operate, own, or develop real estate throughout New England. Many range in between these two extremes--operating in the Boston metropolitan (e.g., some in only one or two other communities, some in twenty-five other communities).

There are a few individuals responsible for conversions thus far, for whom real estate is an adjunct activity (i.e., owner occupants, those owning property for extra income, those involved in real estate as a second profession-retired persons). However, the number of persons in this category is clearly in the minority.

Further, there are several individuals who have been involved in multiple conversions and thus, a handful of converters are responsible for close to one third of the conversions listed in Appendix A.²

Although initially it was the sense of this researcher that most converters were "outsiders" who purchased the buildings for purposes of converting them, that does not seem to be the case (see Table 4-1). Among the properties included

in Sample A, the majority of small buildings were converted by the prior owners of the buildings.³ The largest buildings in Sample A, however, were primarily converted by individuals or companies who bought for the purpose of converting. And among the moderate size buildings in Sample A, both appear to be the case (although the number sampled is very small).

Further, the purchaser/converters are primarily large real estate concerns. For purposes of discussion in this document, large real estate concerns will be classified as those which own or manage 5 or more properties in the Town itself or those which are involved in real estate development. Among the small buildings sampled (Sample A), two out of the seven converters could be classified as large real estate concerns. And among the moderate size and large buildings sampled, all of the converters represent large real estate concerns.

This means 1) that owners of large buildings are not doing the conversions themselves, while owners of small buildings are and 2) that large real estate concerns appear to be only interested in purchasing buildings with more than 10 units for conversion. This is confirmed by some data collected through interviews with converters regarding their parameters for choosing properties.

Three converters representing large real estate concerns stated that there were specific characteristics that they

sought in locating a "good" property for conversion. Two of these subjects specified building size. One stated that his firm sought a property in the 10-50 unit range, and another gave the researcher a copy of prepared written criteria which stated that the company sought a property in the 50-150 unit range. Although the third individual did not state that a property of a specific size was sought, the building chosen had over 26 units, and it is assumed, based upon the description of other characteristics which were sought, that this firm was seeking a building with more than 10 units. Other criteria stated by these converters are described in Appendix E.

The Decision to Convert

In order to better understand the phenomenon of condominium conversion in Brookline, direct questions regarding the decision to convert were administered to subjects in Sample B (see Appendix C--Data Collection Instruments). Subjects who stated that real estate development is their profession were asked 1) whether developing and selling condominiums is a usual part of their business and 2) why they decided to develop and sell condominiums in Brookline. Subjects who stated that real estate is not their profession were asked why they purchased the property and why they converted the property from rental property to condominiums. (See Appendix C.)

A total of eleven different individual converters responsible for the conversion of sixteen different buildings were interviewed. This constitutes roughly 26% of the total number of different individual converters responsible for the conversion of the properties listed in Appendix A.⁴

Prior Owners Who Converted

The motivations of three of the five owners of rent-controlled property who were interviewed centered around Rent Control. One owner's motivation clearly related to his desire to rehabilitate the property. He stated several reasons for his attachment to the property and stated that he did not

want to see it become a "shabby building." But he felt that he could not afford the necessary rehabilitation "property" under Rent Control. And although the conversion of one other property owned by this subject was due to other motivations, the subject stated that he was converting the one other rent-controlled property he owned. These three buildings constituted the sum total of the rent-controlled property he owned in the Town. He retained ownership of other rental property.

Another converter stated that he converted the property "to get out from under Rent Control." This response did not represent only financial reasons. The subject's answers to other questions implied that other aspects to the Town's Rent Control system made him reluctant to deal with it on any grounds, and his behavior is evidence of this.⁵

The owner stated that he totally rehabilitated his property (it was a pre-1940 vintage property) while it was a rental property. He never sought any individual rent adjustments, however, from the Rent Control Board to compensate for these expenditures.

A third converter stated that the property was converted because it was losing money. Although he alluded to Rent Control as a primary reason for this situation, he stated that he had no intentions of converting any of his other rent-controlled property.⁶ This subject also stated that he took out a bank loan to finance a major capital improvement (a new

boiler) while the building was maintained as a rental property, but sought no individual rent adjustments from the Rent Control Board. The fact that this converter picked only this one building for conversion seems to indicate that perhaps this building would not command a satisfactory rate of return even in the absence of Rent Control. The building had an extremely high tenancy turnover rate (approximately 50% per year) which, the owner indicated, had taken its toll on the building.

Thus, two of these converters were motivated by financial factors relating to Rent Control. The motivations to convert for two other of the six owners/converters interviewed also centered around economic issues.

One converter (a small investor), who had been using the paper loss on the property to shelter other income, stated that he became angry that a property tax rebate had to be split among tenants, and converted the building over the "principle" of the issue. (He owned only this building.) And one rent-control exempt property was converted because, according to its owner, it was not providing an adequate return on investment.

Previous Owners Who Sold

Although individuals in this group were not interviewed, the fact that the sales of their properties were profitable for the sellers is obvious.

Prices were obtained for eight of the nine properties sold to converters. In all except for one of these cases, the seller received between five and seven times the annual rental income for the building. (The exception was that one converter only paid four times the annual rental income. However, this building was purchased from an estate.)

According to the Greater Boston Real Estate Board, market values for residential rental real estate sales in the metropolitan Boston area probably vary between three and seven times the annual rental income for the building, and five times the annual rent roll would probably be considered a good selling price.⁷ The average ratio of sales price to rental income for the sale of rent-controlled properties in Brookline which did not undergo conversion, between January, 1976 and October, 1977 was 4.5.⁸ Thus, purchasers are willing to pay greater amounts for rent-controlled property for the purposes of conversion than for the purposes of maintaining them as rental properties, and the sellers of these buildings were probably motivated to sell to converters at least partially because of these higher sales prices.

Purchaser/Converters

As stated previously, all of the subjects who bought properties for the purposes of conversion (8) (see Table 4-1) are large real estate concerns. And all answered that developing and selling condominiums is a usual part of their

TABLE 4-1

OWNERSHIP BEFORE CONVERSION

Size of Buildings:	<u>3-10</u>	<u>11-25</u>	<u>26+</u>	<u>Total</u>
	A	B	B	
	A	B	A	
	A	A	A	
	B	A	B	
	A		A*	
	A		B	
	A		B	
	-	-	B	
	-	-	-	
Total	7	4	8	19
Total A	6	2	3	11
Total B	1	2	5	8

*Outsider brought in to do conversion--but ownership retained.

A-owned prior to conversion

B-bought for purposes of conversion

business, although a few said that this has only recently (during the past year or two) become the case. All except for one of these subjects stated that they actively sought a building or buildings for conversion. (The exception was one developer who was approached by the seller of the building to buy it for conversion.)

Two converters were specifically interested primarily in doing rehabilitation of older vintage housing. One chose condominium conversion (although his firm is active in the development of rental housing) because "it was a chance to do a high quality product," and "there are so few opportunities left for this in the privately financed market." Another converter stated that he sought a building for conversion in order to expand the firm's business beyond the rental market for economic reasons. Another stated very plainly why his firm chose to do a condominium conversion in Brookline, "for profit." And yet another pointed to the demand for condominiums in general, the demand for housing ownership in Brookline, and the lack of available new construction sites in the Town as the reasons for his firm's involvement in the conversion market. "Let's fact it," he said, "condominiums are the wave of the future."

Thus, for each converter in this category, the purchase and conversion of the building was a business opportunity--an opportunity to make a profit and, for some, to achieve

other objectives as well (such as the rehabilitation of an older property).

Perhaps more than an opportunity, conversions are a necessity for some of these real estate firms. Almost all of these firms do some real estate management and some real estate development. Some of these firms may be limited in the development aspects of their business at the present time because financing costs are so high (probably not of concern to the largest firms) and construction opportunities are so limited--particularly in the metropolitan Boston area. Conversions fill this gap well. And the lucrative nature of conversions can only be adequately demonstrated by examining the financial aspects of at least one conversion.

The Financial Analysis of a Conversion

Since large buildings have been converted at a disproportionately higher rate than the small and medium size properties, and since all of the medium and large properties which have undergone conversion were converted by large real estate concerns, 75% of whom purchased properties for conversion, it is appropriate to focus on the purchase and convert transactions by such firms or companies.

It is impossible to describe the financial arrangements of a "typical" conversion. No such thing exists. Each converter makes his own arrangements with regards to investment and financing according to his own financial capabilities,

connections to money-lenders, and needs specific to the property undergoing conversion. According to a local banker, more than one converter active in the market are able to obtain the necessary funds for the purchase and rehabilitation of a building without putting up any collateral or equity investment. Further, some of the banks themselves become involved by lending all of the necessary funding and becoming partners with the developer so that they receive a cut of the profit after the units have been sold.

