CITY OF CAMBRIDGE
COMMUNITY DEVELOPMENT DEPARTMENT

BETH RUBENSTEIN
Acting Assistant City Manager for Community Development

To: Robert W. Healy, City Manager

From: Beth Rubenstein, Acting Assistant City Manager for Community Development

BR

Date: February 23, 1999

Re: Council Order, #034, dated 2/1/99: Report on particulars of the new Boston effort in relation to housing needs

As noted in this Council Order, the City of Boston has recently announced plans to allocate local revenues for the first time to affordable housing programs. The source of these revenues will be the proceeds from the sale of the former Boston police headquarters property on Berkeley Street in the Back Bay neighborhood. The amount of these sale proceeds is estimated to be at least $10 million. By contrast, Cambridge is in the fourth year of its CITYHOME Initiative, which has received just under $16 million of local revenues to date.

Boston offers a first-time home buyer program for middle class households with incomes up to 120% of the area median. Through its Department of Neighborhood Development, Boston is currently operating a program called the Boston Home Certificate Initiative (BHCI) which provides home buyer education and counseling, as well as financial assistance to such households.

The financial assistance made available through BHCI for households with incomes up to 120% of area median income comes in the form of secured grants and includes closing cost assistance and, in certain cases, down payment assistance. These grants require repayment if the property is sold within five years. After the fifth year, the financial assistance is forgiven.

The amount of the closing cost assistance provided is $500 for those purchasing a condominium or single family home, $750 for those purchasing two family homes, and $1,000 for those purchasing a three family home. For those program participants purchasing a condominium in which they currently reside, the amount increases to $1,000. For households qualifying for down payment assistance, Boston provides up to 2% of the purchase price.

The City of Boston uses local funds to provide the financial assistance to those households with incomes above 80% of median income. (Approximately four

City Hall Annex
57 Inman Street
Cambridge, MA 02139
Voice: 617 349-4600
Fax: 617 349-4669
TTY: 617 349-4621

hundred households participated in that program last year.) Federal and state funds typically limit assistance to households with incomes up to 80%.

The Cambridge Community Development Department also offers a range of services for first-time home buyers. These services include buyer training and counseling, affordable financing products, and homeownership project development.

Although direct financial assistance is currently available only to those with incomes below 80% of the median income, CDD works closely with a wide variety of public and private lenders that offer reduced cost mortgage products and refers Cambridge households to these resources where applicable.

As stated in the City administration's goals for FY 2000 (dated February 1, 1999), CDD intends to design a pilot program to assist Cambridge residents with incomes between 80% and 120% of median in becoming homeowners. While the Boston approach of providing financial assistance to middle class residents would be useful, the level of assistance would need to be much greater than Boston's for the program to prove effective in the current Cambridge housing market.

As we proceed with program design, key issues to be addressed will include the level of financial assistance, repayment requirements, and long term resale restrictions.

We are attaching information on the current services offered through CDD's first-time home buyer program. Please let us know if we can provide any additional information.

Attachment

CAMBRIDGE HOME BUYER INITIATIVE

WHAT IS IT?

The Cambridge Home Buyer Initiative is a new City sponsored affordable home ownership program for low and moderate income Cambridge residents. The Buyer Initiative will provide technical and financial assistance to income eligible residents who want to buy a home in Cambridge.

WHAT ME, A HOME OWNER?

You, as the owner of a deed restricted property, will have affordable housing in Cambridge for as long as you want to live in it. When you decide to sell your home you will get back the amount of money, with interest, that you put into the property. This should make it possible for you to have an adequate downpayment towards your next home.

If you think of home ownership as a step ladder, in Cambridge the first rung of the ladder is completely missing and the second rung is too steep for most folk to step up to. So, the City is providing that first rung to get families started. From there we believe most will be able to manage their future housing un-assisted.

WHO CAN USE THE BUYERS INITIATIVE PROGRAM?

Income eligible Cambridge residents. Income at, or under, 80% of median by household size:

Household Size*	Income
1 person	$33,450 or less
2 persons	$38,250 or less
3 persons	$43,000 or less
4 persons	$47,800 or less

** Household size = combined income of all adults living with you*

- *Priority will be given to residents of former rent controlled buildings and Cambridge families with children.*

YOU MEAN I WAS NOT BORN TO BE A LIFE-LONG TENANT?

