CITY OF CAMBRIDGE | Housing Department

MEMORANDUM

TO: Cambridge Affordable Housing Trust

FROM: Christopher Cotter, Chief of Housing
Anna Dolmatch, Director of Homeownership

DATE: September 24, 2026

RE: Homeownership Program Update

Over the past few years, the Homeownership Division has worked with the Trust on a range of projects and programs, including the first term changes in more than 30 years; two new all-affordable developments, the first in more than ten years; funding for the expanding HomeBridge and Resale programs; and discussions of the Trust's role in the preservation of affordable resident-controlled housing.

We wanted to provide the Trust with a status report on the Department's work across all areas of homeownership, including updates on ongoing projects, current challenges, and areas for future Trust consideration. We hope that reviewing current work and potential future program needs holistically across all programs supports the Trust's strategic planning.

Affordable Homeownership Stock Summary

There are now more than 610 homeownership units subject to affordability restrictions held by the City. Across all programs, the City has a restriction on units in 184 different condominium associations, ranging from two units to more than 300. Affordable homeownership units are in 7% of all condominium associations in the City and represent 4% of all condominium units.

The ownership stock is approximately 27% units purchased on the open market with financial assistance from the City (e.g. HomeBridge). Non-profit developed units are still the largest share, at around 32%, followed by Inclusionary units at 31%. Approximately 9% were created through other zoning and permitting requirements, mostly predating the Inclusionary Housing Ordinance.

For many years, the homeownership stock was approximately 50% two-bedroom units; 30% one-bedroom, and 20% three-bedroom. Recent trends have shifted that distribution to increase the number of three-bedroom units to approximately 30%, with two-bedrooms at 43% and one-bedrooms at 27%.

This change is driven by HomeBridge, which has been the source of most of the recent growth in units. Since January 2021, 47% of the 64 units purchased with HomeBridge have been three-bedrooms.

This report will discuss the current status of each program area in more detail.

Homeownership Program Term Changes

After a multi-year process, the Trust adopted new homeownership program terms in January 2024. The implementation of the new terms involved the development of new legal documents, including changes to form Covenants for new buyers and an option for current owners, as well as extensive outreach to let owners know how they could update to the new terms.

As you may recall, the new terms include a resale formula with an annual return of 2.5% of the affordable purchase price, and an option for direct inheritance by certain income-eligible beneficiaries. Owners may opt into the new terms at any time by requesting an Amendment to their affordability restriction. Approximately one-third of units have been updated to the new terms or are in the process, including units that have sold or resold since the implementation.

As anticipated and intended, the new terms are increasing the resale prices and proceeds to owners. We are continuing to monitor the financial impact on the program. Newer units, including middle-income units created through the current Inclusionary Housing Ordinance and HomeBridge, have higher initial affordable purchase prices, and therefore higher annual returns, than older units. We anticipate it will take several years to have sufficient data to fully assess the financial impacts. Options to mitigate that impact could include modifying the rehab investment in units at turnover, or capping the initial affordable price for units created through development or HomeBridge.

Development of All-Affordable Homeownership

There are currently two Trust-funded all-affordable homeownership projects in process, both with Just A Start (JAS) as the developer. The ten family-sized units at 35 Cherry Street are under construction, with an expected completion date of late spring 2027. We are beginning to plan for the marketing of these units to ensure broad outreach to the community. As you may recall, there are six two-bedroom and four three-bedroom units. Sales prices will be targeted to be affordable to a range of incomes, with half of the units restricted to buyers at or below 80% AMI and half to buyers at or below 100% AMI.

At 12-14 Laurel Street, JAS is completing bid review and relocation plans with the final remaining resident. Once those items are complete, the property will be transferred from the current non-profit owner, and we will close on the Trust funding so JAS can begin construction. Once complete, the project will have three three-bedroom units and one accessible one-bedroom unit.

These are the first all-affordable homeownership developments since 424-430 Windsor Street, completed in 2011. We continue to work with developers to explore opportunities that may be a good fit for homeownership projects.

HomeBridge

HomeBridge is the largest source of both newly created affordable units and purchasing opportunities in recent years. Since 2003, 135 units have been purchased through HomeBridge, and the predecessor Financial Assistance Program. The Trust has committed $51.2MM to the programs.

