



# City of Cambridge

## Executive Department

**YI-AN HUANG**  
City Manager

CMA 2025 #133  
**IN CITY COUNCIL**  
June 2, 2025

To the Honorable, the City Council:

As part of the FY26 budget process, we have had several discussions regarding the impact of ARPA funding transitions as well as both impending and potential federal funding cuts. These changes are poised to affect housing and housing stabilization programs and other services that have been lifelines for some of our most vulnerable community members and provide key support for many City priorities.

We are committed to preserving current programming to the extent possible, while also prioritizing our resources to respond to the most pressing needs. We will continue monitoring federal funding changes, which will likely include both significant cuts and difficult grant conditions that could threaten our underlying values. The reality is that these cuts could easily extend beyond our resources and challenging trade-offs are ahead of us.

In discussion with the City Council, we have at this point prioritized housing and homeless interventions. To this end, we are proposing an increase in the FY26 budget of \$1 million that would create new municipal vouchers and supportive services for people who are unhoused. We are also proposing a \$5 million free cash appropriation for a Federal Grant Stabilization Fund.

### **Municipal Supportive Housing Voucher (MSHV)**

In response to AR 25-031 and POR 2025 #73, the new MSHV program would provide a housing opportunity for 25 unhoused individuals to transition into permanent housing with supportive services. The MSHV program would be administered by the Cambridge Housing Authority (CHA). We anticipate that the soonest the new voucher program could be up and running is in late-August or September. This will allow time in June and July for city staff to meet with key partners and stakeholders to clarify the prioritization process and procedures, to determine the plan for ensuring appropriate and adequate navigation and stabilization services are in place for program participants, and to work with CHA to determine contract terms, roles and workflows.

We anticipate replicating or utilizing a similar tenant selection process in place for existing Permanent Supportive Housing (PSH) projects – prioritizing individuals with long durations of homelessness and in need of ongoing supportive services. This new set of vouchers will be implemented similar to the federal Emergency Housing Vouchers – as a resource to expand PSH inventory available to the 250+ people on the Cambridge Coordinated Access Network (CCAN) queue awaiting referrals for PSH. The specific prioritization process and procedures will be defined with input from the Coordinated Entry Working Group, which includes people with lived experience, homeless services providers and city staff.



### **Federal Grant Stabilization Fund**

We are also proposing the creation of a \$5 million Federal Grant Stabilization Fund through a free cash allocation which would be available as we identify programmatic needs and respond to anticipated funding cuts. We would expect to draw on this fund to help maintain continuity of services for vulnerable residents in the short-term while also working to identify longer-term funding options for affected programs.

The City expects to receive more than \$12 million in federal funds in FY26, including across Continuum of Care (CoC), Community Development Block Grant, HOME, Emergency Solutions Grants, and HOPWA funds. Federal funding for these grants has been allocated, but we are engaged in litigation concerning CoC grant conditions and we may see similar challenges with other grants. Federal funds are also received directly by the Cambridge Housing Authority and non-profit partners delivering key housing services and support, may be at risk due to either Executive Orders or federal budget changes.

### **Federal Funding**

We recognize that the overall exposure in direct federal funding the City receives and in federal funding to our community is significantly greater than what the City can reasonably expect to budget, and could extend beyond the \$5 million in the Federal Grant Stabilization Fund.

HUD grant funding would support a range of City programs in FY26, including:

- CDBG: \$2,638,641 which will support work on affordable housing, economic development and human service programs and provides direct funding support to many non-profit organizations providing essential services to residents, income eligible residents and business owners
- HOME: \$648,119 which will support affordable housing development and homebuyer activities
- ESG: \$226,880 that supports Emergency Services programs including street outreach, overnight shelters, daytime drop-in centers plus funding for Rapid Rehousing and Prevention
- HOPWA: \$2,395,799 to support permanent supportive housing in Cambridge, and rental assistance and services offered throughout the region by community-based providers; these programs are dedicated to persons living with HIV/AIDS; note that the City administers the regional HOPWA grant for Middlesex County which includes programs in other communities;
- CoC: \$6,379,162 that primarily funds Permanent Supportive Housing programs for people exiting chronic homelessness

