



CITY OF CAMBRIDGE
Community Development Department

IRAM FAROOQ
Assistant City Manager for
Community Development

SANDRA CLARKE
Deputy Director
Chief of Administration

KHALIL MOGASSABI
Deputy Director
Chief of Planning

Affordable Housing Trust

September 27, 2018
Ackerman Room

AGENDA

- Old Business
- Project Update
- New Business
- Homeownership Update
- Homebridge Funding Request
- Resident Selection Policies
- Executive Session to discuss past Executive Sessions
- Adjournment

CAMBRIDGE AFFORDABLE HOUSING TRUST
MEETING MINUTES
July 26, 2018

Ackerman Room, Cambridge City Hall
795 Massachusetts Ave.

Trustees Present: Susan Schlesinger, Acting Chair, Peter Daly, Cheryl-Ann Pizza-Zeoli, Elaine Thorne, Bill Tibbs

Trustees Absent: Louis DePasquale, Florrie Darwin, Gwen Noyes, Jim Stockard

Staff Present: Iram Farooq, Assistant City Manager for Community Development; Chris Cotter, Housing Director; Anna Dolmatch, Housing Planner; Linda Prosnitz, Housing Planner; Melissa Peters, Project Planner

OTHERS: James Williamson

The meeting was called to order at 4:07.

Upon a motion moved and seconded, it was

VOTED: To approve the minutes for the meeting of Wednesday, June 28, 2018 as submitted.

PROJECT UPDATE

Squirrelwood – JAS building 23 new units and consolidating/renovating Linwood and Squirrel Brand Apartments. DHCD funding approved July 2018.

Vail Court – Demolition to begin next month.

Frost Terrace - DHCD funding was approved July 2018.

Concord Highlands - Site work underway. Preparing for Phase 2 construction closing.

Homebridge – Two units have closed in the 120% pilot program. Two three-bedroom units for under 100% AMI closed in June.

Inclusionary – A few new projects are being reviewed by staff.

NEW BUSINESS

Envision Cambridge – Staff updated the Trust on the progress of the Envision working group. HR&A, the real estate economic development consultants and Utile have been analyzing different scenarios of a citywide affordable housing overlay district. Staff presented the draft of the scenarios as they would apply in the A and B zoning districts. Staff is looking for Trust's input on these scenarios. The following was presented.

One of the goals of Envision is to increase the number of 100% affordable housing developments. Staff showed a few examples of different types of 100% affordable projects that have been developed in the City. There are challenges to building these developments

due to competition with market rate developers, high per unit acquisition costs, and need for zoning relief which requires lengthy and unpredictable permitting process. In some areas of the City 100% affordable development is unfeasible.

To increase the feasibility of all affordable development in all areas of the city, various scenarios of a 100% affordable housing overlay were analyzed in Residential A & B zoning districts. The number of units and floor area that would be required to make an affordable housing development feasible were calculated. Three land areas were analyzed: less than 5,000 square feet; 5,000-10,000 square feet, and greater than 10,000 square feet. Examples of existing areas in Cambridge with mixed densities was shown to illustrate how buildings in close proximity and of different scale can work together.

Other elements of the test models were: typical FAR of 2.0; assuming 1,000 square feet of gross floor area for each housing unit; maintaining front set back typical of area; 50 foot maximum height; vary other setbacks, opens space and parking; include at grade ground floor entrances to accommodate people of all ages and abilities.

It was noted that in these areas many of the older existing buildings are non-conforming under current zoning.

The staff asked the Trust for feedback on the presentation and noted that the development of the scenarios is still in process. The Trust suggested that the illustrations show more articulation of the buildings, not all with flat roofs to be more typical of what they would look like in the neighborhoods. It was also suggested that a comparison be done to actual built density. Members noted that it should be made clear that this will have a more impact as opportunities are rare this approach would produce a limited number of units when compared with larger developments in other areas.

Other considerations discussed were that relaxed parking standards would be needed for all of the scenarios. The overlay could apply to both new infill housing and conversion of existing buildings which might have less impact on changes to the built environment. The design review process is also an important component for discussions. Other suggestions include talking about the social context of inclusion.

Trust discussed that a similar analysis is taking place in the corridors which have different challenges. There was a discussion of build-out projections. Envision is projecting to 2030. Projections will vary by area of the city. The correlation between the new jobs and housing is also an important and informing factor.

