



Mayor Joshua Garcia

Office of Planning & Economic Development

City of Holyoke

Aaron Vega, Director

December 12, 2022


Holyoke City Council  
526 Dwight Street Room 10  
Holyoke, MA 01040

Re: Public Safety Committee Agenda Item on December 12th, 2022

Honorable City Council,

Please accept this communication from local landlords in response to the Public Safety Committee Agenda Item on December 12th, 2022. Comments sent to OPED are copied here. Comments provided by Greg Virgilio, Michael Moriarty, Stephen Bosco.

Respectfully Submitted,

  
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Aaron Vega, Director  
Office of Planning and Economic Development  
City of Holyoke

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DEC 12 2022

Holyoke City Clerk's  
Holyoke, MA

Communication from Gregory Virgilio:

“Item 1: 10-18-22 Petition from Holyoke Citizens requesting a public meeting to discuss the conditions of our rental units and the increased rents impacting our community.

Rents have increased by 15-20% in the last 18 months. I remember from my economics classes that they categorize two types of inflation: The first is “cost-push” and the second is “demand-pull”. I would say we have experienced both.

Costs have increased dramatically: We are in an industry where not getting the job done is not an option. We require maintenance labor and we must pay what we need to get it.

Our labor rates have increased by almost 100% over pre-Covid pay rates. Fuel costs have risen substantially and everything you buy has a fuel component in it: heat and hot water obviously but also trash removal and all the materials that we buy from appliances to the smallest nut or bolt that is manufactured. Insurance has risen by 20% over pre-Covid rates. Property taxes will be increased as building assessments increase as a result of historically high sales prices and property values.

Obviously if you have only cost push inflation this would result in for-profit businesses going under as they could not sustain higher expenses. That is not what is happening. Why not? Because the other type of inflation we are seeing is demand-pull. Why?

What are the factors that are keeping for-profit landlords in business by allowing them to charge higher rent?

The first thing that comes to my mind is the ubiquitous RAFT program. The government is subsidizing tenant rent and this is reducing move outs, reducing vacancy. From our experience this subsidy has kept as many as 15%-20% of our residents from becoming homeless. For others this number is even higher. That means 15- 25% fewer apartments available to rent. Which translates to higher demand. I would call this “artificial” demand in the sense that it is created by “artificial” means i.e. government subsidies. If this RAFT program ends I am certain that it will have a substantial negative effect on many for profit housing providers as well as a catastrophic effect on many families who have been relying on this subsidy for the past 2 years. However it will reduce demand and increase competition and therefore, in theory at least, drive rents down.

Another factor is this; even those historically high rents we are now seeing in Holyoke are comparatively low for surrounding communities. We are seeing an influx of people from outside Holyoke applying for apartments for this reason. However, my feeling is that this is a relatively small factor in comparison to the effect of RAFT program.

Higher rents do have at least one positive effect on housing supply: it stimulates production. I think if you look at new building permits in the city you will see an historically high (within the last 20 years at least) number of new permits for renovation of derelict properties. Obviously, anything that prohibits the free market from operating freely, such as rent control for example, is going to corrupt this.

And there you have it. Lol  
Gregory Virgilio's”

Communication from Michael Moriarty:

“If you ever need to look for a smart, engaged business owner in Holyoke who can explain the realities of life to policy makers, look no farther than Greg Virgilio.

From the private non-profit housing sector, I can support everything he wrote and add a bit of our perspective. RAFT has enabled OneHolyoke to not only avoid any involuntary evictions since the start of the pandemic, it allowed us to nearly freeze rents for our non-subsidized, working poor tenants. I’m proud to have done so. I’m also proud to point out that not a single signatory of that petition is on OneHolyoke’s rent roll.

I raised the wages of every OneHolyoke employee except myself by 5% last year - which was still not enough to stay ahead of inflation. Health insurance, liability insurance, trash removal, and other big-ticket costs are up in double digit percentages. Supplies, heat and power, taxes are all up too, as Greg explained. Nonprofits have to cover all of those costs just like for profit housing providers.

What we can do, that for profits can’t, is receive donations. Our donors have been generous this year, keeping up solvent and allowing us to avoid the most hurtful increases in 2022.

We have to raise rents in 2023. If a regulation limited our ability to do so, and an economic downturn reduced our access to donor support, it would threaten the long term viability of OneHolyoke CDC.

The most important solution to the housing crunch in Holyoke is more housing production, not more local regulation. If you are unfamiliar with the 2021 Regional Housing Report published by the Donohue Institute, I strongly encourage you to read it: <https://donahue.umass.edu/our-publications/greater-springfield-ma-housing-report-the-first-in-depth-scan-of-the-region-in-the-covid-era>.

And if you would like to consider a generous end of the year donation to support the work of OneHolyoke CDC I strongly encourage you to consider that too!

Thanks  
Mike Moriarty One Holyoke CDC”

Communication from Stephen Bosco:

“The sentiment behind this paragraph sure rings true to me.

With us, there are similar numbers (around 15% to 20% of our residents) who have largely stopped paying rent (and are allowing RAFT to do it for them). I’m not convinced that all (or even most) of these tenants would be homeless without the program. Some would work more/ earn more. Some would spend less money on extraneous stuff. Some would move to smaller units. Some would move in with other family members. I have a number of tenants who have undergone reductive changes in their family composition, and who, under normal circumstances, would be moving to a smaller place. But with RAFT, they are just staying where they are.

This program is a boon for anyone who is "on the inside" (IE folks who have an apartment right now), but make no mistake: this is not a victimless policy. It makes a victim of everyone who is "on the outside" (IE looking for an apartment). That can be a young person who is starting a family, or anyone who needs to move for work or school. It could even be someone who wants to move into a smaller unit! There is so little available, and what is available is very expensive.

And I think the (unwanted) side effects of the program happen in more than one way:

1. Fewer move outs= fewer units available to rent. Normal patterns of turnover are suppressed.
2. Tenants stay in units that are bigger than what they need, thus consuming more real estate in an already tight market.
3. The normal tension between tenants and landlords around rent increases is also disrupted. Normally big rent increases bring loud protest from tenants. Now a landlord can just say "It's OK, RAFT will pay it!" I've spoken to landlords who are doing this- they essentially have a bifurcated system of rents- one level for "normal" tenants, and another for the "RAFTers".

But the general public thinks that high rents are mostly due to "greedy landlords". Someday they will come for us with the pitchforks (figuratively, I hope), and by then it'll be too late to educate them about why things happen the way they do.

Stephen Bosco  
General Manager  
Arrow Properties, Inc."