Regardless of the purchaser's arrangements with the bank or other money lenders, it is possible to demonstrate the lucrative nature of the finances of conversion with almost any of the cases for which financial data was obtained (Sample B).⁸

The following is a narrative of Exhibit B--The Financial Analysis of a Recent Conversion.⁹ The purchase price of the property was \$1,306,778 (a multiplier of five times the annual rents). The converter assumed the first mortgage on the property. The balance of this was \$746,566 (line 3). The remainder of the purchase price was paid in cash. Thus, the converter's initial equity investment was \$560,212 (line 2).

After the first eight to ten units were sold, the first mortgage was paid off. This was done no more than about three months after purchase. Therefore, debt servicing costs were figured on the basis of three months time, and this turns out to be about \$9,332 (line 5). The converter's other costs add

EXHIBIT B

THE FINANCIAL ANALYSIS
OF A RECENT CONVERSION

1.	Total Purchase Price		\$ 1,306,778
2.	Equity Investment		\$ 560,212+
5.	Debt Servicing Costs (3 mos.)		\$ 9,332
6.	Other costs		\$ 390,000
	a. Rehabilitation	\$ 180,000	
	b. Marketing	} <u>210,000</u>	
	c. Legal/Acc'ting		
	d. Overhead		
7.	Total Costs		\$ 399,332
8.	GROSS SELL OUT PRICE		\$ 2,100,000
9.	Mortgage Balance	(-)	\$ <u>746,566</u>
10.	Sub-total		\$ 1,353,434
11.	Costs	(-)	<u>399,332</u>
12.	NET		\$ 954,102
13.	Equity	(-)	\$ <u>560,212</u>
14.	PROFIT		<u>\$ 393,890</u>

Simple Cash Return on Investment 41%.

DEBT SERVICING COSTS

3. Mortgage Balance \$746,566 Rate: about 5%* (1964 mortgage)

4.	<u>Year</u> 15	<u>Interest</u> \$37,328	<u>Repayment to Principle</u> Unknown	<u>Balance</u>
		(3 months \$9,332)		

*Prime Interest Rate in 1964. No HUD statistics available on mortgages prior to 1967.

up to about \$390,000 (line 6). Thus, his total costs for the project are \$399,332 (line 7).

The gross sell-out price on the building would be \$2,100,000 (line 8). After deducting the mortgage balance this would leave the converter with \$1,353,434 (line 10) which nets to \$954,102 (line 12). After deducting the converter's equity investment, the profit remaining is \$393,890 (line 14). The converter has made a simple cash return on his investment of approximately 41%.

The converter's internal rate of return would actually be much higher since the conversion creates several tax advantages for him. First, the income from the sale of the units is treated preferentially because it is a capital gain (which was taxed at a maximum rate of 35% prior to the 1978 Tax Reform Act and is taxed at a maximum rate of 25% since the time that the Act has taken effect). Second, he can deduct some depreciation while he holds the building. Third, his taxable gain after selling the units is also less because he can deduct the undepreciated basis of the building. Thus, the gain which is taxed is not the \$2,100,000, but this figure minus the undepreciated basis. Further, the debt servicing costs (mortgage interest) and the property taxes he paid during the two year period in which he held the building are also deductible. Finally, most properties show a loss during the conversion period. Thus, the converters can deduct this from

their taxable income.

The incentives to convert seem to far outweigh the incentives to hold or purchase rental property. According to its staff, the Rent Control Board allows an annual rate of return of anywhere between 6% and 11%. Assuming that the conversion took a total of two years (72% of the units were actually sold before the end of the first year in this conversion), the converter's rate of return was 41% for two years (equivalent to an annual rate of return of 20.5% had he received his profit evenly over the two year period). In order to make a similar profit on a rent-controlled rental property, a landlord would have to hold it for almost four years even if the maximum rate of return were allowed.

According to one large real estate company the annual rate of return for a non-rent-controlled rental property in the Boston area (which has been held for ten to fifteen years) may be anywhere from 5% to 15%. And according to another, this return is usually between 10% and 12% for the successful properties.¹⁰ Thus, in order to make a profit similar to the converter's, a landlord holding a successful non-rent-controlled property would have to hold such a property for almost three and a half years. And according to one large real estate firm it is impossible to make the types of returns referred to above if one is buying rental property today because costs (primarily financing) are so high.¹¹

Further, the converter's tax advantages far outweigh the landlord's tax situation since all of the converter's income from the sale of the units is taxed at the advantageous capital gains tax rate while the landlord's income is taxed at the normal rate. And the converter has received all of his profits in today's dollars (which are more valuable than tomorrow's dollars) while the landlord's profits are spread over the period during which he holds the property.

The only advantage of holding the rental property appears to be that it provides a steady stream of income which is probably most appealing to the small investor. This type of investor probably does not have the liquid capital or financial connections necessary to do such a conversion. However, for the large investor, specifically large real estate concerns, a steady stream of income is unimportant, and the substantial profits and tax advantages which conversions provide are quite appealing.

Conclusions About the Decision to Convert

This analysis suggests several things about the decision to convert. Firstly, it suggests that prior owners of rental property are motivated in part by Rent Control and in part by other financial considerations. Secondly, it suggests that conversion is lucrative for both sellers of rental property and purchaser/converters. Sellers are able to obtain higher sales prices if they sell the buildings for conversion than if they sell the buildings as rental property. And purchasers are able to

profit on conversions because of the disparity between the purchase prices of these properties as rental buildings and the gross sell-out price of the buildings as condominiums. One probable cause of this disparity is that the purchase prices of the buildings are depressed due to controlled rents. Although sellers are obtaining better prices for their properties as potential conversions, they are not obtaining the maximum prices which they could obtain if the rental income were higher (which it undoubtedly would be without Rent Control).

This suggests that without Rent Control there would be less of a disparity between the purchase price and the sellout price. Perhaps this disparity would be so much less that conversions would not occur.

All of the individuals representing large real estate concerns were asked whether they thought conversion would continue or would occur at all in the absence of Rent Control. Although many said they thought the rate of conversions would drop (considerably according to some, minimally according to others), none thought that conversions would not occur.

However, the depressed nature of the purchase prices also suggests that even with Rent Control, as landlords become more aware of the greater value their properties hold for converters, the purchase prices would eventually rise, the gap between low purchase prices and high sell-out prices would

narrow, and conversions would slow down and perhaps eventually cease.

The analysis above presumes, however, that the disparity between value of a property for rental and its value for condominium sales is due only to the depressed sales price. If demand is strong enough to absorb increased sales prices so that the disparity would not necessarily narrow as purchase prices go up, then the role of Rent Control is lessened. Thus, it is necessary to examine demand through converters' eyes in order to determine their assessment of its relative strength.

Perceptions of Market Demand Among Converters

Converters' Views of Demand and Future Prospects

Several converters when asked why they chose to develop condominiums in Brookline pointed to the unsatisfied and intense demand for condominiums in general and for ownership of residential property in Brookline. Many seemed to feel that this demand is far from satiated. It is these perceptions and the perceptions that people are willing to pay a premium for ownership which suggests that the disparity between the value of these multi-unit properties as rental buildings and the value of the same buildings as condominiums is not entirely due to depressed selling prices, but may also be in large part due to the inflated values of individual units as condominiums.

Almost every converter interviewed contends that at least one of two factors account for the recent and current levels of demand for condominiums in Brookline--1) economic factors which are making condominium ownership more popular and 2) the desirability of the Town.

"Current inflation and the economy have made people more aware of the advantages of owning versus renting" stated one converter. Another stated that condominium owners "are [the] biggest promoters" of condominiums. They and the press are "our best sales people" because they're "constantly talking about the increase in value [of condominiums/real estate] and

inflation." Another converter stated that ownership is "such a good hedge against inflation that people are not afraid of high interest rates." Another felt that several factors account for the high levels of demand for condominiums--1) "the buy now, rather than later attitudes" which are prevalent today, 2) [the state of] "the housing market in general," 3) "the increased number of single adults (e.g., single women, divorced parents)" needing this type of housing, and 4) the lack of availability of "middle priced housing for first-time purchasers." "It is this traditionally large part of the market [first-time purchasers] which has been priced out of the market."

Several converters when asked about demand for condominiums in Brookline pointed to specific features of the Town which make it particularly desirable. Said one, "Demand is higher than supply because it's a desirable Town. [Its] real estate values are good and are rising. The quality of the public schools [adds desirability]. The Town is close enough to Boston to have the same advantages (e.g., an urban character) without the disadvantages (e.g., Boston's taxes and crime)." Another stated, "Demand [for condominiums in Brookline] will increase due to Brookline's proximity to Boston. [This proximity has become even more desirable in light of the oil crunch." A third converter gave these reasons for current levels of demand, "Brookline has a fine school system; the

Town is fairly well-run, and it's close to Boston." Another similarly said, "Brookline is desirable due to its services, location, and schools."

