

**MEMORANDUM**

**To:** Cambridge Affordable Housing Trust  
**From:** Anna Dolmatch, Senior Manager for Homeownership  
Christine Yu, Associate Housing Development Planner  
**Date:** April 30, 2026  
**Re:** 12-14 Laurel Street Permanent and Construction Funding Request

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Just A Start (JAS) is requesting up to \$2,165,584 in construction and permanent financing to create four units of affordable ownership housing at 12-14 Laurel Street, located in the Cambridgeport neighborhood. The Trust has already provided \$125,000 in predevelopment funds, so this would bring the total Trust financing for this project to \$2,290,584.

As a reminder, this property is currently owned by a non-profit who has run it as low-cost communal housing for decades. The non-profit is dissolving and will transfer the property to JAS for \$1 with the conditions that it be redeveloped into affordable housing and that one elderly long-term resident is able to exercise his right to return once the construction is complete. All residents are expected to relocate by the end of May.

The existing building is in poor condition and will be demolished. Under the provisions of the Affordable Housing Overlay (AHO), the project will create one fully accessible one-bedroom flat and three three-bedroom multi-floor units. All units will be restricted to households earning up to 80% Area Median Income (AMI). Each unit will have a separated entrance, individual storage in the basement, private deck space, and shared common green space in the rear. Staff have worked with the JAS team to ensure the units meet or exceed the Homeownership Unit Standards.

The total development budget is \$3,419,345, or \$854,836 per unit, similar to the construction numbers for 35 Cherry Street, the most recent homeownership development project. Hard costs are budgeted at \$497 per square foot and soft costs are budgeted at approximately \$183,000 per unit. Soft costs are higher than 35 Cherry Street's due to higher real estate taxes, relocation costs, and increased insurance premiums.

In addition to the requested Trust funding, other sources include \$210,000 in permanent financing from Federal Home Loan Bank's (FHLB) Affordable Housing Program, \$865,000 in construction financing from East Cambridge Savings Bank, and condo sales. Sales proceeds are estimated at \$918,000 or an average of \$306,000 per unit for the three three-bedroom units. The sales prices will not be set until the units are ready to be marketed, so the amount of sales proceeds may vary.

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Uses	Amount	Per Unit
Hard Costs	2,366,702	591,675
A&E	201,500	50,375
Other Soft Costs	531,143	132,786
Reserves	20,000	5,000
Fee/OH	300,000	75,000
<b>TOTAL</b>	<b>3,419,345</b>	<b>854,836</b>

Sources	Amount	Per Unit
CAHT (Predev)	125,000	31,250
CAHT (Permanent)	2,165,584	541,396
Unit Sales	918,761	229,690
FHLB	210,000	52,500
Constr Loan	865,000	216,250
Constr Loan Repayment	-865,000	-216,250
<b>TOTAL</b>	<b>3,419,345</b>	<b>854,836</b>

The accessible one-bedroom unit will be owned by JAS and rented to the returning elderly resident. Once they vacate, the unit will be sold through the City’s Resale Pool. The current estimated sales price for this unit is approximately \$250,000. However, the price will be set based on income limits, interest rates, and other inputs at the time the unit is available.

The sales proceeds from the three-bedroom units will be used to repay the construction loan. Any remaining sales proceeds will go to repay the Trust loan. Sales proceeds from the eventual sale of the one-bedroom unit will also be repaid to the Trust. While JAS owns the one-bedroom unit, any rental payments in excess of operating costs will also be repaid to the Trust.

We recommend structuring the financing as one loan with the requirement that the Trust is repaid all unit sales proceeds remaining after payment of JAS’s 10% developer fee and the repayment of the private bank loan.

If Trust funding is approved, JAS is targeting a July 2026 closing as the FHLB funds must be used by June 2026. JAS has the option to ask for an extension of twelve months from FHLB if a commitment from the Trust is provided. They estimate starting construction in October 2026 and completion in early 2028. We anticipate that the Housing Department will manage the marketing and buyer selection process.

**RECOMMENDATION:**

We recommend that the Trust approve JAS’s request for up to \$2,165,584 in permanent and construction funding, and the conversion of the existing \$125,000 predevelopment loan to permanent funding. This project will develop 12-14 Laurel Street into new and permanently affordable homes for four low-income families.

In preparing this request and recommendation, Housing Staff reviewed JAS's request with Raffi Freeman, Susan Schlesinger, and Jim Stockard, who agreed with Staff's recommendation to bring this request to the Trust for discussion.

As a condition of loan closing, the Borrower shall complete the following requirements, satisfactory to Lender in its sole discretion, satisfactory to Lender in its sole discretion:

1. Staff approval of design and development plan;
2. Staff approval of final development and operating budgets;
3. Firm written commitments from all funding sources, sufficient to complete transaction;
4. Environmental assessment and/or remediation plan;
5. Staff approval of buyer selection and marketing plan;
6. Staff approval of construction plans and specifications;
7. Submission of final construction bid and trade items from general contractor along with construction contract Borrower has entered into with contractor;
8. Zoning approval and permitting necessary to project;
9. Standard Trust terms and conditions, including:
  - All affordable units shall be subject to the Trust's affordable housing covenant to be signed at or prior to loan closing including the requirement for permanent affordability;
  - The term of the affordable housing covenant shall be ninety-nine (99) years from the date of the sale of the affordable units to the first eligible homeowner;
  - All units shall be restricted to households earning up to 80% AMI, as defined in the affordable housing covenant;
  - The loan shall be secured as a second mortgage loan of up to \$2,290,584, subordinate only to private bank financing on terms acceptable to Housing Staff;
  - The loan shall have an interest rate of 0%, or such other rate approved by Housing Staff;
  - The term of the loan shall be twenty-four (24) months;
  - The loan shall be subject to a penalty rate of 8% compounding annually, applicable upon violation of the affordable housing covenant;
  - Execution of all loan documents, including but not limited to the Loan and Security Agreement;
  - Upon completion of the project, the loan shall be partially repaid from all sales proceeds remaining after payment of the first mortgage loan, seller's reasonable closing costs, and the per-unit share of the developer fee outstanding at the time the unit is sold;
  - Upon sale of any unit approved by the Lender, the per-unit share of the remaining unpaid principal and interest will be forgiven and the loan partially released for that unit;
  - Borrower may retain ownership of one unit indefinitely for the purpose of providing affordable housing to an eligible resident as approved by Housing Staff. Upon termination of residency, this unit must be sold in accordance with a buyer selection plan approved by Housing Staff. If Borrower ownership of this unit extends beyond

the sale of all other units, the mortgage on the entire property may be released and the Borrower's unit's pro-rata share of the loan principal may be secured by a separate lien solely on the Borrower's unit;

- The loan shall provide for repayment of loan principal and interest from any rent collected on the Borrower's unit in excess of unit operating costs, including a reasonable management fee;
- Loan shall be non-recourse; and,
- Any reductions in project costs or increases in non-Trust funding sources shall be used to reduce the amount of the Trust commitment.

During the construction period, the Borrower shall comply with the following requirements:

- Notify Lender's Construction Manager of all construction meetings and copy on meeting minutes;
- Copy Lender on all change orders;
- Copy Lender on all funding requisitions to other sources; and,
- Submit requisitions in form acceptable to Lender.