The pace of unit purchases with HomeBridge funding has picked up dramatically in recent years. Since the Trust increased the maximum HomeBridge subsidy percentage in November 2023, 45 buyers have purchased homes, one-third of the overall program total. The first quarter of FY27 saw 11 HomeBridge closings; this is more than in fiscal years 2014 through 2018 combined. We believe this indicates that current subsidy levels are well aligned with the market. However, high interest rates and constrained supply continue may further limit market options and HomeBridge production may become slower.

HomeBridge was initially developed to provide an option for households earning over 80% AMI who were not eligible for most other programs, or who would not receive highest preference in new unit lotteries or the Resale Pool. It is also the only affordable ownership program open to owners of affordable homes who need a larger or smaller unit. The expansion of HomeBridge to fund buyers earning up to 120% AMI has added an additional cohort of buyers. Currently, we see demand for HomeBridge from a wide range of applicants, including those who are also in the Resale Pool and applying for new unit lotteries.

HomeBridge currently provides up to 50% of the purchase price for a one-bedroom; 60% for a two-bedroom; and 65% for a three-bedroom. Maximum market purchase prices are set at least annually based on actual sales of condominiums in a certain size range. Current maximum assistance levels range from $322,500 to $715,000 in buyer subsidy. This represents an increase of more than 60% in the maximum subsidy amount for a three-bedroom unit since January 2023.

High subsidy need is one area of concern for HomeBridge. The current subsidy level is more per unit than recent Trust-funded homeownership developments. However, HomeBridge units do not require site acquisition, design, or permitting, so new affordable units can be created more quickly. These units are also frequently located in areas of the City with fewer affordable units.

There are several HomeBridge policy areas that we would like to discuss with the Trust in future meetings. We would like to continue discussion about potentially limiting HomeBridge assistance to applicants with a certain level of need. This could set a maximum affordable price, which is the purchase price net of subsidy. We also recommend that the Trust consider possibly funding HomeBridge at a set annual amount versus the current as-needed basis. This could ensure steady funding as the Trust balances a large production pipeline and the needs of other programs and existing housing.

Resale Program

The Department's Homeownership Resale Program continues to preserve the affordable homeownership stock and offer homebuying opportunities by exercising the City's purchase right when an owner sells; investing in any necessary rehab; and re-subsidizing units when needed to maintain affordability to continue to serve a range of incomes. In the past five years, 40 buyers have purchased homes through the Resale Program.

Since 2010, the Trust has committed $16MM to the revolving and sinking Resale Fund. More than 180 units have been repurchased. The Fund has permanently expended almost $4.8MM. The average new subsidy per unit is currently approximately $29,000 per unit. While this average number remains low, this number has almost doubled since 2023.

The need for new subsidy at resale varies widely, and some units require no additional subsidy on turnover. The largest needs continue to be for units purchased decades ago that require major rehab. As the stock ages and more of these older units turn over, we expect to see more of these larger unit rehab projects. While these units have a significant impact on the balance of the Resale Fund, these units were typically created with very little public subsidy. The overall cost to create, preserve, and improve these units over time is typically much lower than the cost to create new units through HomeBridge or other publicly funded development, particularly for larger units.

Buyers for resale units are selected from the Department's Resale Pool. Applications are accepted on a rolling basis, and the pool is open to anyone, with preference for Cambridge residents and households with children. Demand continues to outpace supply. There are currently more than 800 applicants waiting, with more than 600 Cambridge residents. We typically have an average of 10 resale units available each year. The longest wait time continues to be for three-bedroom households, due to the smaller stock and a lower rate of turnover.

Other Homeownership Creation

Since January 2023, we have completed two lotteries for Inclusionary units for a total of eight units. We continue to see high demand for these lotteries for all unit sizes. There are currently three Inclusionary homeownership projects in the pipeline, with one expected to be completed in late spring 2027, around the same time as 35 Cherry Street. Two other projects are in predevelopment.

The Cambridge Redevelopment Authority (CRA) also continues to look at opportunities to create new affordable homeownership units. The CRA assumed Boston Properties' zoning commitment to create a minimum of 20,000 square feet of affordable homeownership, including middle-income and low-moderate affordability tiers. The CRA has looked at many possible projects to meet this requirement. They have recently selected a developer for a project on North Mass Ave that we anticipate will have three to four affordable units, which will be subject to an affordability restriction held by the City. We continue to work with the CRA to discuss other options for the creation of affordable homeownership opportunities.