Almost all stated, when asked about the likelihood of a continuing demand for condominiums in Brookline, that demand is likely to increase. None of the subjects stated that they think it is likely to decrease. Demand will increase, said one, because of "the housing shortage and the price differentials between single family homes [and condos] in value and costs. People cannot afford to buy single family homes." "Demand will grow," stated another, "everyone--older people, young families, young marrieds, professionals--is willing to purchase over paying higher rent."

Marketing

The lack of emphasis placed on marketing by converters further indicates why converters perceive such intense demand.

Half of the converters interviewed stated that they geared their marketing of the condominium units simply towards tenants living in the building and the public in general and stated that there was no marketing aimed towards specific types of population groups. Although the other half stated that they did gear their marketing to particular population groups, most did not use any different marketing techniques than the group mentioned above.

In most cases converters used one or more of the following marketing methods: classified newspaper advertisements, a sign on the building or premises advertising the sale of the units, and a model unit open for viewing by prospective purchasers. (Only in one case where the converter specifically sought single young professional people as purchasers was another marketing technique mentioned. Specifically, advertisements were placed in cultural events programs.)

Marketing costs, given by the converters interviewed, range from zero to a maximum of 2 1/2% to 3% of the total costs incurred by the converter for each project. According to the breakdown of costs supplied by the converters in Sample B, the only significant expense in this area is the model unit, and this technique was used by only a few converters. At least one converter however, mentioned that much of this cost may be recouped by reselling the contents of the unit. A few converters stated that their marketing costs were minimal because of the intense demand for the units. Three converters had zero marketing costs. One such converter of a partially converted (that is partially sold out) building stated that no marketing ever had to be undertaken because word of mouth and interest generated from a previous conversion resulted in purchase offers on all available units even before the time the firm intended to begin marketing.

With the exception of one small building where all of the tenants purchased units, the sales process for conversions taking place prior to 1977 ranged between four months and fourteen months, according to converters (see Table 4-2). Although it is difficult to obtain an exact sense of sales periods for buildings converted in 1977 and 1978 because many sampled were caught in the moratorium on evictions voted last November, it appears that sales have gone somewhat faster in the more recent conversions. (See Table 4-2). One large building took between fifteen and sixteen months to sell out. However, two buildings in the moderate size category took only two and a half months and seven months to completely sell out. For the rest of the buildings where 50% or more of the units have been sold, the time period has varied from three months to eight months.

It should be noted that the data in Table 4-2 was obtained by asking converters how long it took to sell all of the units. However, the word "sell" was not defined in any particular way. Therefore, some of the converters may have been using the time by which they had offers and deposits on the last units, while others may have been using purchase and sale agreements as a reference, and still others may have been using actual closings or the legal transfer of ownership for all units to define the sell-out period. Based on the assumption that such variation exists in the data and based on the

TABLE 4-2

LENGTH OF SALES PROCESS FOR CONVERTED UNITS

	<u>Marketing Period</u>	<u>Size of Bldg.</u>	<u>Year of Conversion</u>
1)	14 months	small	1971-76
2)	1 year	medium	1971-76
3)	1 1/4 - 1/3 year	large	1977-78
4)	3 months, 89%	large	1977-78
5)	1 1/2 year	large	1971-76
6)	No data	small	
7)	2 1/2 months	medium	1977-78
8)	4-5 months	large	1971-76
9)	8 months, 72%	large	1977-78
10)	3 months, 95-99%	large	1977-78
11)	6 months, 71%	large	1977-78
12)	All purchased by tenants	small	1971-76
13)	6 months 50%	medium	1977-78
14)	7 months	medium	1977-78
15)	3 months, 50%	small	1977-78
16)	3-4 months, 50%	large	1977-78

Percentages given indicate the amount of units sold.

projected extra months it would take to sell out the remaining units in the buildings currently frozen in the conversion process, it appears that the average sell out period for the sampled converted buildings is roughly nine months to one year. Some of the smaller buildings, however, tend to sell out in shorter time periods.

Although there are no standards against which to compare these sell-out periods, the fact that some converters have not had to concentrate any substantial resources in marketing reflects not only the intensity of demand but further substantiates the desirability of the units.

Purchasers

According to converters, an average of approximately one-third of the units in the sampled properties (Sample B) were purchased by prior tenants. And an average of another third of the units in the sampled properties (Sample B) were purchased by persons previously residing in Brookline (see Table 4-3). This data must be qualified by several factors. Foremost among these qualifications is the fact that it is based upon perceptions of converters. Data regarding the number of purchasers previously residing in Brookline was not obtained for all sample properties (see Table 4-3). Further, calculations for both the number of previous tenants and previous Brookline residents purchasing the units in each building

TABLE 4-3

PURCHASERS OF CONVERTED UNITS

<u>Approximate Percentage of Prior Tenants Who Purchased Units</u>		<u>Approximate Percentage of Brookline Residents Who Purchased Units</u> (includes percentage of prior tenants who pur- chased)	<u>Size of Bldg.</u>	<u>Year of Conver- sion</u>
1)	30%		small	1971-76
2)	21%		med.	1971-76
3)	8%		large	1977-78
4)	5%		large	1977-78
5)	22%	30-33%	large	1977-78
6)	50%		small	1971-76
7)	25%	42%	med.	1977-78
8)	25%	70-76%	large	1971-76
9)	25%	60%	large	1977-78
10)	50%	70%	large	1977-78
11)	73%	80%	large	1977-78
12)	100%	100%	small	1971-76
13)	38%		med.	1977-78
14)	11%	50-60%	med.	1977-78
15)	20%	20%	small	1977-78
16)	33%	72%	large	1977-78
Mean	33.5%	60.3%		
Percentage:				

Data Obtained from Sample B.

Where building not sold out calculations based upon the number of units sold.

were made on the basis of number of units sold for seven buildings which have not been completely sold out. Finally, some percentages were calculated by the researcher on the basis of definitive numbers of units given by the converters, yet other percentages represent estimated percentages given by the converters.

If this data proves to be an accurate reflection of the number of previous tenants and Town residents purchasing units, then it will probably change the assumptions of many regarding the amount of dislocation caused by conversion. The most important information in this regard is from what types of housing that segment of non-tenant Brookline residents (which converters think to constitute close to one-third of all purchasers) come. If such residents are vacating other similarly priced rental units which are not undergoing conversion, the pressures on the Town's rental property is likely to be a great deal less than if such residents are leaving other types of housing (such as other owner-occupied units).

According to converter perception, the predominant groups of purchasers are young working/professional people (either singles or childless couples in the 25-40 age range) and older people (either "empty nesters"--those 55+ or older persons--age 65+). These populations would seem to corroborate the way in which desirable locations are defined. It

is logical that older people would want to be living in close proximity to shopping and transportation. However, this description of purchasers seems to contradict the disproportionately high number of three bedroom units (roughly a 10% higher incidence) which have undergone conversion (according to Sample A). It does however, support the theory that purchasers desire spaciousness in units (in terms of the number of rooms).

The buildings which are attracting other populations (either those of mid-life age range--35-45--with children, or young families with children) are those buildings with larger units (three or more bedrooms). Also, the sampled buildings which have attracted more of these populations are the smaller buildings (3-10 units).

Although the majority of converters alluded to demand as primarily coming from young working, professional, or older population groups, many made other statements supporting the theories that a substantial amount of demand exists among young families with children.

One converter characterized demand for different types of units: "For family-sized units (three bedrooms or more), its ravenous. For small, one bedroom units [catering to the] single person, its high. And for the better quality elevator type buildings where older wealthy people have lived in the past, its moderate." Further, many converters listed as

primary among Brookline's desirable characteristics, which presumably create a large market of potential purchasers, the Town's reputable school system. If this is drawing potential purchasers from outside of Brookline into the Town, it would seem logical that many of such persons or families with school-age children would be looking primarily for units with three or more bedrooms. And, if as another converter stated, the demand for condominium ownership is primarily coming from the group of "would-be" first-time purchasers who have been priced out of the market of single-family homes, it would seem logical that many of these purchasers would be families with young children.

This analysis may have a more than one implication. First, it should caution against overemphasizing the importance of the childless population groups (i.e., young singles and those in the 55+ age category) in the demand sector. Second, it may mean that there is a strong, but as yet unsatisfied, demand from such population segments as young families with children (for larger units). This demand is probably unsatisfied due to the nature of the majority of buildings which have undergone conversion thus far (primarily those with one and two versus three or more bedroom units) according to Sample A.

