

I would also like to provide Senator Brock with some additional information to answer his question regarding the lower cost of property renovations by private developers compared to non-profits.

The 11-unit Bennington project I mentioned during the meeting, which we spent \$1.6 million on and is now valued at \$670,000, was achieved at a cost of approximately \$145,000 per unit. This is approximately half of the \$300,000 per unit cost incurred by non-profits for similar projects at the time.

We were able to achieve this lower cost through extensive pre-development work and construction oversight by Jon and I, which is not reflected in the development costs. I want to stress that non-profit organizations play a crucial role in adding units to the market and pursuing projects that private developers may not be able to undertake. However, their business models differ significantly. Non-profits typically rely on funding that prohibits any profitability on the units' future operations, so they rely on development revenue to pay their staff and sustain their operations. Private developers, on the other hand, aim to develop properties as efficiently as possible to minimize borrowing costs and keep rents affordable for the local community.

By serving as the Owner, Developer, Construction Manager, General Contractor, and Clerk of the Works, we are able to reduce overhead costs and increase efficiency. These are high-paying positions that we, as the owners, take on, which allows us to streamline the development process.

In conclusion, the lower cost of property renovations by private developers compared to non-profits is due to a focus on short-term and long-term profits, and the efficiencies achieved through reduced overhead.

The additional document provides an overview of the sources and uses, rent roll, and pro forma for our upcoming 3-unit building project in Rutland, which we plan to expand into a 5-unit property. Hale Resources, LLC is contributing \$143,000 administrative support to the project. That is in addition to the \$244,000 in private capital that we will contribute mostly through leveraging the end product of the project; likely to be valued around \$325,000. None of the \$1.2mm development cost includes the purchase, the time we spent applying for the grant, identifying the opportunity, or underwriting the project on our end.

The 11-Unit in Bennington was a very similar project to this one. Both used CDBG and both are the only instances in VT history of a private developer utilizing this funding for a housing project like this. The complexity, compliance, and competitiveness of this funding restricts the opportunity of these types of projects from happening more than a couple times a year. However, this is a good example of what could be achieved if access to subsidies was more easily accessed by other private developers in the state.

If you have any further questions, please do not hesitate to reach out.

Best regards,

Zak Hale  
Partner/CEO  
Hale Resources, LLC

**FUNDING SOURCES AND USES - 120 MAPLE STREET, RUTLAND**

<b>PROJECT COST</b>	
HARD COSTS	\$ 958,870
SOFT COSTS	\$ 259,100
<b>TOTAL PROJECT COST</b>	<b>\$ 1,217,970</b>

<b>VCDP FUNDING ALLOCATION/ASK</b>	
<b>VCDP FUNDING FOR HARD COSTS</b>	
Hard Cost Budget	\$ 958,870
LESS: VHIP Funding	\$ (130,000)
LESS: Private Capital	\$ (244,000)
LESS: VHCBC Lead Hazard Reduction Program (Pending)	\$ (15,070)
LESS: Weatherization Assistance Program (Pending)	\$ (20,000)
LESS: Efficiency Vermont & GMP Heating System Rebates (Pending)	\$ (15,000)
<b>TOTAL VCDP FUNDING FOR HARD COSTS</b>	<b>\$ 534,800</b>
<b>VCDP FUNDING FOR SOFT COSTS</b>	
<b>VCDP FUNDING FOR GENERAL ADMINISTRATION</b>	
RRA Administration Fee	\$ 6,500
Hale Resources, LLC Administration Fee	\$ 65,000
LESS: Hale Resources, LLC In-Kind Contribution	\$ (65,000)
<b>TOTAL VCDP FUNDING FOR (GA)</b>	<b>\$ 6,500</b>
<b>VCDP FUNDING FOR PROGRAM MANAGEMENT</b>	
Plowing and Sanding	\$ 900
Grass Cutting	\$ 1,200
Electric	\$ 3,500
Heating Fuel - Propane	\$ 6,000
Water and Sewer	\$ 1,500
Internet	\$ 1,500
Construction Planning	\$ 40,000
Legal and Professional	\$ 20,000
Insurance	\$ 20,000
Bridge Interest	\$ 15,000
Hale Resources, LLC - Clerk of the Works	\$ 78,000
LESS: Hale Resources, LLC In-Kind Contribution	\$ (78,000)
<b>TOTAL VCDP FUNDING FOR (PM)</b>	<b>\$ 109,600</b>
<b>TOTAL VCDP FUNDING FOR SOFT COSTS</b>	<b>\$ 116,100</b>
<b>TOTAL VCDP FUNDING FOR HARD COSTS</b>	<b>\$ 534,800</b>
<b>TOTAL VCDP FUNDING FOR SOFT COSTS</b>	<b>\$ 116,100</b>
<b>TOTAL VCDP FUNDING FOR HARD &amp; SOFT COSTS</b>	<b>\$ 650,900</b>
Rutland City Revolving Loan Fund (20%)	\$ 19,359
<b>VCDP AMOUNT IF REV. LOAN IS REQUIRED</b>	<b>\$ 631,541</b>

