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# CITY OF CAMBRIDGE

Community Development Department

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**IRAM FAROOQ**

*Assistant City Manager for  
Community Development*

**SANDRA CLARKE**

*Deputy Director  
Chief of Administration*

**KHALIL MOGASSABI**

*Deputy Director  
Chief Planner*

## MEMORANDUM

**To:** Affordable Housing Trust  
**From:** Chris Cotter, Housing Director  
Anna Dolmatch, Homeownership Program Manager  
**Date:** March 24, 2022  
**Re:** Homeownership Program Review Process

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The City holds a restriction on more than 550 affordable homeownership units. These units were created through a variety of programs, including non-profit development; market purchase programs such as HomeBridge and its predecessors; and Inclusionary and other zoning-based requirements.

The homeownership program has served hundreds of residents over more than thirty years, providing opportunities to remain in Cambridge, stabilize housing costs, and build assets. We are beginning a process to review several program areas, including the "resale formula", which governs the appreciation of affordable units, and inheritance of units. We anticipate that any changes in those two program areas will also prompt a review of how capital improvements are handled and how units are resold.

Over the past few years, we have spoken with many owners informally on the challenges and opportunities they have had with the program. In addition, we continue to collect and analyze the data we have on owner's return at sale, costs to maintain units, and affordability levels over time.

As you may remember, the City Council has requested that the Trust review the homeownership program, specifically the way that units increase in value and the inheritance policy.

### Current Program

The current form of homeownership affordable housing restriction has been in use since the early 1990's, with one significant revision in 2010. This revision was in response to changes in FNMA mortgage policy and did not substantially change any of the program terms that are part of this review.

Most current owners have some form of this restriction, although there are a very small number of units with restrictions that predate the Trust and have very different terms. This summary does not apply to those earlier restrictions.

**Resale formula:** This is the formula that defines how the unit's value appreciates. The current formula is called "Return on Equity". The value increases by taking the initial affordable sales price and adding the Return on Equity. This is calculated by multiplying the owner's equity for each year by a Treasury Bill rate. The appreciation depends on many factors, and no two owners have the same rate of increase.

**Inheritance:** The restriction does not allow for any transfer of ownership, including through inheritance, without permission of the City. The restriction does have explicit language that allows a surviving spouse or domestic partner to remain living in the unit after the owners' death for the rest of their life, even if they are not themselves an owner. Other household members may remain for one year after the completion of probate, or a maximum of three years. In cases where an owner passes away and has an adult child living with them, it is our policy to allow the child to purchase the unit if they are an eligible buyer and can afford to purchase the home.

### **Proposed Review Process**

We want to ensure that this review process includes input from a range of stakeholders.

In May, we plan to begin holding small group meetings with current owners. We will also schedule times to hear from applicants waiting for housing, as well as sessions open to anyone. We will continue to update the Trust as we gather input from the community.

In addition to Trust meetings, we also anticipate discussions at the Housing Committee and City Council.

In addition to engaging with a range of stakeholders, we will also be looking to be sure we understand any limitations on this process, including underlying requirements of funding sources, zoning ordinances, and permitting agreements.

As we begin this process, we would like to hear comments and questions that the Trust has so that we incorporate those as we move through this process. We expect this process will take several months and we will provide the Trust regular updates and will want to continue discussion of issues raised and questions at future meetings.