Well, maybe not. Owning can be cheaper, on a monthly basis, than renting. And, in your own home you have more control over your future, economic and otherwise. It is a transition though, from tenant to home owner. You may need to change how you handle your finances, you'll have to plan more. You will need to prepare and that can take from three months to a year. You will need the following:

- reasonably good credit
- some savings (a couple thousand dollars)
- moderate debt
- employment (steady, or in same field, for 2 years)

WHAT IS REASONABLE CREDIT AND MODERATE DEBT?

Call 349-HOME put your name on the list for the next Home Buyer Training session. Also call 349-HOME and get the date of the next Cambridge Home Buyer Initiative Seminar. It is never too soon to start planning home ownership. Home purchase is a process and it takes time. If you do it carefully/successfully your housing costs can be almost fixed for as long as you want. The Community Development Department (CDD) which offers the Buyer Initiative program will help you sort out what you want and what you can afford. You maybe surprised and we will help you correct bad credit. This is part of the technical assistance we provide.
The other part of the technical assistance is, we will help you evaluate the home and oversee essential rehab needed to bring the home up-to-code. And last, but far from least, we will work with you to obtain good mortgage financing.

WHAT ABOUT FINANCIAL ASSISTANCE FROM THE CITY?

Yes, that too. It can come in three different ways:

1) the City will pay for necessary rehab (up to a fixed amount)

2) if your property is in good shape, the City will pay the difference between the purchase price and what you can afford

3) the City could pay part of your downpayment or a combination of all three alternatives (again up to a fixed amount)

Total Cost of Property (including any rehab)		City's Contribution (maximum amount)
studio condo	$110,000	$20,000
1 bedroom	$125,000	$25,000
2 bedroom	$140,000	$30,000
3 bedroom	$150,000	$35,000

If no rehabilitation is needed the property purchase price can be the full amount listed in the first column.

HOW WILL I GET THE FINANCIAL ASSISTANCE?

You will never actually see it. It will be in the form of a loan, except it is a DEFERRED loan. Deferred, means repaying the loan is pushed out ahead in time. In fact as long as you live in the property you will never have to repay the loan. When you sell the property the deferred loan will stay with the home so that another low or moderate income buyer can afford to purchase it.

THIS SOUNDS LIKE A LOT OF WORK, WILL IT BE WORTH THE EFFORT?

Only you can answer that. It will not be an easy process. Even buying a home in the regular way is stressful and a lot of work. So, this has to be more difficult. Anything with a limited budget is tricky because you cannot afford to make a mistake. Plus you will have to juggle a bunch of caps and loan limits and goodness knows what else! That's why there is emphasis on technical assistance, because you will need it.
Think about it though, once you've bought your home your housing and is secure for as long as you pay your mortgage. And, remember a home owner cannot be evicted.

CAMBRIDGE COMMUNITY DEVELOPMENT DEPARTMENT

FIRST TIME BUYER SERVICES

We provide a variety of programs and services to assist Cambridge residents buying their first homes. This includes First Time Homebuyer Education (including the Cambridge Home Buyer Initiative), Special Mortgage Products, and City sponsored Home Ownership properties.

FIRST TIME HOMEBUYER EDUCATION

First Time Home Buyer Course (FTHB):
Courses are held monthly, and consist of four classes, each two hours long. The goal is to help Cambridge residents get ready to buy their first home. There is no charge, and everyone is welcome. Income-eligible course graduates can then use the special mortgages (see mortgages below) which are designed for low and moderate income first time buyers. *Dates and locations vary, so please call Donna H. Claudio at 349-4622 for more information.*

This course includes information on:

Cambridge Home Buyer Initiative (CHBI):
Technical and financial assistance for income-eligible Cambridge residents (no higher than 80% of median by household size, see chart below) who are buying in Cambridge. Under this program, a qualified buyer locates a property anywhere in Cambridge, and the City then provides technical assistance and a buyer-based subsidy of up to $35,000. This money can be used either as a downpayment or to pay for essential rehabilitation. The property will be deed restricted. *For more information, please call Dwayne Watts at 349-4642.*

US Dept of Housing and Urban Development (HUD) 1999 Incomes		
Household Size	**80% Limit**	**100% Limit**
1 Person	$33,450	$43,900
2 Persons	$38,250	$50,200
3 Persons	$43,000	$56,400
4 Persons	$47,800	$62,700
5 Persons	$51,600	$67,700

One-On-One Consultation:
Individual one-hour consultation sessions are available to Cambridge residents with household incomes no higher than 100% of median income (see income chart above). Income-eligible class participants can schedule consultation sessions with Dwayne Watts after completing the FTHB course.