<b>TOTAL OTHER SOURCES</b>	
VHIP Funding	\$ 130,000
Private Capital	\$ 244,000
Hale Resources, LLC In-Kind Contribution (GA) & (PM)	\$ 143,000
VHCBC Lead Hazard Reduction Program	\$ 15,070
Weatherization Assistance Program	\$ 20,000
Efficiency Vermont & GMP Heating System Rebates	\$ 15,000
<b>TOTAL OTHER SOURCES</b>	<b>\$ 567,070</b>

<b>CHANGE IN BUDGET BETWEEN 7/18 and 9/6</b>	
HARD COSTS	\$ -
LESS: Additional VHIP Funding	\$ (40,000)
LESS: VHCB Lead Hazard Reduction Program (Pending)	\$ (15,070)
LESS: Weatherization Assistance Program (Pending)	\$ (20,000)
LESS: Efficiency Vermont & GMP Heating System Rebates (Pending)	\$ (15,000)
SOFT COSTS	\$ 259,100
Hale Resources, LLC In-Kind Contribution (GA) & (PM)	\$ (143,000)
<b>TOTAL CHANGE IN BUDGET</b>	<b>\$ 26,030</b>

<b>PROJECT COST</b>	
HARD COSTS	\$ 958,870
15% Contingency	\$ (125,070)
SOFT COSTS	\$ 259,100
Hale Resources, LLC In-Kind Contribution (GA) & (PM)	\$ (143,000)
<b>TOTAL COST LESS CONTINGENCY &amp; IN KIND CONTRIBUTION</b>	<b>\$ 949,900</b>
<b>AVERAGE COST PER UNIT</b>	<b>\$ 189,980</b>

**Vermont applications for federal allocated tax credits\***

Year	Average Cost Per Unit
2018	\$285,705
2019	\$309,740
2020	\$305,188
2021	\$333,774
2022 (early indication)	\$347,793

\*Typically ranges from 5-9 projects annually.

[LSA and Neighborhood Fundamentals](#), Analysis of Vermont Affordable Rental Housing Development Cost Factors, 2019  
[U.S Census Bureau](#), Price Deflator(Fisher) Index of Multifamily Residential Units Under Construction, 2021

<b>OPERATING PRO FORMA</b>
<b>120 MAPLE STREET RUTLAND VT, 05701</b>
<b>10 YEAR PROJECTION</b>

Rent Roll				
Unit	Property	Bedrooms	Income/Month	Income/Year
1	Unit 1 (< 30%)	2	\$ 694	\$ 8,325
2	Unit 2 (< 50%)	2	\$ 758	\$ 9,096
3	Unit 3 (< 80%)	2	\$ 758	\$ 9,096
4	Unit 4	2	\$ 1,100	\$ 13,200
5	Unit 5	1	\$ 950	\$ 11,400
	<b>Total</b>		\$ 4,260	\$ 51,117

Rutland County - 2022 HUD FMR						
Bedrooms	HUD FMR Base	Less: Electric	Less: Cooking	Less: Hot Water	Less: Heat	Total Rent
1	\$ 834.00	\$ 56.00	\$ 6.00	\$ 47.00	\$ 69.00	\$ 656.00
2	\$ 981.00	\$ 69.00	\$ 7.00	\$ 55.00	\$ 92.00	\$ 758.00

FY 2022 Income Limit Area	Rutland County, VT
Median Family Income	\$ 82,600

FY 2022 Income Limit Category	Persons in Family								30% (4 Person)	Max Rent/Mo.
	1	2	3	4	5	6	7	8		
Very Low (50%) Income Limits (\$)	\$ 30,000	\$ 34,300	\$ 38,600	\$ 42,850	\$ 46,300	\$ 49,750	\$ 53,150	\$ 56,600	\$ 12,855	\$ 1,071
Extremely Low Income Limits (\$)*	\$ 18,000	\$ 20,600	\$ 23,150	\$ 27,750	\$ 32,470	\$ 37,190	\$ 41,910	\$ 46,630	\$ 8,325	\$ 694
Low (80%) Income Limits (\$)	\$ 48,000	\$ 54,850	\$ 61,700	\$ 68,550	\$ 74,050	\$ 79,550	\$ 85,050	\$ 90,500	\$ 20,565	\$ 1,714

