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## CITY OF CAMBRIDGE

Community Development Department

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### MEMORANDUM

**TO:** Cambridge Affordable Housing Trust

**FROM:** Christopher Cotter, Housing Director  
Anna Dolmatch, Housing Planner

**DATE:** September 27, 2018

**RE:** HomeBridge Funding Request

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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.