Two & Three Family Home Seminar:
A single two-hour training on how to buy and own a two or three-family property. This session covers: how potential rental income affects affordability, tenant selection, how to be a landlord, lead paint etc. This seminar is offered every three months. *Please call John Woods at 349-4612 for more information.*

MORTGAGES

1. **Soft Second Mortgage**: A fixed-rate below-market mortgage with no private mortgage insurance. To be eligible you must have:
   - a family income no higher than $45,300.
   - completed the FTHB course and had a one-on one consultation session

   Available through: East Cambridge Savings Bank, Fleet Mortgage, Cambridgeport Bank, Cambridge Savings Bank, Cambridge Trust, BankBoston, and Boston Company

2. **Cambridge Special Mortgage**: A fixed-rate discounted mortgage with no private mortgage insurance. To be eligible, you must:
   - have an income no higher than the 100% median family income (see income chart)
   - have completed the FTHB course and had a one-on one consultation session
   - be buying in Cambridge

   Available through: Boston Company/Mellon Bank

3. **Massachusetts Housing Finance Agency**: MHFA has a number of different subsidized mortgages. With an MHFA loan you can buy anywhere in Greater Boston, including Cambridge. To be eligible you must:
   - have an income no higher than $50,000 for a two person household and $57,000 for a three person household.
   - have completed the FTHB course

   Available through: Cambridgeport Bank and other Lenders.

PROGRAMS

City Sponsored Home Ownership Properties

Home ownership opportunities for Cambridge residents with family incomes no higher than 80% of median (see income chart). The City rehabs these homes and re-sells them priced well below market to eligible Cambridge families. In this program, the City's financial contribution is property-based (already in the property). The purchase price of these properties is therefore non-negotiable and a buyer must qualify for the necessary mortgage amount without further financial assistance. These homes are scattered throughout the City and are deed restricted. In addition, there are units occasionally made available by developers as a result of the City's Inclusionary Zoning Ordinance.

Both types of units will be marketed to households who have completed *Homebuyer Applications*, been determined income eligible and pre-qualified by a bank. *For information about these applications, please call Donna H. Claudio at 349-4622.*

The above programs and services are provided by the Cambridge Community Development Department in partnership with: Homeowner's Rehab, Inc., Just-A-Start, Corp., Massachusetts Housing Finance Agency and Massachusetts Housing Partnership. Funding is provided by: Cambridge Affordable Housing Trust, the Massachusetts Department of Housing and Community Development and the U.S. Department of Housing and Urban Development.

CITY OF CAMBRIDGE

COMMUNITY DEVELOPMENT DEPARTMENT

FIRST TIME HOME BUYER COURSE

The next **First Time Home Buyer (FTHB) Course** will be held in March **1999** on these dates:

Tuesday, March 2nd at 6:00 pm
Tuesday, March 9th at 6:00 pm
Tuesday, March 16th at 6:00 pm
Tuesday, March 23rd at 6:00 pm

The classes are *free* and *all Cambridge residents* are welcome. Each class lasts approximately 2 hours, and will be held at:

East End House
105 Spring Street

Please call Donna H. Claudio at 349-4622 to register and if you need an interpreter. TTY-349-4621

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CITY OF CAMBRIDGE
CAMBRIDGE, MASSACHUSETTS 02139

TEL. 349-4300
FAX. 349-4307

EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

RICHARD C. ROSSI
Deputy City Manager

March 1, 1999

To The Honorable, The City Council:

Please find attached a response to Awaiting Report Item No. 99-20, regarding a report on the particulars of the new Boston effort in relation to housing needs, received from Acting Assistant City Manager for Community Development Beth Rubenstein.

Very truly yours,

Robert W. Healy
City Manager

RWH/mec
Attachment

Consent Agenda #5 S-1463

Relative to AW #99-20, regarding
a report on the particulars of
the new Boston effort in relation to
housing needs.

In City Council March 1, 1999

Placed on file