Obviously, converters sense intense demand for condominium ownership from several sectors of the population. They feel

that it will survive and grow in the Brookline market. And if the theories postulated above are correct, potential levels of demand have not been satisfied by the current supply of condominiums.

The preceding analysis of converter perception of demand suggests that converters sense that there is greater demand for condominium units in Brookline than the available supply. Where demand exceeds supply in this manner, people are usually willing to pay higher prices. Thus, it is logical that if sellers raised the sales prices of their buildings, demand could absorb some of this price increase.

Conclusions

There are several conclusions which can be drawn from the analysis presented in this chapter. (1) Landlords are motivated to convert at least in part by Rent Control, and for most economic factors are prevalent in the decision to convert. (2) Conversions are obviously lucrative for both sellers and purchasers of property. (3) The lucrative nature of conversions is caused by the disparity between the value of a building as a rental property and the value of a building as condominiums. (4) This disparity is caused by both depressed selling prices of rental properties due to Rent Control and inflated selling prices of individual condominium units due to intense demand for ownership.

Based upon this analysis, this researcher believes that, in the absence of any regulation with regard to conversion, the following would occur. Sales prices of the rental properties would be likely to rise as landlords became aware of their greater leverage with purchaser/converters. Demand would probably be able to withstand such price increases for at least the rest of the "best" units (newest, those with the most convenient location, etc.).

Simultaneously more landlords would probably attempt to convert their properties on their own as they realized that converters' profits represent the difference between their selling prices and the selling prices of the individual units.

Those landlords with the "better" units (as defined in Chapter II) who have the available capital or further financing capabilities (i.e., where the building does not already have multiple mortgages) for any necessary rehabilitation would probably be successful in their attempts. The success of others' attempts to convert would depend upon the true levels of demand in the market.

V. IMPLICATIONS FOR POLICY-MAKING

What does the preceding analysis mean for policy-making in Brookline or in other communities? If the current levels of demand for ownership and the disparity between the value of rental property and the value of owner occupied property continue or increase, there is probably little that policy-makers in Brookline or elsewhere can do to actually stop the phenomenon of conversion. How then are policy-makers to deal with a situation causing emotional and political havoc in their community?

Certainly one way to deal with the situation would be to simply allow market forces to take control. Another would be to consider policies which might aid in slowing conversions by changing some of the local policies which seem to be exacerbating the problem.

For instance, the Town could change its land use policies. One such policy alternative which might aid in slowing conversions would be to use the Town's zoning and tax powers to attract the construction of new condominiums in the Town. However, since the Town has little available land in its northern sectors, any significant amounts of such construction would have to be focused in Census Tracts 4011 and 4012. Given that locational factors appear to be so important in conversion, however, suggests that this alternative would only grant those properties under pressure (specifically those in the Coolidge Corner area and along lower and upper Beacon Street) partial relief and thus do little to actually stop conversion.

Another policy that the Town could reconsider or revise would be its Rent Control policy which was enacted to deal with a housing shortage thought to be temporary, and which is now partially fueling the recent trend of conversions. It is obvious that although Rent Control did provide some relief from the symptoms of that problem -- by stopping rent exactions, it did little to solve the problem.

One way to achieve the objective of slowing or stopping conversion, based upon the theory that only the "better" units are likely to undergo conversion, would be to allow for quality differentials in rents among rent-controlled properties. If landlords of these properties were able to charge higher rents, commensurate with the levels of demand for the units, the selling prices of these rental buildings would rise proportionately. Further, the rate of returns on these buildings would increase, thereby encouraging landlords to maintain them as rental properties. But this would only slow or stop conversions to the extent that they are primarily caused by depressed prices due to Rent Control or landlords' desires to sell or convert due to Rent Control.

Further, one consequence of doing this would be that some tenants in these buildings would be dislocated because they could not afford the higher rents. And it is precisely this problem which the recently enacted policy sought to address. This suggests that the Town's actual desired objective is really more narrow, and that it is to assure all tenants residing in the Town of a relatively moderate priced

rental unit in which to live. If this is a more accurate reflection of the Town's objective, then the policies which should be considered are those which would alleviate the pressure on the Town's rental stock.

A policy alternative which would achieve this more limited goal would be use of the Town's zoning and tax powers in such a way so as to attract additional rental construction in the Town to offset the loss of units due to conversion. In order for this to be effective in serving the needs of tenants displaced from converted units, such policies would have to be designed to insure that (1) the new units would be of similar rent levels to those undergoing conversion, (2) displaced tenants would have to have priority in obtaining such units, and (3) the owners of such properties would agree to no future conversion.

The primary constraint of this policy is similar to that of the policy option of constructing new condominiums. The only area with significant amounts of available land is Census Tracts 4011 and 4012. Construction of rental units in this area would mean that many tenants could be assured of places to live in the Town, however, it would certainly mean that they would be forced to sacrifice convenient or desirable locations.

Further, to the extent that the Town would have to subsidize some of these rental units, perhaps it would not wish to do so for all tenants but only for tenants who could not afford other available units in the community. Thus, perhaps

the Town's true objective is to protect the rights of all tenants, insure that sufficient rental units are available to meet the needs of all dislocated tenants, and to actually assist only those tenants who cannot afford to purchase their units or to rent other available rental units in the community. Such objectives and policies issuing from them could be pursued without infringing upon the rights of property owners to convert their properties. This balancing concern of the community ultimately becomes a question of how to maintain a balanced housing supply which will meet the needs of all of the Town's housing consumers.

The policy options which have been presented here demonstrate the variety of policies which can be explored, the likely impacts of each, and the objectives each would achieve.

Although this researcher and others can demonstrate and suggest the implications of particular policies, policy-makers in the Town must clearly define and "prioritize" the objectives which they wish to achieve and develop a framework for evaluating whether alternative policies which they consider will actually meet those objectives.

In the opinion of this researcher, the most logical objectives for policy-makers in Brookline to pursue would be to attempt to ameliorate the consequences of conversion, to attempt to satisfy some of the demand for condominiums and to counteract some of the incentives to convert in order to attempt to contain conversions. Although many of the policies presented and discussed in the preceding paragraphs would do

little by themselves to slow or stop conversions, in combination many of them could achieve the more realistic objective stated above. Proposed policies based on such objectives follow in order to provide policy-makers with a model for discussion and consideration.

Proposed Model: Objectives and Policies

Objectives

1. To protect the rights of tenants in the conversion process

2. To meet the housing needs of the community for both rental and ownership housing.

Policies

1. Regulate conversions with respect to:
 - (a) a minimum notification period to tenants before converters can begin to market the units
 - (b) the amount of time tenants are given to relocate (as has been done)
 - (c) the obligations of converters to provide assistance to tenants in need.

2.
 - (a) Plan for new condominium construction by zoning and planned development concepts to maximize efficient land usage.
 - (b) Plan for new rental construction -- mixed income -- by zoning and tax incentives, if necessary, to attract construction which would meet the following conditions:
 - 1) displaced tenants would have priority in obtaining such units
 - 2) owners of such property would agree to no future conversion. Such plans would necessitate assessments of the

"community's needs" based upon data regarding the units which have undergone conversion, the tenant population currently residing in the Town's rental housing, and the condominium purchasers.

- (c) Institute an assistance program for tenants financially unable, but desiring to purchase their units. Examples of this would be the revolving loan fund previously mentioned.

- 3. To encourage landlords to maintain rental properties as such and to upgrade the rental stock.

 - 3. (a) Make better use of community development funds with special programs designed for the rehabilitation of multi-unit, particularly large multi-unit rental properties.
 - (b) Re-examine the Rent Control capital improvement adjustment system in order to determine which landlords (of what types of properties) are utilizing the system and which are not. Consider re-design of this system.

- 4. To protect the rights of property owners to convert if they desire to do so.

 - 4. Allow market forces to operate in hopes that as landlords raise the sales prices of their properties and as new construction may satisfy some of the demand, the rate of conversions will actually be slowed.

The preceding recommendations are, it is recognized, an intricate series of proposals which would require creativity and foresight to design and implement. However, if this document has convinced the reader of nothing else it at least should have conveyed the fact that conversion is not a simple tenant problem nor a simple landlord problem, but a complex housing problem. And for complex problems there are no easy answers.

Footnotes--CHAPTER II

¹Brookline Planning Department, U.S. Census Data from Comprehensive Community Development Plan: Community Profile: Major Indicators, 1978.

²The ratio of population/acre range from 16.38 to 35.2 in this part of the Town.

³U.S. Census Data totaled for Census Tracts 4001, 4002, 4003, 4004, 4005, 4006, 4007, 4008, 4009, and 4010.

