



*"Providing Sustainable Quality Housing to Southern Vermont"*

2/8/2023 - Vermont Senate Committee on Economic Development, Housing, and General Affairs  
Testimony

### Intro

- Hello, my Zak Hale. My my business partner and Father, Jon Hale, is also here as well as Shannon Barsottie who is the Community Development Director from the Town of Bennington.
- Jon and I own Hale Resources, LLC which is a family operated real estate development and property management company.
- Our 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, when Jon started a handyman business and bought his first rental property.
- Jon and I now own and/or manage 200 rentals in Bennington and our portfolio consists of units targeting the homeless, low income, and units that are unrestricted (aka Market Rate).
- I additionally sit on the Homeless coalition board in Bennington and have established a housing committee in both Rutland City and Bennington Town.
- 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.

### To highlight some challenges

1. When it comes to Regulation
  - a. ACT 250 is a major challenge which I won't spend too much time on since I believe this committee has received a longer explanation in writing of our 10-5-5 rule challenges.
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



*"Providing Sustainable Quality Housing to Southern Vermont"*

- a. Current solutions close the funding gap but reduce rental income which establishes a new gap with new construction projects. Continuing to make those important projects out of reach.
- b. The projects it does move forward provides those who have needs housing, but we are not creating housing for people to provide those needs.

#### To highlight some housing demand

- 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.
- 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.
- 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.

#### Closing

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, while 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 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.

All in all, the developers currently utilizing subsidies to develop property in VT cannot alone add 30,000 – 40,000 units to the market by 2030. Programs like this RLF reduce barriers of entry for those subsidies and provide a means for other developers to join in on becoming a solution to overcome Vermont' housing challenges. It is enough, definitely not, but it is a great start.

Thank you for the opportunity to share these thoughts.

Zak Hale  
Partner/CEO  
Hale Resources, LLC