



"Providing Sustainable Quality Housing to Southern Vermont"

2/24/23 - House Committee on General and Housing - Testimony

Hello, my name is Zak Hale, and I am Partner and CEO of Hale Resources, LLC. A real estate development and property management company in Bennington VT, where we manage about 200 units.

The lack of affordable housing has left families struggling to make ends meet, businesses struggling to attract and retain employees, and individuals struggling to find a place to call home. The consequences of this crisis are dire, and urgent action is needed. That is why I am here today to express my strong support for H.111, a bill that takes critical steps towards addressing the housing challenges that we are facing in our state.

Intro

- My company's mission is to purchase, renovate, and maintain property to provide sustainable high-quality housing in southern Vermont.
 - We have renovated 125 units and over 40 buildings since 2009.
 - Without including the 99-unit senior care facility that the governor mentioned in his inaugural address and which we are assisting developer Dousevicz, Inc. on in Castleton VT, we have an additional 91 units in our pipeline across 6 different projects.
 - However, we face challenges with many of these projects given the increase in cost of construction, financing, and operating costs.
1. When it comes to Regulation
 - a. ACT 250 is a major challenge for several reasons but mainly the current 10-5-5 rule since my team does not have the capacity to do an ACT 250 permit for a project that is going to add a single unit to the market.
 2. In terms of Funding
 - a. It is a full-time job to learn the policies and thresholds of the various funding agencies and organizations who provide funding.
 - b. Not to mention that each one has a separate application which takes many hours to complete.
 - c. The funding sources are typically extremely complex and do not typically work well with one another.
 - d. When trying to hire a development consultant you learn that they are all at capacity and have a hard time taking on new clients.
 - e. The award of Low-Income Housing Tax Credits (LIHTC) is typically given to experienced developers. However, without receiving a LIHTC allocation, it is challenging to ever gain the experience.
 - f. Moreover, the absence of LIHTC may render your application less competitive with other funders. This is because, understandably, some funders require their funding to be leveraged by LIHTC, to maximize its impact.
 3. In terms of Operations



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- a. Current solutions close the funding gap but reduce rental income, preventing important housing projects from benefitting those who are looking to work in our communities.
- b. The current solutions that can move projects forward provide those who have needs housing, but we are not creating housing for people to provide those needs.
- c. As a result, our communities are not able to provide services to people to rise out of the situations they are in and achieve their greatest potential.
- d. We are developers and property managers, but often we find ourselves serving as a social worker because there are not enough people in Vermont who can care for those in need.
- e. Yet we are consistently seeing people trying to move to the area who cannot find housing and as a result do not move to Vermont.
- f. In fact, we have employers looking to master lease units' months before they need them to make sure employees moving to the area have a place to live.

Just want to mention a couple things on VHIP.

VHIP has been an amazing tool for renovating and repairing both units and the infrastructure on properties. It has provided easily accessible funding to complete smaller projects that we would not have been able to do without it.

1. One suggestion I do have for VHIP is to make sure there is more support in place for the people living in the units. Landlords do not have the expertise of a social worker.
2. Additionally, I believe that this program is important for all housing projects and the cap on units could be 51% of a project rather than 5 units per project.

As for comments on Solutions proposed by H.111

First, eliminating the 10-5-5 rule from ACT 250 by making it so development does not include housing projects in designated areas is extremely important and will allow my team to put multiple projects back in the pipeline. The appeal changes to ACT 250 will also help developers eliminate risk when underwriting projects that support development goals of the state.

Also, I have spent some time running scenarios of the proposed revolving loan fund introduced by VHFA and wanted to share a few ways I have determined this could be an effective tool.

1. First, it reduces the barriers of entry for new developers by allowing inexperienced LIHTC developers to leverage the funding of other agencies.
2. For redevelopment projects, it provides substitutes for funding that restrict rents to a point that make projects unfeasible.
3. It provides an opportunity to purchase property from older Vermonters, who want top dollar for a depreciated property, by reducing debt service which allows for cashflows to be reinvested.

The best example I found for the use of this RLF was with an opportunity to acquire a NOAH building on Pleasant St in Bennington. I had secured funding from investors and arranged bank financing, but the deal fell apart due to a low appraisal result. Despite offering to pay the appraised value and to fix all the items on the ten pages of code violations identified by the town, the owner refused to sell at anything less than the asking price. This unfortunate outcome is detrimental to both the people living in the units



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and the community of Bennington, as the property is in dire need of renovation and a change of ownership. This program could have gotten us over the finish line with acquiring the property.

In closing, the developers currently utilizing Subsidies cannot alone add 30,000 – 40,000 units to the market by 2030. The lack of housing is having severe impacts on our families, businesses, and individuals in Vermont. The challenges faced by real estate developers and property managers like myself are significant, and without urgent action, the situation will only get worse. H.111 is a critical step towards addressing these challenges, and I urge this committee to support this bill. By improving funding sources, providing an opportunity for people to move to and work in VT, and addressing regulation challenges, we can create more sustainable high-quality housing for those who need it most. It's time for Vermont to take bold action and lead the way in addressing the housing crisis. Thank you for your time and consideration. Please let me know if there are any questions.

Zak Hale

Partner/CEO

Hale Resources, LLC