Envision staff discussed how the recommendations will proceed. There are conflicts, such as between density and environment, and different scenarios will be looked at and recommendations made. The top tier recommendations from the Envision process will be presented and broken down into categories by such considerations as time frame and feasibility.

The meeting adjourned at 5:35 p.m. The next meeting is scheduled for August 27 or August 28 at 4:00 p.m.

- Meeting Minutes from the Trust's June 28, 2018 meeting.
- Project Update
- Affordable Housing Overlay Presentation Draft

**Cambridge Affordable Housing Trust
Status of Active Commitments**

September 27, 2018

	Active Projects	Sponsor	Rental Units	Ownership Units	Status	Total Cost	Trust Commitment	Loan Amount Per Unit	Trust Approval Date
1.	HomeBridge program	CDD	currently approved buyers: 1	3	58 scattered site units purchased by first time buyers to-date. New program rollout June 2017; new HomeBridge name, inclusion of "work in Cambridge" eligibility; pilot 120% AMI program. Two units have closed in 120% pilot. Two 3-bedroom units closed in June for under 100% AMI. Three units under agreement.	N/A	\$7,200,000	1-br. 40% sale 2-br. 45% sale 3-br. 50% sale	May 2011
2.	Homeownership Resale Program	CDD	currently active units:	11	Re-purchase, rehab and re-sale of affordable homeownership units to new homebuyers.	N/A	\$3,500,000		December 2011
3.	Harvard Properties	HRI	50 Trowbridge #6	Currently active units: 1	100-unit portfolio acquired. Rehab of units on-going upon first vacancy in each unit, building systems and exterior renovations ongoing per approved portfolio plan. ~86 units completed to-date.	\$7,220,999	\$750,000	\$7,500	March 1997
4.	Bedrick Properties	HRI	34 Willow St #3	Currently active units: 1	95-unit portfolio acquired. Rehab of units on-going upon first vacancy in each unit, building systems and exterior renovations ongoing per approved portfolio plan. ~64 units completed to-date.	\$15,615,000	\$5,586,000	\$58,800	November 1999
5.	Jefferson Park -State Public Housing (1 Jackson Place) (Rindge Ave)	CHA	104		Construction complete; tenants moving in.	\$50,800,000	\$7,934,000	\$76,288	August 2013 October 2015
6.	671-675 Concord Ave	HRI	98		Phase 1 site work underway, Phase 2 closing complete; full construction to begin in October, groundbreaking event scheduled for October 5th.	\$58,228,753	\$23,803,176	\$242,890	March 2016
7.	Frost Terrace 1971 Mass Ave	Capstone Hope	40		Comp permit approved. DHCD funding was approved July 2018. Finalizing design and budget in advance of construction closing in early 2019.	TBD	\$7,210,000	TBD	March 2016
8.	Vail Court (139 Bishop Allen)	TBD	TBD	TBD	Trust and City hosted public meeting on 7/24/17 to hear from the community on affordable housing needs and ideas for the redevelopment of Vail Court. Additional public meetings will be scheduled but are currently on hold pending the City receiving a response from the Court regarding the legal action taken by former owner.	TBD	TBD	TBD	N/A
9.	Squirrelwood (multiple addresses, corner of Broadway and Market)	JAS	23		JAS building 23 new units as part of the consolidation/renovation of Linwood and Squirrel Brand Apartments; received conditional approval of Trust funding in January 2018 and comp permit approved at 2/15/18 BZA hearing. Approved for DHCD funding July 2018.	TBD	\$4,600,000	\$200,000	January 2018
10.	2072 Mass Ave	Capstone Hope	TBD	TBD	Capstone/Hope purchased site in April 2018.	TBD	\$3,800,000	TBD	February 2018

Total Units 265

Cambridge Affordable Housing Trust
Status of Active Inclusionary Housing Developments