⁴Brookline Planning Department, Report of the Housing Study Committee, November, 1976, p. 4-1. It should be noted that the 1970 population figure used in this report by the Planning Department is 58,099. Since the author did not know why the Planning Department revised number generated by the U.S. Census, the original figure, 58,689, is used throughout this document. It is assumed that the difference is not substantial enough to make a significant difference in any conclusions drawn from this document.

⁵The percentage of Chinese or other Asian Americans living in these Census Tracts ranges from 4% to 6% according to 1970 U.S. Census Data.

⁶This observation is based on the researcher's own knowledge of the population in the area having been a resident there for over five years. Also, this may be documented by the number of stores so ethnically identified (e.g., Kosher butcher shops and bakeries) and synagogues--both in the immediate Coolidge Corner area and throughout Brookline.

⁷The percentage of persons of Irish descent living in these Census Tracts ranges from 6% to 20% according to 1970 U.S. Census.

⁸In looking towards 1980 the Brookline Planning Department projected a stabilized elderly population (15,700 persons age 60 or older compared to 15,744 in 1970) given no significant change in the housing stock. Brookline Planning Department, Report of the Housing Study Committee, November, 1976, 4-1.

⁹Stein, Robert, An Economic Overview of the Property Tax in the Town of Brookline, A Report of the Advisory Committee for the Town of Brookline, January, 1975.

¹⁰Ibid.

¹¹According to the Massachusetts Taxpayers' Foundation, Brookline's tax rate ranks eleventh among communities in the Commonwealth upon an equal value tax rated basis.

¹²The author considers herself to have been a participant observer having been a Town resident from 1973 through 1978.

¹³Brookline Planning Department, Comprehensive Community Development Plan: Community Profile: Major Indicators, 1978.

¹⁴Units in buildings built after 1970 were added to the total number of rental units according to 1970 U.S. Census data. That number according to the Planning Department was 16,585. According to the Building Department's Building Permit List the number of additional units in buildings constructed as rental buildings was 2,024.

¹⁵1970 U.S. Census.

¹⁶Brookline Planning Department, Town Wide Summary, Comprehensive Community Development Plan: Community Profile: Major Indicators, 1978.

¹⁷Ibid. According to the Brookline Planning Department 11,568 units are in buildings with five or more units. According to the Building Permit List there are 6,290 units in buildings with five or more units which have been built since 1940. ($6,290/11,568 \sim 54.37\%$). Thus, about 54% of the total number of units in buildings with five or more units have been built since 1940, and 46% were built prior to 1940.

¹⁸Same derivation. 2,099 units are in buildings with five or more units which were built between 1970 and 1977. ($2,099/11,568$ 18%).

¹⁹An increase of approximately 11.4% was granted in 1975 for both 1974 and 1975. If a property receives an individual rent adjustment within a certain time period, the General Adjustment is not given for that year.

²⁰The vacancy rate for rental units was approximately 1.6% according to 1970 U.S. Census.

²¹Data was obtained from the list of Building Permits, 1940 through 1977. Units in buildings constructed by the Brookline Housing Authority are not included in these numbers.

²²The Building Permit List is up to date through 1977. Only one permit was issued during 1977.

FOOTNOTES--CHAPTER III

¹Interview with John Spear, Assistant Director, Brookline Rent Control Board.

²A few two-family units have undergone conversion. However, these units were eliminated from the list of conversions in Appendix A in order to focus on multi-unit buildings. Inclusion of these units would bring the percentage of previously rent-controlled stock down to 87%.

³Vintage for the converted properties was derived by comparing the list of conversions to the list of Building Permits (post-1940).

⁴Ibid.

⁵Ibid.

⁶Krohn, Roger G. and Fleming, E. Berkeley, "The Other Economy and the Urban Housing problem; A Study of Older Rental Neighborhoods in Montreal," Working Paper No. 11, Harvard-MIT Joint Center for Urban Studies, 1971-1972.

⁷Brookline Planning Department, Indicators of Housing and Community Development Needs For the Town of Brookline by Planning Areas, 1978.

⁸Conversation with administrator of Community Development Program in Brookline Village.

⁹This primarily occurs when there is a dining room which makes a two-bedroom unit a five room unit or a three bedroom unit a six room unit.

FOOTNOTES--CHAPTER IV

¹Although most of the analysis in this section will be based upon data gathered in Sample A or Sample B, the researcher in structuring the samples obtained enough information to at least identify almost every converter responsible for the conversions listed in Appendix A by profession or minimally by the status of their involvement in the real estate field.

²At least 17-18 conversions listed in Appendix A were handled by about four-five individuals doing multiple conversions.

³A review of all properties listed in Appendix A resulted in approximately 41 conversions identified by status of converter (either as prior owner or purchaser). This review appears to confirm the results of Sample A. Approximately 30 properties have been converted by the prior owner (although in a few cases the prior owner may contact with an outside developer to do renovations and/or marketing). The vast majority of these properties were small properties, however. A total of 11 properties are known to have been purchased by outside investors. If all other converted buildings are in this category, however this would mean that the division between prior owners converting and outside investors purchasing is about equal.

⁴Initially a list containing the names of the legal owners of the building and sellers of the individual units, as they appeared on the Master Deed filed for each property was obtained. The use of "straws" or names of "nominees" were weeded out through discussions with persons knowledgeable about real estate in Brookline and familiar with the individual properties, telephone conversations with converters other than those interviewed, visits to the properties, and discussions with the interview subjects. Although data was obtained only for certain preselected buildings (see Appendix B), the addresses, size, and Rent Control status of other properties converted by each converter was verified at the interview. "Convertership" for approximately 60% to 75% of the properties listed were verified by a number of these methods. Based upon this data, there are approximately 42 individuals who have converted the properties listed on Appendix A. (11/42 ~ 26%).

⁵The subject statements indicated that he objected to Rent Control from an ideological standpoint. Further, he stated that he did not wish to put up with any of the paperwork required by the Rent Control Board for individual adjustments, and that he knew that the Board was biased towards tenants on the basis of his friends' experience in going before it.

⁶This owner owns between 6-12 other Rent Controlled properties.

⁷Telephone conversation with Mr. Anthony Damaddio, Greater Boston Real Estate Board, May, 1979.

⁸Memorandum to the Rent Control Board, From William P. Mitchell, Regarding: Multiplier Update, March 14, 1978.

⁹Financial data was obtained through interviews--see Appendix C. Further, the purchase price, mortgage amount, and sales prices of the units were verified by examining the deeds at the Norfolk Registry of Deeds in the case used for the financial analysis and for some of the other conversions.

¹⁰Some of the large real estate concerns who were interviewed about conversions were also asked these questions in order to obtain such data for reference. The firms quoted here are those which are active throughout the metropolitan Boston area.

¹¹Ibid.

APPENDIX A
LIST OF CONVERTED PROPERTIES

This list of converted properties was compiled by the Brookline Tax Assessor. Some new condominium construction which is included in the list has been crossed off. Also, the researcher has eliminated all two-unit conversions in order to focus on the conversion of existing multi-family structures with three or more units. The totals do not include these properties.

Three properties known to have undergone conversion in 1978 were also added by the researcher. This list should not be considered to be inclusive--particularly of conversions begun in 1978. Rather it should be noted that these are only the conversions presuming that others may have taken place or begun during the past year. It should be noted that many of the properties, particularly these for which the Master Deed was recorded in 1978, have only undergone partial conversion. That is, some units may have been sold and are now owner occupied, but other units in the same properties remain renter-occupied due to the moratorium on evictions for the purposes of conversion enacted by the Brookline Town Meeting, November, 1978.

Those properties which are noted with an asterisk (*) were Rent Control exempt prior to conversion. All other properties were under Rent Control prior to conversion.

