

**MEMORANDUM**

To: Affordable Housing Trust
From: Christopher Cotter, Housing Director
Anna Dolmatch, Senior Manager for Homeownership
Date: March 26, 2026
RE: Homeownership Resale Fund Recapitalization Request

We are requesting a commitment of \$3,000,000 to increase the balance of the Homeownership Resale Fund (the “Fund”). These funds are needed to continue to fund the repurchase units by a designee and fund rehab work and holding costs while the unit is prepared for sale to a new buyer, and in some cases, re-subsidize the affordable price.

Since 2006, the Affordable Housing Trust has allocated a total of \$13,000,000 to the Resale Fund. The Fund revolves and sinks by providing temporary loans for the repurchase of affordable units, as well as permanent subsidy for necessary rehab work and price reduction to keep units affordable. The Resale Fund revolves through repayment (or partial repayment) when units are sold. Since 2006, the City has exercised the repurchase right on almost 200 units.

Several factors are creating both short-term cash flow challenges and increasing the rate that the Fund sinks, permanently reducing the Fund balance. As we have previously discussed, the change to the resale formula has increased repurchase prices for units now being sold by current homeowners. This is particularly pronounced with HomeBridge units which typically have a higher initial affordable value.

Since sellers have had the option to use the new pricing formula, the repurchase price for all types of units has increased by an average of \$80,000 per unit. For HomeBridge units, which typically have higher initial affordable prices, repurchase prices since the formula change have increased more than \$100,000 and now average almost \$400,000. This is based on a very small sample size; however, both HomeBridge and the inclusionary housing are calibrated to produce more middle-income units, so we expect this trend to continue.

Rehab costs continue to be high, and we continue to see a number of units with large rehab needs. As the affordable homeownership program matures, we are more frequently seeing units that have been owned for decades and have significant deferred maintenance or were purchased by homebuyers without rehab being completed before purchase. Many of these units were originally created with very small amounts of public funding, so this large investment is worthwhile as we preserve units and create quality housing for less than the

subsidy costs for new units. However, these investments permanently reduces the remaining balance of the Fund.

Approximately \$4,400,000 has been permanently reinvested in the homeownership stock, leaving a revolving balance of approximately \$8,600,000. Prior to 2024, the average net new subsidy for resale units was \$15,000, going back to 2006. Since 2024, that average for all units has increased to more than \$28,000 per unit in net subsidy. The last ten units completed and sold had average new subsidy amounts of almost \$100,000 per unit.

We continue to look for ways to preserve the fund, reduce costs and preserve capacity, including not exercising the City's purchase option for every unit, but there are many situations where we use the purchase to support program priorities including cases to preserve or deepen affordability and for larger family-sized units that rarely become available. When the City declines the purchase right, we do not control buyer selection but we do always ensure that new buyers are income eligible.

In addition to increasing costs, several units continue to be held for a variety of reasons, including larger building issues. There are currently eleven units held by JAS pending resolution of these issues; we anticipate that at least 3 of these units will be marketed in 2026. However, the schedule of the Print Shop renovation project will impact the timing for the majority of these units. The future sales of these units will return a significant portion of the costs to the Resale Fund.

The Resale Pool is one of the main ways that we are able to offer homebuying opportunities to low- and moderate-income residents. We have a robust pipeline of current buyers ready to purchase when units are available. Without additional funding, we will be more constrained on when we can exercise the City's purchase right on these units when current owners decide to sell. This would not impact the affordability of most units; homeowners would be required to find an income-eligible buyer and sell for no more than the affordable price under the restriction. However, when the City does not select the buyer, there are no provisions for preference for Cambridge residents or for families with children for larger units.

The requested \$3,000,000 recapitalization for the Resale Fund will ensure we can continue to manage the program in line with Trust and City priorities. These additional funds will support our efforts to preserve the affordable homeownership stock, maintain affordability, and continue to offer units to waiting buyers in the Resale Pool.

RECOMMENDATION:

We recommend that the Affordable Housing Trust approve the request of \$3,000,000 to recapitalize the Homeownership Resale Fund to address the ongoing need to purchase and maintain the condition and affordability of the existing affordable homeownership stock. Proceeds from the unit sales will return to the Fund.

The funds should be made contingent on the following:

1. Housing staff approval of unit renovation budgets;
2. Housing staff approval of renovation plans and specifications;
3. Selection of new homebuyers from the Homeownership Resale Pool.