September 27, 2018

Approved Active Projects	Developer	Status	Rental Units	Ownership Units
1. 88 Ames Street	Boston Properties	Covenant Recorded 1/28/16. Tenant selection underway.	36	
2. 262 Monsignor O'Brien Highway	Musco Corp.	Covenant Recorded 3/8/16. Buyer selection underway.		6
3. 88 Cambridge Park Drive	Hanover Company	Covenant Recorded 9/30/16. Tenant selection underway for Phase 1 and 2. Phase 3 to be complete this year.	30	
4. 77 New Street	Abodez	Covenant Recorded 9/14/16. Under Construction.	11	
5. 253 Walden Street	Observatory Hill Apartments LLC/ Eric Hoagland	Covenant Recorded 11/18/2016. Under Construction	3	
6. 95 Fawcett Street	Ed Doherty	Covenant Recorded 12/29/2016. Under Construction		5
7. 10 Essex Street	Morris Naggar	Covenant Recorded 3/9/2017. Under Construction.	5	
8. 1699 Mass. Ave.	Lotus Harvard Enterprise	Covenant Recorded 3/30/2017; revised 6/28/18. Under construction	2	
9. 305 Webster Ave.	305 Webster Ave. Condominiums LLC	Covenant Recorded 8/11/17. Under Construction		4
10. 47 Bishop Allen	Twining	Covenant Recorded 10/13/17. Under Construction	3	
11. St. James (1991 & 2013 Mass. Ave.) Mass & Twinn (multiple addresses, Mass Ave. & Columbia St.)	Oak Tree	Covenant Recorded 11/21/17. Construction to begin in October.	5	
12. 249 Third Street	Twining	Covenant Recorded 11/24/17. Under Construction	58	
13. 249 Third Street	Equity	Covenant Recorded 12/22/17. Under Construction	12	
14. Lane & Games (195 & 211 Concord Tpk.)	Criterion	Covenant Recorded 3/16/18. Under Construction	44	
15. 14-16 Chauncy Street	Chestnut Hill Realty	Covenant Recorded 4/20/18. Under Construction	1	

Total Units under IHP Covenants: 891 rental
211 ownership
1102 total

Active Pipeline Projects	Developer	Status	Rental Units	Ownership Units
1. 16-18 Elliot Street	Charles River Holdings	IHP plan under review.	2	
2. 605 Concord Ave.	Abodez Acorn	IHP plan under review.	7	
3. Alexandria - 50 Rogers Street	Alexandria	IHP plan under review. Includes middle income units.	~47	
4. 107 First & 22 Hurley Streets	Urban Spaces	Preliminary IHP plan submitted.	~16	



CITY OF CAMBRIDGE
Community Development Department

IRAM FAROOQ
Assistant City Manager for
Community Development

SANDRA CLARKE
Deputy Director
Chief of Administration

KHALIL MOGASSABI
Deputy Director
Chief of Planning

MEMORANDUM

TO: Cambridge Affordable Housing Trust
FROM: Christopher Cotter, Housing Director
Anna Dolmatch, Housing Planner 
DATE: September 27, 2018
RE: Homeownership Program Update

We would like to provide the Affordable Housing Trust with an update regarding the status of the First Time Homebuyer program, including a discussion of policy areas for evaluation and possible modification. The last update was presented to the Trust in May 2017.

Status and New Unit Production

There are more than 500 homeownership units subject to affordability restrictions held by the City. These consist of approximately 20% units purchased on the open market with financial assistance from the City, and the remaining units almost evenly divided between non-profit developed units and units created through inclusionary housing requirements or other zoning-based programs. The homeownership stock is approximately 50% 2-bedroom units; 30 % 1-bedroom, and 20% 3-bedroom.

In the past year, four units have been added to the homeownership stock added through the newly renamed and relaunched HomeBridge program. In addition, seven new Inclusionary units were made available through lotteries.

There are an additional nine homeownership units in the Inclusionary pipeline. While this is more activity than we have seen in many years, Inclusionary production continues to be almost exclusively rental. No homeownership project has yet been permitted under the new Inclusionary ordinance. While we are now seeing some homeownership developments, inclusionary housing production is not expected to be a large source of homeownership units in the next two years.

We continue to evaluate sites for potential development as 100 percent affordable homeownership. These types of projects may be the best option for smaller parcels where tax-credit rental is infeasible; however, without options for additional public subsidy sources, these projects will require a large per-

unit subsidy contribution from the Trust and/or City. These types of projects may work best with a mix of incomes, including middle-income units. We will continue to evaluate these projects and discuss with the Trust as opportunities present.

Homeownership Resale Fund

Despite limited creation of new affordable units, we have continued to serve new buyers. In the past five years, 78 homebuyers have purchased homes through City programs. The largest source of new buyer opportunities is the Homeownership Resale Pool, where we accept applications on a rolling basis and match waiting buyers to units when current owners sell. The Resale program has allowed us to serve dozens of new buyers, and the revolving loan funds committed by the Trust for this purpose have ensured that needed reinvestment and rehab can be completed upon turnover. These funds have also allowed us to update and improve affordability restrictions on older units prior to sale to new buyers.

