



CITY OF CAMBRIDGE

Community Development Department

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MEMORANDUM

To: Affordable Housing Trust
From: Christopher Cotter, Housing Director
Anna Dolmatch, Senior Manager for Homeownership
Date: January 25, 2024
RE: Homeownership Program Changes

In March 2022, the Trust began an extensive review of the terms of the affordable homeownership program. The review focused on developing recommendations for potential changes to the way affordable units increase in value, often called the “resale formula” and options for creating clear inheritance options for owners in planning for their estate.

Our review process included several opportunities to gather comments from owners of affordable homes and homeownership program applicants. Our review also included several discussions with the Affordable Housing Trust as we identified and assessed options, gathered, and shared comments from stakeholders. As discussed at the Trust’s January 11th meeting, to advance this review toward final approval of program changes, we have prepared written recommendations for review by the Trust.

We recommend that the Trust approve the following changes to the terms of the Affordable Homeownership Program:

Resale Formula – Calculation of “Affordable Price” in Covenant

The “Affordable Price” calculation shall be determined as follows:

1. The Affordable Value of a unit shall increase by 2.5% of an owner’s “Affordable Purchase Price” for each full year of ownership, without compounding:
 - a. The “Affordable Purchase Price” is the price an owner paid at purchase, not including any Trust, City or other subsidy funding used to make the unit affordable to an owner at the Affordable Purchase Price (such as HomeBridge funds) as further defined in the affordable housing restriction entered into with the Trust or City;
 - b. Each full year of ownership shall be completed as of the first of the month in which the original purchase occurred. No pro rata increase shall be provided for partial years of ownership;

2. The maximum reimbursement for Capital Improvements shall be changed from the current maximum of 1% of the Affordable Purchase Price for each full year of ownership, in aggregate, to \$5,000 for each full year of ownership, in aggregate. All other terms for capital improvements are unchanged, including:
 - a. Capital Improvements shall be depreciated as determined by the Community Development Department (CDD);
 - b. Reimbursement for eligible Capital Improvements shall be added to the Affordable Price at the time an Owner is selling their home;
3. The “Affordable Price” when an owner is selling their home shall not be higher than the price that is affordable to a new homebuyer at that time based on the following terms:
 - a. 30% of homebuyer’s gross monthly income shall be used for monthly housing costs including:
 - i. Mortgage principal and interest payments at prevailing mortgage rates at time of price calculation;
 - ii. Property taxes including the City’s Residential Exemption;
 - iii. Standard rate for homeowner’s insurance as determined by CDD;
 - iv. Condominium fee at time of price calculation
 - b. Income for a new homebuyer shall be based on the following:
 - i. Income at the maximum eligibility limit (as a percentage of Area Median Income (AMI)) in the applicable affordability restriction;
 - ii. Household size based on two persons per bedroom.

Inheritance:

Owners shall have the option of leaving their home to an income-eligible family member/individual on the following terms:

1. A transfer of the affordable home through inheritance shall be an allowable transfer in the following circumstances:
 - a. The transfer is to one of the following:
 - i. A member of the Owner’s family who is a permanent member of the Owner’s household at the time of the Owner’s death and maintains their only residence in the affordable home:
 1. “Family” shall include those related by birth, marriage, adoption, or similar relationship;

- ii. Owner's children, or other current or former dependents, who have at any time lived in the affordable home as their permanent residence, regardless of current residence; and,
- b. The transfer is to an "Eligible Household" as defined in the affordable housing restriction.

Applicability:

1. Changes approved by the Trust shall not replace terms of current affordable housing restrictions for affordable homes without the consent of the current homeowner;
2. New terms for determining the Affordable Price and for Inheritance shall be included in affordability restrictions for new affordable homes assisted by the Trust, and may also be applied to re-sales of Trust-assisted affordable homes;
3. Owners of Trust-assisted affordable homes shall be given the opportunity to enter into new affordability restrictions which include these revised terms and conditions;
4. Changes approved by the Trust shall apply only to affordable housing restrictions held by the Trust and the City of Cambridge, and shall not affect affordability restrictions or terms of other affordable housing assistance applicable to some affordable homes;
5. The final terms and conditions governing Inheritance may require that a transfer of an affordable home can only happen through use of a will, or other restrictions may be required for Inheritance to ensure the affordable home is passed to a qualifying eligible household without delaying the transfer due to probate proceedings.