DEED CORDED	BLOCK/LOT	LOCATION	NO. UNITS	LAND AR
65	442/1	11-13, 44-70, 53-67 Fairgreen Place	31	271,704
		<i>Built As Condo</i>		
-71	114/3	17-23R Carlton St.	5	15,000
-71	429/36	715-729 Hammond St.	8	22,370
-71	131/13	93 Perry St.	6	11,250
-71	419/6	41-47 Hammond St.	3	15,465
-71	155/4	20-30 St. Paul St.	49	49,665
-72	198/8	47-47a Cypress St.	4	16,538
-72	198/9	3-5 Gorham Av.	4	10,765
-72	107/22	12-16 Warwick Rd.	10	12,250
-72	126/17	81-83 Francis St.	6	6,000
-72	40/1a	216 St. Paul St.	24	14,279
-72	125/12	14 Marshal St.	3	4,950
-72	48/1-2	60 Babcock St.	68	30,941
-72	124/20	48-50 Marshal St. & 120-140 Sewall Av.	30	42,240
8-73	88/5-5a	80-82 Mason Terr.	2	15,775
2-73	22/1-6 13-18	14-26 Egmont St. & 15-25 Thatcher St.	37	63,252
4-73	214/39	70-80 Park St.	74	103,389
2-73	159/3a	55 Sewall Av.	25	11,500
		<i>Built As Condo</i>		
1-73	168/7	31 Harris St.	13	6,949
3-73	180/1	} 139 Davis Av. & 86 Cypress St. } } 76-78 Cypress St. }	4	9,445
3-73	180/2		L building	4
9-73	160/6	1243 Beacon St.	40	11,280
		<i>Built As Condo</i>		
-74	132/8	53-59a St. Paul St.	30	30,228
-74	37/1	2-22 Still St.	31	63,153
1-74	131/9	71-73 Perry St.	2	14,250
30-74	40/6-7	56-60 Browne St.	10	12,465
24-75	176/2	11-15 Davis Av.	9	8,701
2-75	440/13	242-244 Heath St.	2	35,119

10-13-75	224/21	359 Tappan St.	4	3,8
7-22-76	158/5-6	30 Stearns Rd. <i>Built as Condo</i>	30	18,2
8-13-76	314/11	72 Walnut St.	4	4,5
5-12-77	110/5	1856 Beacon St. *	26	9,7
6-9-77	221/15	16 Garrison Rd.	8	6,7
6-16-77	226/6	120 Beaconsfield Rd.	31	36,0
6-30-77	253/8	495 Boylston St.	3	4,3
8-25-77	170/37	77-83 Harvard Av.	12	21,0
9-16-77	218/6	7-9 Rawson Rd.	2	14,1
9-20-77	234/5	1793 Beacon St.	6	5,1
12-2-77	170/14	1-10 Auburn Ct.	30	27,1
1-6-78	223/9-10 19-20	311-325 Tappan St. 222-224 Rawson Rd.	56	76,1
4-6-78	41/14	23 Parkman St. **	3	4,7
4-14-78	43/25	76 Parkman St. *	3	2,1
4-25-78	212/5-8	563-573 Wash. St. & 86-94 Griggs Rd.	35	48,1
5-24-78	217/42	119-127 Winthrop Rd.	20	16,1
5-31-78	170/1	31-35 Park St. & 91 Harvard Av.	18	10,1
6-13-78	108/19	19-31a Englewood Av & 1-7 Lanark Rd.	63	90,1
6-15-78	47/16	50 Green St.	60	49,1
6-22-78	50/1	367-369 Harvard St. & 4-6 Stedman St.	12	12,1
6-22-78	141/12	13-14-15 Linden St.	22	12,1
6-26-78	69/7	144-148 Thorndike St. <i>Built as Condo</i>	2	8,1
7-13-78	224/1	11 Garrison Rd.	6	8,1
7-21-78	155/40	5-19 Alton Ct. & 31 Alton Pl.	30	26,1
7-25-78	22/9	120-126 Amory St.	18	19,1
7-25-78	59/6	202-208 Fuller St.	22	16,1
7-25-78	155/1-2	47-59 Alton Pl. & 50 St. Paul St.	27	25,1
7-25-78	171/55	399-419 Washington St.	61	21,1

AS PER DEED
RECORDED

BLOCK/LOT

LOCATION

NO. UNITS

LAND A

4-78	126/8	15 Francis St.	31	12,80
24-78	223/12	337-343 Tappan St. & 54-56 Garrison rd.	26	15,00
6-78	330/11-15	22 Chestnut Pl.	96	145,22
20-78	170/2	41 Park St.	42	28,90
20-78	132/13	33-39 St. Paul St.	27	24,09
19-78	78/16	107a-113b Centre St. - <i>Bo. 14 as Condo</i>	8	13,01
20-78	106/11	21-23 Warwick Rd.	16	8,26
21-78	125/8-11	137 Sewall Av. & 20-32 Marshal St.	16	19,86
1-78	41/5	12 Browne St. *	3	3,64
13-78	125/7	131 Sewall Av.	51	31,63
1-14-78	79/11	103 Winchester St.	3	3,23
1-14-78	79/12	105 Winchester St.	3	2,68
1-14-78	79/13	109 Winchester St.	9	3,32
1-14-78	79/14	3 Fuller St.	6	3,30
1-14-78	79/15	5 Fuller St.	8	5,81
1-14-78	26/1	115-137 Freeman St.	42	44,47
1-21-78	317/18	294 Walnut St.	5	19,68
1-22-78	141/25	48 Kent St.	8	8,02
2-8-78	164/13	125 Park St.	9	7,00
		50 Park Street	32	
		57-65 Babcock Street	30	
		89 Pleasant Street	6	

} 1 building

TOTAL: No. of Buildings 62 1467

* Rent Control Exempt

** Conversion From Owner-Occupied Cooperative to Condominiums

APPENDIX B
SAMPLE CONSTRUCTS

Initially it was anticipated that one sample of approximately 30 properties could be obtained for all research purposes relevant to this document. This would constitute about one third (32.26%) of the total number of properties, and the main variable which would be controlled within the sample would be building size -- that is, a representative number of each of the three size categories of buildings (see Table 2-1) would be included. However, due to the constraints of depending upon individual converters as a source of data, this goal was not achieved.

The first phase of the data collection was individual interviews with converters. (See Appendix C -- Data Collection Instruments for Interviews.) Using a list of all converted properties (see Appendix A) with corresponding names from the Master Deeds for each property, individual converters were contacted. This was not done on a truly random basis, but rather on the basis of knowledge about how to contact or locate these individuals. As a result, those persons with the highest amount of visibility (i.e., those who are known real estate developers or who are associated with known real estate firms or concerns) were contacted first and were more likely to be contacted generally. It turned out that most of these persons were involved in the conversion of the moderate or large size properties.

Once a sufficient number of interviews was obtained in both the moderate and large building size categories, further efforts were made to contact persons responsible for the conversion of properties with 3 - 10 units. However, these efforts were less successful. Some of these individuals simply could not be contacted because of unlisted telephone numbers, unknown addresses, and unknown places of business. Other of these individuals refused to talk to the researcher. As a result, data regarding both small buildings and the perspective of small landlords/real estate people is ver much under-represented in the data collected directly from converters. The buildings for which data was collected in this manner (i.e., by interview) comprise what is referred to throughout this document as Sample B.

Sample B is comprised of data regarding 15 properties. The sample properties are divided by size category in the following manner:

	3 - 10 units	11 - 25 units	26 + units	Total
No. of Bldgs.	4	4	8	16*
No. of Units	32	70	361	463

* All except one building were previously under Rent Control.

Some data regarding rental levels prior to conversion, unit sizes, and individual adjustment history were obtained

directly from the interviews with converters. However, in order to obtain fairly exact data, this information was verified for properties previously under Rent Control using files in the Rent Control Board office. Thus, similar information could be obtained for other converted properties in order to expand this aspect of the sample data closer to the original desired size. So, data was gathered in this manner for three additional small properties, bringing the total number of buildings with 3 - 10 units to 7, the total number of units in small buildings to 52, and the total number of buildings and units in this sample to 18 and 457, respectively, (exclusive of one property not previously under Rent Control). This sample is referred to as Sample A throughout this document and is inclusive of Sample B with the exception of the one building not previously under Rent Control which is covered in Sample B.

APPENDIX C

DATA COLLECTION INSTRUMENTS USED IN
INTERVIEWS WITH CONVERTERS (SAMPLE B)

HOUSING SUPPLY QUESTIONNAIRE #1: Questions to be Asked of Converters

1. Establish property(ies) converted and number of units in each building. Also, establish whether converter owned as a rental property.
2. (If necessary) is real estate development your profession? (In/Outside of Brookline)
 - a. If answer to above is yes:
 3. Is developing and selling condominiums a usual part of your business?
 4. Do you generally market them yourself or use an agent outside of your office or company? (If so) who did this (these) property(ies)?
 5. a) Why did you decide to develop and sell condominiums in Brookline?
 - b) Why did you decide to use an existing piece of rental property in Brookline which is of an older vintage (if applicable) to develop and sell condominium units?
 - b. If answer to #2 is no:
 6. How and why did you decide to purchase the property, convert the units into condominiums and sell them as such?
7. Who was your marketing aimed at--what type of population? Were those

the type of people who actually purchased? If not, what was the type of population? Where were the actual purchasers from--Brookline or elsewhere?

8. What are the general size configurations of the units in the property which was converted (number of bedrooms, rooms)?

9. What was the purchase price of the property?

10. What was your source of financing (e.g., conventional first mortgage financing, financing from the seller, a combination of the two, takeover of the mortgage)?