Since 2006, the Trust has made three commitments totaling \$3.5MM to the Homeownership Resale Fund. The purpose of this fund has been to:

- Support the long-term sustainability of the homeownership stock by enabling the City to exercise its purchase right when units are being sold;
- Fund needed rehab on these units;
- Facilitate sales to new buyers selected by CDD; and, when needed;
- Subsidize resale prices to ensure that units remain affordable to the targeted income level.

In addition to the intended goals, this system has allowed for more predictability for owners who can plan for their sale, a critical consideration for those who are purchasing another home in competitive local markets.

The intent was for the Resale Fund to revolve and sink through expenditure for acquisition and rehab and full or partial repayment at the time of sale to a new buyer. The projection was that the \$3.5MM would cover costs at an average of 12 units per year for roughly 20 years.

At this time, the Resale Fund has been used for 107 units. Approximately \$1.3MM has been permanently expended, leaving a balance of \$2,200,000. This is a decrease of \$200,000 since the last report to the Trust. However, the

Resale Fund continues to decrease at a slower rate than our original projection. This is slightly less than a 30% reduction in the permanent fund balance in eleven years. This is partially due to low unit turnover in the first few years, which has increased in recent years, and also to low interest rates. Low mortgage rates have enabled units to be sold for higher prices without any change in affordability. In some cases, we have been able to recapture funds used for rehab and holding costs. The Fund remains in a strong position to allow the City to fund the level of stewardship that will maintain the ownership stock in excellent condition, and allow upgrades to older units upon resale.

We have seen, however, times when a large number of units are owned on behalf of the City, undergoing rehab and being prepared for sale, which can create a cash flow issue for the fund. If no funds are available, we must delay repurchase of new units until other units are sold and funds become available. This can impede a family's ability to purchase a new home. While additional funds are not needed for permanent investment in units at this time, an increase to the fund would ensure that cash flow does not prevent the City from being able to purchase units when families need to sell.

When owners sell units, they most frequently purchase a different home in Massachusetts usually outside of Cambridge. Less than 10% of sellers in the past five years have stayed in the city. During this time, 17% purchased in Arlington/Somerville/Medford, almost 25% moved to other states, and 10% moved out of the country. While this is most often due to job opportunities or family reasons, in two cases families relocated to Southern Maine because that was the closest area where they could find a single-family home that met their needs. A plurality of sellers moved to communities further from Cambridge.

The largest threat to the long-term sustainability of the Resale Fund is a significant change in interest rates. The median interest rate for buyers over the past five years was 3.75 percent; we are currently seeing rates around 4.375 percent. Increased interest rates mean that affordable units will need to have a lower purchase price to maintain the same monthly costs. For example, an increase from 3.75 and 4.375 percent requires an additional \$2,000 in annual income. While this is not a large difference, interest rates are expected to continue to rise. This will have an increasing impact on the need for additional investment to keep the units affordable at the same income level.

Resale units will require larger and more frequent infusions of subsidy to maintain affordability. In addition, there remain a large number of older units which we expect will have extensive capital needs when they come into the

resale program when the owners sell. While the fund was budgeted to include a certain number of large-scale rehab projects, if these exceed projections the fund may sink more quickly.

We will bring a request for additional Resale funds to a future meeting.

Homeownership Demand

Since CDD created the Homeownership Resale Pool in 2009, demand has outpaced supply. The longest wait time has been for 3-bedroom households due to the limited stock. Many households find other options during the long wait time. We are seeing a decline in applications from 3-bedroom households, and we believe this may be partially due to a general knowledge that there are few opportunities to purchase. The demand for 1-bedroom units continues to be very strong, with more than 100 Cambridge residents in this pool.

As of April 2018, there were 480 households in the Homeownership Resale Pool. Of these, 29% are in the 1-bedroom pool, 40% in the 2-bedroom, and the remaining 31% are waiting for a 3-bedroom or larger. The 1-bedroom pool has increased from 26% in 2017, with small decreases in the share of applicants in the 2- and 3-bedroom pools.

The 1-bedroom pool is comprised of 65% Cambridge residents, with an additional 12% that work in Cambridge. For the 2-bedroom pool, 57% of applicants are Cambridge residents with minor children, while 20% are all-adult resident households. The remaining 23% are non-resident, including applicants who work in Cambridge.

The 3-bedroom pool has the highest percentage of Cambridge residents at 89%. We believe this is due to tight supply of units, which has resulted in no non-resident household ever being offered a 3-bedroom unit through the Resale Pool. 78% of this pool is resident households with minor children.

