



CITY OF CAMBRIDGE

Housing Department

Christopher Cotter
Director of Housing

MEMORANDUM

To: Affordable Housing Trust
From: Chris Cotter, Housing Director
Anna Dolmatch, Senior Manager for Homeownership
Date: September 26, 2024
RE: Recapitalization of HomeBridge Program Funds and Proposed Unit Standards

The HomeBridge program provides financial assistance for eligible applicants to purchase homes on the open market. In exchange for this assistance, buyers sign an Affordable Housing Covenant and purchased homes become part of the City's permanently affordable stock.

Demand for HomeBridge continues to increase. This year, for the first time, HomeBridge received more applications than the Homeownership Resale Pool. In November 2023, the Trust approved changes to increase the share of the market purchase price eligible to be funded by HomeBridge subsidy. Since then, ten units have been purchased or are now under agreement, including six three-bedroom homes. This is the most successful year for HomeBridge buyers since 2006. One of the units currently under agreement will be the 100th unit purchased using Trust funding offered through HomeBridge or its predecessor program.

The result of more demand and more successful buyers is that all program funds are currently allocated for purchases, with additional approved buyers looking on the market. We are requesting an additional \$10,000,000 in CPA funds to continue to serve households up to 100% of AMI.

Since 2006, HomeBridge has received \$21,200,000 in CPA funds. In 2020, the Trust allocated an additional \$3,000,000 from City budget funds to expand HomeBridge to serve households between 100% and 120% AMI. While we continue to see steady demand for the higher-income funds, most buyers are under 100% AMI. We have sufficient funding for approximately two more buyers in the higher-income tier. We would like to continue to offer HomeBridge to this income range and expect to request additional funds for that tier in 2025.

The funds for the under-100% AMI tier are fully committed to units now under agreement, with an additional \$3,000,000 in approvals for buyers who have not yet found a unit to purchase. There are an additional 15 applicants in review or awaiting a funding commitment.

We are requesting a recapitalization of \$10,000,000. If recent success with larger units continues, these funds will serve an estimated 16 to 20 buyers.

The amount of HomeBridge funding each buyer receives is based on a range of factors including the unit price; buyer income; mortgage interest rate; and downpayment. In the past year, the average subsidy for a purchase has increased to more than \$575,000 per unit. This is due to an increase in successful three-bedroom purchases; increased market prices; and the increased subsidy percentages.

Many applicants who receive a HomeBridge approval do not end up purchasing homes. Some cannot find a unit that meets their needs; others decide to purchase in a different community without a restriction, while others end up purchasing a lower-cost unit through the Resale Pool or a lottery. We do not expect that the current approved and pipeline applicants will use the total funds being requested. Once a HomeBridge commitment expires without a purchase, the funds become available for another applicant.

Based on the most recent years, we project that a recapitalization of \$10,000,000 will last one to two years. Lower interest rates may increase activity as more homes become available; lower rates may also decrease the subsidy amounts as buyers are required to provide additional mortgage financing to qualify. We will continue to provide the Trust with regular HomeBridge updates to best manage anticipated funding needs and continue to update program design to ensure HomeBridge continues to further the Trust's and City's housing goals.

Recommendation: Staff recommends that the Trust approve the request for an additional \$10,000,000 in CPA funds for the HomeBridge program serving buyers between 60% and 100% of AMI.

HomeBridge Unit Standards

We are also requesting that the Trust consider and approve the attached proposed HomeBridge Unit Standards. With the increase in HomeBridge production, we have developed written HomeBridge unit guidelines. In this competitive market, buyers and their realtors will frequently pursue units that may not be an appropriate investment of public funds for a range of reasons, including poor condition, condo building problems, features that will make the unit hard to sell to other buyers, or issues such as being in a flood zone.

HomeBridge has always had a requirement that units be in good condition and acceptable to the Housing Department. These guidelines were developed from our experience reviewing many proposed units and from later work with HomeBridge units at resale. We intend for these more formal guidelines to assist staff, HomeBridge buyers, and realtors by providing with clear policies that can be communicated at the time a HomeBridge approval is issued. We want to ensure that the significant amount of public subsidy required to purchase a HomeBridge unit is invested wisely.

The attached guidelines include guidelines on a range of areas, including the following:

- Unit types
- Minimum unit size
- Bedroom size and features
- Resiliency, including guidance on flood zones and below-grade space
- Details on unit condition requirements
- Deleading policy

The proposed standards include options for Housing Department staff to approve units that do not meet all standards. This allows flexibility while still providing strong guidance to buyers and ensures that time and resources are not spent pursuing units that will not be a beneficial addition to the affordable stock.

The standards also include a draft deleading policy to address one of the challenges we see most frequently for the purchase of family-sized units. Many available units in the HomeBridge price range are in older buildings. These units are more likely to have lead paint hazards. Units that have previously been deleadened may test positive due to deterioration of encapsulation measures over time.

The proposed deleading policy allows buyers with older children to defer deleading if they agree to cover the costs when they sell. This will not remove all barriers created by the deleading requirement, as it still requires sellers to allow testing, which they are not required to do. Deleading compliance also requires some condominium common areas to be deleadened, which is often a significant barrier, and could require legal action to enforce compliance. Under the proposed policy, buildings where it could be challenging to bring common areas into compliance will not be eligible for deferred deleading compliance.

Recommendation: Staff recommends that the Trust adopt the HomeBridge Unit Standards.