Operating Pro Forma											
10 Year Projection											
Rental Rates	Monthly	Annually									
Rent Roll	\$ 4,260	\$ 51,117									
Year	1	2	3	4	5	6	7	8	9	10	Total
Income*	\$ 51,117	\$ 51,884	\$ 52,662	\$ 53,452	\$ 54,254	\$ 55,068	\$ 55,894	\$ 56,732	\$ 57,583	\$ 58,447	\$ 547,091
Expense**											
<b>Management Fees</b>											
Advertising	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lease Renewal Fee***	\$ 200	\$ 204	\$ 208	\$ 212	\$ 216	\$ 221	\$ 225	\$ 230	\$ 234	\$ 239	\$ 2,190
Leasing Fee****	\$ 500	\$ 510	\$ 520	\$ 531	\$ 541	\$ 552	\$ 563	\$ 574	\$ 586	\$ 598	\$ 5,475
Landlord Certificate	\$ 125	\$ 127	\$ 129	\$ 131	\$ 133	\$ 135	\$ 137	\$ 139	\$ 141	\$ 143	\$ 1,338
Management Fee*****	\$ 4,089	\$ 4,151	\$ 4,213	\$ 4,276	\$ 4,340	\$ 4,405	\$ 4,471	\$ 4,539	\$ 4,607	\$ 4,676	\$ 43,767
Screening Fee	\$ 20	\$ 20	\$ 21	\$ 21	\$ 22	\$ 22	\$ 23	\$ 23	\$ 23	\$ 24	\$ 219
<b>Total Management Fees</b>	\$ 4,934	\$ 5,012	\$ 5,091	\$ 5,171	\$ 5,252	\$ 5,335	\$ 5,419	\$ 5,504	\$ 5,591	\$ 5,679	\$ 52,989
<b>Contractor Services</b>											
Apartment Turn Over Service	\$ 1,000	\$ 1,020	\$ 1,040	\$ 1,061	\$ 1,082	\$ 1,104	\$ 1,126	\$ 1,149	\$ 1,172	\$ 1,195	\$ 10,950
Boiler Cleaning and Tune Up Service	\$ 200	\$ 204	\$ 208	\$ 212	\$ 216	\$ 221	\$ 225	\$ 230	\$ 234	\$ 239	\$ 2,190
EMP Inspection Service	\$ 350	\$ 357	\$ 364	\$ 371	\$ 379	\$ 386	\$ 394	\$ 402	\$ 410	\$ 418	\$ 3,832
Repair and Maintenance Service	\$ 2,500	\$ 2,550	\$ 2,601	\$ 2,653	\$ 2,706	\$ 2,760	\$ 2,815	\$ 2,872	\$ 2,929	\$ 2,988	\$ 27,374
<b>Total Contractor Services</b>	\$ 4,050	\$ 4,131	\$ 4,214	\$ 4,298	\$ 4,384	\$ 4,472	\$ 4,561	\$ 4,652	\$ 4,745	\$ 4,840	\$ 44,346
<b>Utilities</b>											
Electric	\$ 500	\$ 510	\$ 520	\$ 531	\$ 541	\$ 552	\$ 563	\$ 574	\$ 586	\$ 598	\$ 5,475
Grass Cutting Service	\$ 1,200	\$ 1,224	\$ 1,248	\$ 1,273	\$ 1,299	\$ 1,325	\$ 1,351	\$ 1,378	\$ 1,406	\$ 1,434	\$ 13,140
Heating Fuel	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plowing Service	\$ 900	\$ 918	\$ 936	\$ 955	\$ 974	\$ 994	\$ 1,014	\$ 1,034	\$ 1,054	\$ 1,076	\$ 9,855
Trash Removal	\$ 900	\$ 918	\$ 936	\$ 955	\$ 974	\$ 994	\$ 1,014	\$ 1,034	\$ 1,054	\$ 1,076	\$ 9,855
Water and Sewer	\$ 3,000	\$ 3,060	\$ 3,121	\$ 3,184	\$ 3,247	\$ 3,312	\$ 3,378	\$ 3,446	\$ 3,515	\$ 3,585	\$ 32,849
<b>Total Utilities</b>	\$ 6,500	\$ 6,630	\$ 6,763	\$ 6,898	\$ 7,036	\$ 7,177	\$ 7,320	\$ 7,466	\$ 7,616	\$ 7,768	\$ 71,173