The increasing unmet demand for 1-bedroom units could be impacted further by the change in the Inclusionary ordinance to create more family-sized units. Inclusionary development has been the largest source of 1-bedroom units to date.

In the 2- and 3-bedroom pools, the number of Cambridge-resident applicants with children under 18 is more than double the number of applicants with

children under 6. Many of these applicants have “aged out” of the highest preference group while waiting for a unit.

We have used this information on the Resale Pool to inform the discussions about recommending changes to the buyer selection preference policies.

Owner Support

We continue to foster relationships with current owners and condo associations that contain all affordable units. We do this directly and in partnership with Just A Start. JAS frequently serves as the City’s designee for units being repurchased, and participates in condo associations during the resale holding period. This has provided opportunities to work with associations to address issues. JAS’s mediation and housing services program has also been incredibly helpful in addressing specific issues among owners and providing training and support to associations when asked by CDD. Both JAS and HRI also assist affordable owners with needed capital repairs and home improvements through their HIP programs. HIP is a very important resource for owners who may not have the financial means to make capital repairs.

One emerging issue is that the HIP program uses federal funding, which has an income limit of 80% of AMI for much of Cambridge. As you may know, this “HUD 80%” income limit is capped based on national income levels, and is lower than “City 80%”, which is calculated as 80% of 100% of AMI. This leaves some owners without access to HIP loans, creating an issue for buyers who don’t have the resources to pay for large expenses and are not eligible for assistance.

In the past, we have often been able to assist owners above the HUD income limit using CDBG funds in designated NRS areas, where households may qualify with income up to 120% of AMI. However, as Cambridge demographics shift, the NRS areas are shrinking. Some owners who would have qualified for HIP in the past no longer have that option, and we expect the NRS areas to continue to contract.

For example, an owner purchased a scattered-site unit on Cameron Ave in 2012. The building, an older triple-decker, needed structural work. The unit was in the NRS when she purchased but was excluded in the 2015 update. The owner could not afford the \$17,000 needed for the rehab and did not have access to enough equity after owning for three years. In this case we were able to close the HIP loan prior to the new NRS taking effect.

We would like to discuss a Home Improvement fund for owners of affordable homeownership units who do not qualify for the HIP program. An initial capitalization of \$300,000 would allow us to fund an estimated 15 cases. If demand is less than anticipated, the funds could be returned to the Trust. Loans could be made using the existing HIP infrastructure and on the same terms. The program could assist households earning between HUD 80% and 120% AMI. We believe that there is a need for this type of program to provide long-term support to moderate-income owners. A program like this would need to be funded with Incentive Zoning contributions. If there is interest in this, we will revisit the idea when we receive the next Incentive Zoning contribution.

Financial Assistance and HomeBridge

In 2017, the Financial Assistance Program was rebranded as HomeBridge. HomeBridge provides funding for eligible households to purchase units on the open market. The program can be an excellent option for households who are unlikely to have the opportunity to purchase through other homebuyer programs because they do not have children under 6, or who work but do not live in Cambridge. In addition, at the time the program was relaunched, we were able to offer a limited program for households earning up to 120% AMI. This pilot was funded by the City with a portion of community benefits contributions. The City Council appropriated \$1,039,340 for this 100-120% AMI program component.

To date, two buyers have purchased using the high-middle program. The funds were used to purchase one 2-bedroom and one 3-bedroom unit. We have \$336,140 of these funds remaining which will assist in the purchase of one 1- or 2-bedroom unit. There are currently three applicants waiting for funding for a 3-bedroom. Interest in the program has been high, and if additional funds were available, we believe that HomeBridge would be able to create additional units for households earning between 100% and 120% AMI.

The remarketed program has also increased interest among applicants at or below 100% AMI. Two 3-bedroom units have recently closed, with a 3-bedroom and a 2-bedroom unit closing in the next few weeks. We are bringing a separate request for additional funds at this time.

One policy change we would like to make to HomeBridge is to add a minimum income. The program's intent is to serve higher-income households who have

fewer options in other City homebuyer programs. We feel that the limited HomeBridge funds are best targeted to households who are most likely to be able to purchase in the market. A minimum income of 60% of AMI would not impact the ability of the program to assist buyers who can find units to purchase in the market, but would limit confusion for residents who interpret the lack of a minimum income to imply that the program can assist lower income households..