11. (If not obvious from answer to above) was lender same lender as prior mortgagee?

12. a. What is the term of the mortgage you obtained?

b. What are the terms of the mortgage (interest rate, any specific requirements other than the general terms of the mortgage--e.g., were any repairs/improvements required by the lender)?

13. Specifically, what kind of property improvements, if any, did you make? What kind of costs did you incur for such improvements? Was the number of units in the building changed?

14. a. What prices were the units offered at initially?

b. What were the actual sales prices of the units?

c. Did you expect that any fluctuation would occur? (If there was) to this extent?

d. Were there any arrangements to provide financing for purchasers? (From bank?)

15. Were any discounts offered to tenants residing in the building? How much?

16. Can you itemize the costs incurred in selling the units--

a. Commissions?

b. Marketing costs--nature and extent of marketing?

c. Overhead costs, including salaries, office, model unit, telephone, etc.?

d. What were the average monthly carrying charges for the financing?

e. What were the legal and accounting costs?

17. a. During the sell-out period, taking into account the income which you were receiving from the building and the expenditures which you were making, did you have a negative or positive cash flow?

b. (If the cash flow was negative at any time) at what point did it become positive?

18. From the time you commenced marketing the units as condominiums, how long did it take you to sell:

a. 25% of the units;

b. 50% of the units;

c. 75% of the units;

d. 90% of the units;

e. 100% of the units?

19. Was the time-frame you just outlined what you had anticipated? Were there any particular problems in the conversion that you encountered?

Would these problems stop you from converting other properties (or have they)? Would they change the way you'd do anything?

20. a. When you signed the purchase and sale agreement, how many of the units were vacant?

b. What kind of tenant population was living in the building?

c. Had any arrangements been made between yourself and the seller of the property relative to vacancies? (Explain)

d. By the time you started actually selling the units, how many were vacant?

21. How and when were renters residing in the building notified of the conversion?

22. Were renters approached as potential purchasers of the units?

a. (If so) by whom? At what point in time during the conversion process? How?

b. (If not) why?

23. How much time was given to tenants to make the decision to buy or not to buy? (If applicable.)

24. How much lead-time was given to tenants who did not desire to purchase condominium units to relocate?

5. a. Were any relocation services or other assistance offered to tenants occupying the units? What were they?

b. Were those relocation services available to all tenants?

- c. If the relocation services were not available to all of the tenants, what categories of tenants were they available to?
 - d. How many of the tenants accepted the relocation services offered?
 - e. What costs did you incur in providing such services?
26. How many renters residing in the building when you purchased it actually purchased the units?
27. Do or have you in the past had any interests in the management company for the property?
28. Explain problems with converting on unit-by-unit basis.
29. Given an unrestricted market, do you think there is likely to be a continuing demand for condominiums in Brookline? Do you think this demand will increase or decrease? Why?
30. Given restrictions on the way you had to go about conversions (e.g., delaying evictions--as has been done, minimum notice requirements before conversion, full building code inspections, offset requirements, etc.) could you afford to continue to convert? Would you? Do you think the restriction passed in July which stipulates the unit purchasers must obtain the eviction certificate has been a deterrent for any purchasers?
31. Who did you purchase the building from? Do you happen to know if the person is still in the area?

HOUSING SUPPLY QUESTIONNAIRE #2: Additional Questions to be Asked of
Prior Owners

1. How much residential rental property do you presently own? Do you presently own residential rental property in Brookline? (If yes):
 - a. How many buildings and what are their sizes in terms of number of units? Are they different or similar in size to the converted property?
 - b. Were these buildings owned prior to the sale of the property which was converted to condominiums, or were they purchased after the sale of that property?
 - c. Are any of these buildings subject to Rent Control?

(If no):
2. Excluding the building which was converted to condominiums, have you in the past owned residential rental property in Brookline? (If yes):
 - a. How many buildings and what were their sizes in terms of number of units?
3. When did you purchase or build the building which you converted into condominiums?
4. What was your original purpose in purchasing or building the property? (If answer to #2 is no.)
5. Have you retained any property subject to Rent Control? (If so, how much?)
6. What were the rental levels when you converted property? Were these the maximum levels allowed by the Rent Control Board?

7. Did you seek any additional or capital improvement adjustments from the Rent Control Board? (If so) what was the result? Were any of these sought in the year immediately prior to the sale of the building?

8. What was the nature of the tenant population mix for the building?

STATEMENT OF CONFIDENTIALITY

All information and statements obtained from the interview conducted on this date or in any subsequent conversations pursuant to this meeting, will be used for research purposes only. No data which would in any manner identify the data subject, including but not limited to name, address, or location of property, will be communicated either in writing, orally, or otherwise, by the interviewer to any other individual or organization.

Signed:

Janey Bishoff Boroff

Date

APPENDIX D
METHODOLOGY FOR DERIVING MEAN RENTAL LEVELS

Information regarding unit sizes (number of bedrooms and number of rooms) and information regarding most recent rental levels for Sample A buildings were obtained from building files at the Rent Control Board Office. (Further, a breakdown of unit sizes and rental levels had been obtained by interviews from Sample B, and these breakdowns were verified using the Rent Control Board files). Since the computer print-outs of most recent rental levels were maintained separately in each file from the initial registration sheets indicating the number of rooms and number of bedrooms in each unit, unit numbers would have to be noted for each list in order to obtain an exact match between rents and each unit. This was done for some buildings. However, for most buildings, the unit numbers were not transcribed onto the lists of unit sizes or rental levels. In these cases, it was assumed that the highest rents correlated to the largest units. Although this assumption is probably not accurate for all rent-controlled properties, the researcher feels confident that it is probably true of most units in the Sample A buildings for which it was made since there seemed to be obvious groupings of rents in these buildings.

The extracted data regarding rental levels was the most recent data in the Rent Control Board's file for each

property. Based upon this data, a mean, median, and range of rental levels was calculated for each unit size category in the building (e.g., one mean for all studios, one mean for all one bedroom units, one mean for all two bedroom units, etc.).

For buildings converted in 1977 or after, the rental levels in all of the files included the 1978 General Adjustment. This is because the files were apparently kept "active" for a sufficient period of time to be included in the 1978 computer run. For buildings converted prior to 1977, the most recent data often includes the General Adjustment(s) for one or two years after the year in which the building actually underwent conversion.

In order to compare the rents of the converted units previously under Rent Control, to the rents of all Rent controlled units, it was necessary to bring all the rents of the sampled converted units up to 1978 levels since only data regarding 1978 rents for the total distribution of rent-controlled units was available. Thus, the average General Adjustments were applied to the mean, median, low and high rents for each year proceeding the most recent rental levels. According to the Rent Control Board staff, the 'average' General Adjustment refers to the percentage received by 95% of all rent-controlled buildings in a particular year. (Buildings are classified differently depending upon services offered such as

heat or electricity.) Use of these figures assumes that all of the converted properties had heat provided and electricity provided for the common areas. The General Adjustment figures used were as follows

1971	9.8%
1972	2.94%
1973	3.0%
1974	—
1975	11.4%
1976	5.7%
1977	5.0%
1978	4.1%

This computation assumes, further, that the buildings would not have received individual adjustments had they remained rental housing.

These assumptions make the imputed rental levels very approximate calculations. However, it only necessary to apply such calculations to units in six buildings (only 31.6% of Sample A) and to twelve rental categories of a total of forty-one (only 29.3%).

APPENDIX E

PURCHASER/CONVERTERS' PARAMETERS FOR CHOOSING PROPERTIES

Only four developers stated specific characteristics which they sought in picking a property "appropriate" for conversion. One specifically sought an older building in poor repair (which was in the firm's opinion "underutilized stock"), with 10-50 units, an acquisition price of less than \$20,000/unit and repairs not to exceed \$20,000/unit although they did in the end), and large square footage in each unit (e.g., 1200-1600 square feet).

Another developer also sought an older property (with features such as wood floors and high ceilings), however this subject stated that it could not be a property needing "too much" rehabilitation (i.e., the firm had limited funds available). (This may mean comparable parameters to the \$20,000/unit above or it may mean an entirely different scope.) This firm also sought a building which had units of a "good size" (actual square footage of units is comparable to the standards specified in the case above) and which was "well laid out." Other characteristics sought by this converter were a building with two and three bedroom units, a specific location (Cbolidge Corner area), and parking ("a development or financial decision").