<b>Insurance</b>											
Liability	\$ 3,000	\$ 3,060	\$ 3,121	\$ 3,184	\$ 3,247	\$ 3,312	\$ 3,378	\$ 3,446	\$ 3,515	\$ 3,585	\$ 32,849
Flood	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Insurance</b>	\$ 3,000	\$ 3,060	\$ 3,121	\$ 3,184	\$ 3,247	\$ 3,312	\$ 3,378	\$ 3,446	\$ 3,515	\$ 3,585	\$ 32,849
<b>Legal and Professional Fees</b>											
Property Tax	\$ 5,985	\$ 6,104	\$ 6,227	\$ 6,351	\$ 6,478	\$ 6,608	\$ 6,740	\$ 6,875	\$ 7,012	\$ 7,152	\$ 65,532
LLC Fee	\$ 35	\$ 36	\$ 36	\$ 37	\$ 38	\$ 39	\$ 39	\$ 40	\$ 41	\$ 42	\$ 383
Accounting (Filing Fee)	\$ 1,000	\$ 1,020	\$ 1,040	\$ 1,061	\$ 1,082	\$ 1,104	\$ 1,126	\$ 1,149	\$ 1,172	\$ 1,195	\$ 10,950
<b>Total Legal and Professional Fees</b>	\$ 7,020	\$ 7,160	\$ 7,303	\$ 7,449	\$ 7,598	\$ 7,750	\$ 7,905	\$ 8,064	\$ 8,225	\$ 8,389	\$ 76,865
Vacancy Factor	\$ 1,022	\$ 1,038	\$ 1,053	\$ 1,069	\$ 1,085	\$ 1,101	\$ 1,118	\$ 1,135	\$ 1,152	\$ 1,169	\$ 10,942
<b>Total Expense</b>	\$ (26,526.50)	\$ (27,031)	\$ (27,545)	\$ (28,069)	\$ (28,603)	\$ (29,147)	\$ (29,702)	\$ (30,267)	\$ (30,843)	\$ (31,431)	\$ (289,164)
<b>Net Operating Income</b>	\$ 24,591	\$ 24,853	\$ 25,117	\$ 25,383	\$ 25,651	\$ 25,920	\$ 26,192	\$ 26,465	\$ 26,739	\$ 27,016	\$ 257,927
Mortgage Interest*****	\$ 14,433	\$ 14,026	\$ 13,598	\$ 13,143	\$ 12,659	\$ 12,146	\$ 11,602	\$ 11,023	\$ 10,410	\$ 9,758	\$ 122,798
Depreciation	\$ 7,273	\$ 7,273	\$ 7,273	\$ 7,273	\$ 7,273	\$ 7,273	\$ 7,273	\$ 7,273	\$ 7,273	\$ 7,273	\$ 72,727
<b>Net Income</b>	\$ 2,885	\$ 3,554	\$ 4,247	\$ 4,968	\$ 5,719	\$ 6,501	\$ 7,317	\$ 8,169	\$ 9,057	\$ 9,985	\$ 62,402
LESS: Principle on Mortgage*****	\$ (6,514)	\$ (6,916)	\$ (7,343)	\$ (7,796)	\$ (8,276)	\$ (8,787)	\$ (9,329)	\$ (9,904)	\$ (10,515)	\$ (11,164)	\$ (86,543)
ADD: Depreciation	\$ 7,273	\$ 7,273	\$ 7,273	\$ 7,273	\$ 7,273	\$ 7,273	\$ 7,273	\$ 7,273	\$ 7,273	\$ 7,273	\$ 72,727
<b>Net Increase (Decrease) in Cash</b>	\$ 3,643	\$ 3,910	\$ 4,177	\$ 4,445	\$ 4,715	\$ 4,987	\$ 5,261	\$ 5,537	\$ 5,815	\$ 6,095	\$ 48,586

- \*Increasing Rents every year by 1.5%
- \*\*Increasing Expenses every year by 2%
- \*\*\*Leasing Renewal Fee is \$ 50
- \*\*\*\*Leasing Fee \$ 500
- \*\*\*\*\*Management Fee as a % of Gross Revenue 8.0%
- \*\*\*\*\*Mortgage Amount \$ 244,000
- \*\*\*\*\*Interest Rate 6%
- \*\*\*\*\*Amortization (10 Year Balloon) 20