As prices and interest rates continue to rise, the HomeBridge price limits are likely to rise. There is a concern that the median purchase price of a condominium will become too high for households within the HomeBridge income range. One way to mitigate this increase is to allow for a higher housing ratio. The current program limits the applicants housing payment to between 25% and 33% of gross monthly income. However, the One Mortgage program, administered by Mass Housing Partnership (MHP), and used by many first-time homebuyers, allows a housing payment ratio of up to 36% for applicants who meet certain criteria, called "Tier 2" loans.

To qualify, applicants must:

- Have a credit score that exceeds the MHP OneMortgage program minimum, currently 660;
- Demonstrate two months liquid reserves after downpayment and closing costs; and
- Document that estimated ownership payment will be no more than 20% above current housing payment.

We propose increasing the allowable housing payment ratio for HomeBridge for applicants who meet the MHP Tier 2 definition.

Homeownership Advisory Council

One of our goals for the homeownership program going forward is to create a way for stakeholders to have more involvement in the program. One of the models we are considering is creating a Homeownership Advisory Council that would have the opportunity to review and provide input on program policies that impact owners, buyers and applicants. We envision that an Advisory Council could have members with different perspectives on the homeownership program, and would want to include current homeowners, residents waiting for ownership units, Trust members, and City staff.

We also think members of an Advisory Council might assist us in administering the program. We are beginning to see more cases of owners who require some assistance or intervention which require staff to make judgements on how best to address these situations. For example, staff on cases where owners can no longer live in their unit due to physical limitations. We have had a small number of requests from owners who would like to purchase a different unit due to physical needs. It might be helpful to have an objective body of stakeholders to help us consider these cases and make recommendations to staff. We expect the number of these cases to increase. Of current owners with age on file, 25% are over 60, and more than 50% are over 50. Some units are suited to aging in place, particularly flats in elevator buildings. In addition, the HIP program can be used to add accessible features. However, there are units where modifications cannot be made.

Other Program Considerations

Equity Return and Resale Formula:

As previously discussed with the Trust, we believe that the equity return and resale formula should be reviewed. The current return is very low and may be a factor in preventing households from moving to market-rate housing. Staff will analyze how the current formula is performing, assess other options and their advantages and disadvantages and discuss with the Trust at an upcoming meeting.

Second-time buyer options:

We continue to look at options to assist households in affordable units who want to move to market housing in Cambridge but are unable to bridge the gap from a restricted unit. One model we are exploring would provide revolving down payment assistance for market units based on a shared-equity system. However, there are significant challenges to finding appropriate funding for these types of activities. We will continue to discuss ideas for how to assist owners who are ready to move to market housing in Cambridge but are not able to do so in this market without some form of assistance.

While we continue to assess how we can better assist owners transitioning to market ownership, we have notified owners that HomeBridge is currently open to owners of City-assisted affordable units who require a different unit size

based on changes in household composition. No current owner has used the HomeBridge program.

We appreciate the Trust's consideration of this status update on the homeownership program and look forward to discussing this with you.



CITY OF CAMBRIDGE
Community Development Department

IRAM FAROOQ
Assistant City Manager for
Community Development

SANDRA CLARKE
Deputy Director
Chief of Administration

KHALIL MOGASSABI
Deputy Director
Chief of Planning

MEMORANDUM

TO: Cambridge Affordable Housing Trust
FROM: Christopher Cotter, Housing Director
Anna Dolmatch, Housing Planner 
DATE: September 27, 2018
RE: HomeBridge Funding Request

The HomeBridge program provides financial assistance for eligible applicants to purchase homes on the open market. In exchange for this assistance, buyers enter into an Affordable Housing Covenant and the units become part of the permanently affordable homeownership stock. Previously called the Financial Assistance Program (FAP), HomeBridge has created 58 permanently affordable units, with another two units under agreement. The recent remarketing of the program has led to increased interest in the program.

The Trust last provided a funding of \$2,000,000 in November 2015, which at the time increased the fund balance to approximately \$2.9MM. Our available balance is now under \$1,000,000. We are therefore requesting a commitment of an additional \$2,500,000 to respond to increased interest in the program.

When buyers are approved for HomeBridge, they receive a commitment of funds based on the size of unit and maximum purchase price based on their income and mortgage approval amount. These commitments are made for an initial four months, with an option to extend for an additional two months. During this time, buyers look on the market for a home, and funds remain reserved for their potential purchase. However, not all approved buyers are able to find a unit within the six-month window, and we often see commitments lapse as buyers take a break from the search or look at options outside of Cambridge

For many years, the program was able to commit funds to all qualified applicants. However, a combination of renewed interest in the program, high home prices, and HomeBridge subsidy levels of up to 50% of the purchase price have resulted in all funds being committed, with additional applicants waiting in the queue.