Owner Support

Over the past few years, as we have worked to better connect with owners, we have heard from owners that they would like more support, with a focus on training and education. The Housing

Department recently hired a new Resident Engagement Manager who is surveying owners for specific feedback on what would best meet their needs. Initial results indicate that homeowners are looking for training focused on practical information on home maintenance and repair, as well as estate planning resources.

The Resident Engagement Manager is implementing a twice-yearly newsletter for program homeowners that will include resources and information. The Homeownership Division is working with the Resident Engagement Manager to develop a resource guide for owners that will include information on both program requirements, where to go within the City for specific services, and guidance on outside programs that support owners.

The City also continues to fund other support programs, including the JAS Housing Services program. This program provides mediation for conflict resolution and other assistance for individual owners. They also provide support to all-affordable condominium associations including meeting facilitation, help selecting a management company, and coaching and training for board members.

The City also continues to fund the Home Improvement Program (HIP) which is offered through both Homeowners Rehab Inc. (HRI) and JAS. HIP provides financing to assist income-eligible owners with home repair and improvements for unit rehab and condo assessments for common area work. We have seen an increase in cases where condo assessments for affordable units are tens of thousands of dollars per unit, often due in a short period of time. Even with the increase in the value formula, many owners of affordable units do not have sufficient equity to cover major assessments. Even for owners who can access home equity, high interest rates make this funding source unaffordable.

HIP is funded with CDBG funds, which are vulnerable to changing terms and requirements. The City is involved in litigation to protect access to Federal funding for this and other programs. If this funding source is reduced or restricted, HIP may be impacted.

HIP is an essential tool for the stability of owners of affordable homes, particularly for older owners on a fixed income. In the past five years, more than 65% of HIP cases involved City restricted units, including several cases where HIP was used to enable a large condo project to move forward by providing funding to multiple owners to pay assessments.

Preservation and Recapitalization of All-Affordable Buildings

The Trust's role in preservation of all-affordable resident-controlled housing is also a key area for future discussion. To date, the Trust has funded large rehab projects for the Park View Cooperative and the Print Shop Condominium. Both of these projects addressed critical building issues. We are currently working with the Switch House Condominium, the largest all-affordable condominium, on a plan to address major capital needs. We expect to request Trust funding for some of this work.

As you may remember, in January 2024, the Trust discussed affordable ownership condominium fees, capital costs, and affordability. Condo fees continue to increase rapidly, driven especially by rising insurance costs. In many cases, it is not feasible for owners to pay an assessment of tens of thousands of dollars. Not all owners are eligible for assistance programs such as HIP or qualify for a market home equity loan.

As the stock of all-affordable buildings ages, we expect to see more associations with capital projects beyond their financial capacity to address. Buildings with complex systems, such as the Switch House and the Print Shop, have higher costs, but the cost of construction materials is impacting every building. These major projects cannot be covered by reserves, even in associations that contribute the most and have the highest fees.

The Trust adopted guidelines for reviewing requests from resident-controlled housing, such as all-affordable condominiums and limited-equity cooperatives. In the future, we would like to discuss adding to these guidelines to provide an improved framework for the Trust to assess future requests.

We have also discussed piloting a program to provide funding for capital needs assessments and reserve studies for these buildings. These studies can help identify gaps between what work is likely to be needed and sustainable costs for owners. This information can help owners, the Trust, and the City assess options to assist owners in planning for needed future work and funding estimates.

Summary

The City's homeownership programs continue to provide options for residents to remain in the City in stable, affordable housing. Program demand continues to be strong, with a large increase in HomeBridge applications and buyers in recent years. Costs to create homeownership units have risen, resulting in an increase in the amount of subsidy needed for both creation and preservation of these units.

We would like to further explore the following areas at future Trust meetings:

- Developing additional guidance for funding preservation of affordable resident-controlled housing;
- Revisiting proposals for capping the maximum affordable price for HomeBridge units at purchase; and,
- Discussing strategic planning for homeownership funding.