

## Jonah Richard Housing Bill Testimony 1/27

Background on me:

- Developer & GC in Bradford focused on small multifamily housing projects in the range of 2-20 units
- Currently building a 9-unit mixed-use residential + retail project in Fairlee that kicked off Mar 2022 and is set to wrap up this spring
- For more, I write a blog ([Brick + Mortar](#)) where I share the ups & downs of small-scale real estate development & construction in the Upper Valley

Two concerns from a policy standpoint that I find to be major blockers in getting new projects off the ground:

- #1: Act 250
  - As my 9-unit in Fairlee draws to a close, I'm planning my next development project. I had a site picked out for a new triplex in Fairlee's village center but recently learned that this would trigger Act 250's 10-5-5 rule: 10 units in a 5 mile radius within 5 years.
  - High costs:
    - Application fee
    - Attorney fees
    - Delays in starting construction
    - Hiring experts (architect, engineer, etc) to provide proof that project meets each of 10 criteria
    - Back of the envelop math on a 6-unit, \$1m project: looking at \$3,000-\$4,000 per unit in added cost. This translates to an additional ~\$50/mo/unit in rent passed on to tenants
  - As a small developer, I do not have the capital to deploy on an Act 250 application, knowing the project might be rejected and that money would go to waste
  - This effectively means that I cannot develop any more small-scale projects in Fairlee. If I did, my only option seems to be to find a larger scale project that can absorb the cost of Act 250 permitting
    - However, this scale doesn't generally mesh with the context of Fairlee's village center (and other smaller VT towns)
  - It seems like one of the things that Act 250 was set up to protect (the character of Vermont towns) is undermining that goal by inhibiting small-scale developers from building small-scale projects, instead guiding them towards larger projects than can absorb the Act's heavy application costs
- #2: Financing for small-scale affordable housing
  - My 9-unit in Fairlee does not have any affordability subsidy. As a result, we need to charge \$1,300/mo for studios and \$1,700/mo for 1BRs to cover operating expenses, debt payments, and eke out a marginal return on investment capital

- I cannot build affordable housing on my own without sacrificing quality. I need subsidy to bring those rents down to something manageable for middle to lower income brackets
- The past 6 months, I've been searching for subsidies for my next project – a 6-unit apartment building in Bradford that I'd like to make into 100% affordable housing
- Programs I've looked at:
  - VHIP - \$50k/unit not nearly enough to cover the \$175k/unit overall project costs. Perhaps a good addition to the capital stack, but nowhere near enough to drive affordable housing on its own
  - Upper Valley Loan Fund – consortium of local employers eager to incentivize workforce housing. My application was instantly rejected because it did not meet the 30-unit threshold
  - Federal LIHTCs – similar to Act 250, rigorous & expensive application process that does not (from what I understand) fund smaller projects. Mainly due to upfront costs being too burdensome for smaller projects
  - VHCBA ARPA SFR – a very promising program. I've been working through the application process for past 3 months with them. I don't think they've ever funded a small project like this but I'm optimistic. Regardless, the application process isn't quite sustainable for a small-scale developer with no overhead. I've put in 100+ hours
- Point being – there's not much out there for other developers like me. I sat with Seth Leonard VHFA and spoke about the missing middle income loan program he's helping draft. This seems like a huge step in the right direction and would go a long way in supporting small-scale developers like myself to deliver affordable housing across the state