Applicants come into the program at different stages of readiness. Some are just interested in looking, while others have already located a unit. This request for additional funds will enable us to approved more applicants simultaneously, increasing our ability to fund buyers in purchasing and creating a new permanently affordable unit.

The median amount of recent HomeBridge commitments, including buyers who purchased and those whose commitments expired, is approximately \$300,000. The additional funding, combined with the remaining fund balance of approximately \$1MM, will bring the total funds available to approximately \$3.5MM.

Recently we have seen two HomeBridge buyers purchase new-construction three-bedroom units in a development in Cambridge Highlands. We believe that there will be additional opportunities for up to four additional HomeBridge units at this property. Each unit will require up to \$412,500 in funding, for a potential total of more than \$1.6MM

The additional funding requested would allow HomeBridge to assist in the purchase of these units if approved buyers are interested in them, while also providing funding for other opportunities approved buyers can find on the market.

Recommendation: Staff recommends that the Trust approve an additional \$2,500,000 for the HomeBridge program serving buyers at or below 100% AMI.

Staff further recommend that the Trust approve the following HomeBridge policy changes:

1. Allow a housing payment ratio of up to 36% for HomeBridge-assisted buyers as described in the Homeownership Program Update provided to the Trust as of this date;
2. Require a minimum household income of 60% of AMI, adjusted for household size, for HomeBridge approval as described in the Homeownership Program Update provided to the Trust as of this date.



CITY OF CAMBRIDGE

Community Development Department

IRAM FAROOQ
Assistant City Manager for
Community Development

SANDRA CLARKE
Deputy Director
Chief of Administration

KHALIL MOGASSABI
Deputy Director
Chief of Planning

MEMORANDUM

TO: Cambridge Affordable Housing Trust

FROM: CDD Staff *CL*
Preference Review Working Group

DATE: September 27, 2018

RE: Recommended Changes for Preferences in Resident Selection Policies

Over the past several months, CDD staff have been working with a few Trust members to review the preference policies used to select housing applicants for City housing programs. This group met several times to review program information, discuss how the current policies are working, and to identify gaps and opportunities for change. The group has completed its work and is now ready to bring its recommendations to the Trust for consideration and discussion.

By way of background, the City intends to change the current selection preference policies through issuing regulations for the Inclusionary Housing Program. The City Council's Housing Committee asked for recommendations from the Trust to help the Committee give policy guidance to City staff in developing these changes. Staff organized this working group to consider the current policies, discuss ideas, and report back to the Trust with recommendations. We are now ready to discuss the group's recommended changes with the Trust.

We will bring recommendations from the Trust to the Housing Committee for discussion, which will then inform changes that we will include in regulations for the inclusionary program. Changes will be finalized through the City Manager's promulgating regulations for Inclusionary Housing. Regulations will first be issued in draft form for public review and comment.

We would expect that changes recommended through this process would also then be applied by the Trust to housing exclusively funded by the Trust (i.e. many homeownership units), and used by the Trust to develop goals, policies, and protocols for applying these preference policies to housing funded both by the Trust and other public funders who may also have their own preference requirements. We will plan to discuss how any changes might be implemented for Trust-funded developments at a future

meeting once we know what the policies will be for housing assisted only by the City.

HIERARCHY OF PREFERENCES

The group agreed that residency should remain the most important and impactful preference, and that given the needs in the community and changes we have seen in the socioeconomic profile of the city over time, that this preference remain fully available for residents for all units.

The group reviewed the preference for applicants with children, which is currently the second most impactful preference, and found the current policy gave too significant an advantage to rental applicants with children and had a negative impact on applicants with an emergency housing need (there is no emergency need criteria for homeownership). This advantage for families with children has in recent years has made it more difficult for applicants with emergency housing needs without children to be considered for available rental units. Often those applicants (e.g. all-adult resident households) are not considered for available units.

The group discussed a goal of prioritizing applicants with emergency housing needs so that they would be considered before other applicants who are more stably housed. The group is therefore recommending that the emergency need preference receive more weight to put any resident applicant with an emergency need ahead of resident applicants with children. This would flip the current hierarchy of preferences.

The group agreed that the preference for families with children should remain as a preference to facilitate housing families in larger units, both in homeownership, and, after all emergency applicants have been considered, in rental housing.