Last week Cambridge joined more than 30 other counties, cities, towns and regional agencies around the country in a lawsuit against the federal administration's addition of new conditions on the Continuum of Care grant program funds. Our lawsuit argues the adoption of harmful policies in exchange for Continuum of Care funds is an abuse of executive power and violates the Constitution and federal laws. We are proud to be part of a network of cities, counties, and their agencies across the country pushing back against executive overreach and standing up for vital services. We also recognize that by refusing to accept these conditions, we may not be able to access the associated program funding.

Given uncertainty in the grant conditions for these programs, the City is communicating with community partners and will enter into short-term month-to-month agreements to ensure that funding continues. We will need to continue to assess the financial risk that this funding may not be reimbursed, which could be as high as \$4-5 million for the first six months of FY26. We anticipate the possibility of needing a more formal determination of risk in the fall, and will keep the Council updated as we determine the

appropriate response which could include allocating additional City funding and/or pausing programs.

### **Funds received by the Cambridge Housing Authority**

We are also working closely with the Cambridge Housing Authority where most of its funding for affordable housing comes from federal sources. CHA has already identified areas where changes in policy and/or potential funding reductions will have an impact on residents. As we monitor this, we may see areas of need in CHA programs where funding from the Federal Grant Stabilization Reserve may be prudent to help ensure the continuity of housing subsidies for individuals and families who participate in Federally-assisted programs administered by the CHA.

Currently, the greatest concern is funding for “mixed status” households with CHA rental vouchers, and we are also aware of funding challenges ahead for CHA’s Emergency Housing Vouchers (EHV) program which is scheduled to lose funding in the fall of 2026.

### **Mixed Status Households**

There are approximately 42 families who have rental housing assistance provided to them through CHA’s federally funded Housing Choice Voucher program and whose household includes at least one member who does not have legal status (i.e. mixed status families). HUD is requiring CHA to make changes to its policy for mixed status families which will increase household payments for these families thereby putting their housing at risk. We also understand that there could be further threats to mixed status families continuing to be eligible for federally funded housing vouchers. City staff have been working with CHA to develop a plan to transition the funding of these vouchers from federal to City funds so that CHA can continue to offer housing assistance to these families on the terms that CHA has historically utilized and protect housing for these families. We expect this new City-funded voucher program will cost approximately \$1 million annually. We expect this program will be the first use of funds from the Federal Grant Stabilization Fund and will be operational in early FY26.

### **Federal Emergency Housing Vouchers**

HUD has communicated to CHA that roughly \$4 million of funding for these emergency vouchers, which was meant to be provided past 2030, will expire as of October 2026. However, there has been no formal, final confirmation. We expect funding to last into FY27 and that we will discuss this funding termination as we prepare for the FY27 budget. If the current status changes and there is an impact in FY26, we might consider use of the Federal Grant Stabilization Fund. Staff will continue to monitor the status of this funding with CHA and look at options for how assistance can be best continued for residents housed with these vouchers in FY27 and beyond.

### **Conclusion**

The Federal Grant Stabilization Fund will be a tool to help mitigate significant changes in Federal funding and policy, but will not be able to replace Federal funding we expect to receive in FY26 and beyond. Looking ahead, we will have to consider how best to approach the use of these emergency funds balancing the priority of the programs where funding may be at risk, the impact on vulnerable residents, and the immediacy of the need.

We are facing an unprecedented time when rather than being the supportive backstop to critical programs for vulnerable communities, the federal government is seeking to cut funding and willing to disrupt existing efforts. Active litigation and federal budget discussions will mean that this uncertainty will likely persist through at least the end of 2025, and we will seek to plan carefully, stand up for our values, and keep the Council and community updated as we recommend how to respond.

Very truly yours,

A handwritten signature in black ink, appearing to read "Yi-An Huang". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Yi-An Huang  
City Manager