The third set of criteria obtained by the researcher were general criteria for choosing any property for conversion while the above criteria assume a specific time and a Brookline location. These characteristics include a location "in or near an urban center," "with a large quantity of multi-family housing," "with a low turnover of occupants," (specific only to Brookline as a whole so far), (mainly an "older

population ages 48-60"), in an "economically homogeneous neighborhood ("upper middle income" and up); a property which has "rented well" in the past, with 50-150 units, "less than 20 years old" unless the building has a special character (i.e., "architectural"), and is "preferably" a "mid-rise" with some amenities (such as a swimming pool) or land to add them. Other characteristics sought included a building with well-educated tenants with incomes in excess of \$20,000/year and "staggered lease termination dates where the longest lease period is no more than one year after acquisition." The firm would be willing according to these criteria to buy a building with "cash" or takeover a "purchase money mortgage" and would also be willing to enter into joint ventures with owners "who wish to exploit the condominium conversion process." In such cases, the document stated, the owners would sell the property to "a newly formed joint venture, thereby realizing a capital gain on the bulk of the profits. The owner would additionally participate in profits by becoming an owner in the entity that converts the property to a condominium...". It is assumed that these criteria were used in the choice of the property which they converted and which might be chosen in the future.

The fourth subject stated that for a building to be "appropriate for conversion" it has to have the "right lay-out, parking, and a good location." Although the converter did not specify what "the right lay-out" or a "good location" meant, the buildings converted by this converter are located in the census tracts in the Coolidge Corner area.

APPENDICES F AND G

INDICATORS ABOUT THE CONVERSION PROCESS

Not all policy-making alternatives might have the objective of prohibiting or slowing the rate of conversions. Some policies which the Town may wish to consider could focus instead on the way in which conversions take place. In order to be able to formulate policies to affect this process, it is necessary to have some information about how conversions have been occurring. The two areas logically of concern to the Town in this regard are (1) what happens to tenants living in a building undergoing conversion and (2) what types of physical changes or rehabilitation is taking place in this segment of the housing stock. Although the information presented here does not represent objective factual data regarding the conversion process, it is at least a preliminary indicator of data in this respect and it represents the converter's perceptions.

APPENDIX F

TENANCY IN THE CONVERSION PROCESS

Although all converters stated that tenants residing in the building were approached as potential purchasers, the extent to which this took place varied. Some only sent one letter to tenants informing them of the conversion and the sales prices of the units. Some converters stated, however, that in addition to formally notifying tenants of the sale of the units, individual visits or general meetings with all of the tenants were held to give them further information about the conversion (including information on the rehabilitation being done, discounts available to them, etc.) and to encourage them to buy. Obviously the extent to which this took place and the atmosphere of such meetings cannot be verified without interviewing the tenants involved.

Some converters detailed very explicitly the process which they went through in marketing the units to tenants. One converter gave the researcher the initial letter and materials sent to the tenants and stated that the two principals of the company met individually with each tenant residing in the building and talked to the ones who did not seem to be interested in purchasing about other available rental housing and their possible eligibility for subsidized housing. Other converters were more vague about the marketing process for tenants and stated that "marketing managers" or "sales people" made follow-up telephone calls or visits after the initial

letters of notification were sent. One converter stated, "we send in the diplomats." Thus, little information was generated by the interviews as to whether any pressure or to what extent pressure was put on tenants to purchase the units they occupied.

Six of the sixteen responses to the question how much lead time was given to tenants who did not wish to purchase to relocate, were "as much as needed." However, there are some qualifications which should be added to this point. At least two or three of the converters who responded in this manner were responsible for conversions taking place in 1977. After July of 1978, it became the option of the individual who had purchased the unit to evict the tenant. Therefore, after this time the converters had no control over how much time the tenants had to remain in the units once they were purchased. Further, one converter stated that although the tenants could remain in the building as long as they wanted, they were told "they'd have to live with the construction taking place in the building." Although ten of the buildings were undergoing some or total structural renovation, none of the other respondents addressed this issue. It is presumed that tenants in other building had to live under this type of situation as well.

Three responses given to this question were that the tenants had the remainder of their lease periods during which they could remain in the building. In one building this remaining period varied from one month to one year. In another building the remaining lease periods were also staggered. However, the minimum

remaining period, was one year. And in the third building, the remainder of the lease period for all units was seventeen months, however, the converter stated that tenants were being given a real estate broker's assistance in finding other apartments about six to seven months before the end of this period.

Two responses to the question regarding lead-time for relocation directly addressed the issue of the units being purchased. According to the converter(s), if the unit was purchased, the tenant was given a minimum period of three months from that time (the lease automatically expired upon sale of the units), and some were given six months from that time. If the unit were not purchased, the tenant could stay as long as she/he wished. Another converter explained that no deadlines were given to tenants, but that tenants were offered three incremental cash incentives if they moved by the three specified dates (approximately 4, 5 and 6 months after the notice of conversion had been sent). All three of these buildings, however, have been caught in the moratorium on evictions, as have others referred to previously, and therefore this only reflects what occurred prior to November, 1978.

In two other buildings tenants were given a definite period of six months to relocate, according to converters. In another building the tenants "who moved would have moved anyways," the converter stated.

Thus, few of the converters, according to their own accounts, actually gave tenants deadlines (other than a few who used lease

terminations) by which they had to move out of their buildings. Rather, many used the sales process (and possibly the construction and repair process as well) to determine when to dictate pressure for tenants to leave. Although this may have allowed tenants to remain in their units for longer periods of time than where deadlines were given or leases expired, it has obviously also meant a great deal of uncertainty for tenants. The indefinite nature of the responses to this question seems to be representative of the uncertainty and chaos which have been communicated by tenants in various public forums.

In regards to relocation assistance offered to tenants by converters, most responses related to direct human assistance given in helping tenants to find other apartments. The extent of this assistance obviously varied. "We provide tenants with apartment listings and directions to the buildings," stated one converter. Another stated that for the few people who "really had problems relocating, we called friends in the industry with rental housing" and had the tenants "put on waiting lists." For six other buildings in the sample, tenants were offered and in many cases given the assistance of an "inside" or "outside" real estate broker in finding another apartment.

Only in three instances did the respondents state that they actually spent money in assisting tenants, and in one other instance a converter mentioned that cash assistance was being considered for conversion in process. For two buildings, approximately \$10,000 was spent in assisting with tenants' moving

expenses, rent reductions, and offering tenants in cash. In another instance where incremental cash incentives were offered for moving by certain dates, a total of \$3,250 was spent (all three of these buildings were large buildings).

According to converters, tenants in all except for two of the sampled properties were offered discounts in purchasing the units they resided in. These discounts ranged between 2% and 16%, and most were in the 5% to 10% range.

APPENDIX G

PHYSICAL CHANGES IN THE HOUSING STOCK

According to the converters interviewed, much of the converted stock has undergone some rehabilitation. Each subject was asked to specify any property improvements made to the building, and the costs incurred for such improvements. The data obtained regarding the specific work done in each building was fairly detailed. The nature of the rehabilitation in each building was then categorized in one of three ways: (1) cosmetic; (2) some structural; or (3) total structural. The categories are defined in the following ways:

- (1) cosmetic--painting, wall papering, or any repairs within the units or minor repairs in common areas.
- (2) some structural--some work done to major services (heating, plumbing, roof or electrical system) or structural work done in common areas or in units.
- (3) total structural--at least three of the following were completely overhauled or replaced: heating, plumbing, electrical system, or roof, and some structural work was done in the common areas and some structural work done to all units.

Six buildings in Sample B received zero or cosmetic improvements. It should be noted, however, that four of these buildings were constructed after 1960. For five buildings which had some structural work done, and five buildings which had some or total structural work done, per unit costs were calculated. These costs range from \$858/unit to \$22,000/unit. The spread across this range is fairly even (see accompanying Table). Obviously these differences in cost represent

differences in extent of rehabilitation. The cost breakdown proves this: the costs range between \$858 and \$7,000/unit for those buildings which fall into the "some structural" category, and between \$8,000 and \$22,000/unit for those buildings which fall into the "total structural" category.

The cost differences reflected above may represent large quality differentials in the work being done. Although the data presented here cannot document the true difference in extent and quality of rehabilitation, it should provide an indication that various types of "rehabilitation" are taking place--both in terms of extent and quality.

TABLE -- APPENDIX G

PHYSICAL CHANGES IN THE CONVERTED STOCK (Sample B)

<u>Nature of Rehabilitation</u>	<u>Per Unit Cost</u>
1) cosmetic	—
2) cosmetic	—
3) cosmetic	—
4) cosmetic	—
5) 0	—
6) total structural	\$22,000
7) some structural	\$858
8) total structural	\$10,000-11,000
9) cosmetic	—
10) some structural	\$6,000
11) some structural	\$7,000
12) some structural	\$2,000
13) total structural	\$11,000
14) total structural	\$8,000
15) some structural	\$5,000
16) total structural	\$10,000-16,000