PREFERENCE CRITERIA

The group had the following recommendations, comments, and questions in each preference area. A matrix showing the current City and CHA preference policies alongside the recommended changes is attached to assist in review.

Resident Preference (Rental Housing & Homeownership)

The group felt strongly that the policy should continue to allow for all

residents to be considered for housing before any non-resident, however finding that some residents have a hard time documenting residency, thought that the criteria for documenting residency should be expanded. City staff is considering how best to do this. The group also thought that residency status should be determined at the time of initial application, and not reexamined for so long as an applicant has an active application. This would prevent residents who may be displaced from losing their status for City housing programs where they have pending applications.

The group discussed at length how to treat displaced former residents – both those with vouchers issued by CHA¹, and those displaced moderate-income households who are harder to quantify because they are not receiving housing assistance. All shared the desire to bring residents back, and acknowledged that there are paths back for CHA voucher holders to move to Cambridge in housing accessed through the CHA². However, given the needs of current residents, there was not consensus on whether displaced former residents should receive the same preference as current residents, especially as it could result in further displacement as current residents would then face longer wait times for housing. We thought this would benefit from discussion by the Trust.

Finally, while all agreed if any such preference is created, it should be offered to any former resident, we discussed that it might be difficult for former residents without vouchers to provide evidence that they lived here in a way that would allow staff to review consistently and equitably.

Emergency Housing Need Preference (Rental Housing)

The group discussed limiting emergency criteria to those housing emergencies which would warrant moving an applicant to the front of the line, and in many cases jumping past many applicants who have been waiting for housing for a long time. The group noted that if an applicant meets our emergency criteria that we would want them to be considered for housing very quickly, and if they could not be (for example, if there were too many emergency need applicants to serve), than the emergency need criteria

¹ A 2017 CHA analysis found that 399 of 746 (53.5%) CHA MTW voucher holders living outside of Cambridge are from Cambridge; this number and ratio may be slightly higher as most vouchers issued since 2017 have been “emergency” vouchers issued to residents, and most new vouchers issued continue to be used outside of the city

² CHA offers preference for voucher holders living outside of Cambridge and considers these households first when filling vacancies in project-based units in Cambridge

needs to be re-considered to prioritize applicants with the most significant needs.

With this goal, in addition to making it become a more impactful preference, the group discussed and is recommending the following changes:

- Keep and/or Modify:
 - Eviction threat – keep preference for applicants facing no-fault evictions, however preference should vest when court action is commenced to give ample time before court orders are issued;
 - Cost-burdening – keep threshold of more than 50% of income, but require that applicants must have lived in their home for more than 1 year;
 - Homeless applicants – rely on letters from shelters or other assistance providers; applicants can also claim residency preference by documenting their last permanent address in the city;
 - Transitional housing – including applicants living in time-limited transition housing, but not living in housing that could be permanent housing (e.g. SROs);
 - Applicants who are doubled up – the group discussed the reasons why applicants might be doubled up, what circumstances would warrant an emergency need (e.g. homeless or doubled up through no fault of their own), and how the challenges in documenting and confirming such circumstances make it difficult to implement such a criteria. However, given the desire to serve those who are homeless and doubled up through no fault of their own, staff are continuing to see how such distinctions might be made;
 - Housing condition – tighten criteria to allow for only the most severe conditions to qualify, a change for the current threshold of cited code violations; recommended that this criteria be limited to those who have received a notice to vacate issued by the City, or are victims of a natural disaster;
- Add
 - Domestic Violence – while applicants fleeing abusive situations may qualify for other emergencies, the group felt that having an explicit preference important; preference recommended to be limited to recent incidents which could result in loss of housing as documented by police reports, court records, or

statements from service providers;

- Remove
 - Overcrowding – while significant the group felt that other criteria warranted removing this to ensure housing is prioritized for applicants most at risk.

Families with Children (Rental Housing & Homeownership)

The group recommends keeping this preference for families with children, however acknowledges that it has been difficult for many families with children 6 years and older to be considered. The group therefore recommends splitting this preference so that the additional preference for families with children under 6 be kept in place for every 2 out of 3 units, and that an “open” preference for families with children under 18 be considered for every 3rd available unit. This would be done by unit size for both the rental and homeownership program, and for homeownership, would also be done within specified income ranges, e.g. 60-80% AMI, 80-100% AMI, etc.

We look forward to discussing this with the Trust, and using any recommendations made by the Trust to advance the process to change these resident selection preference policies.