



RuralEdge
HOUSING & COMMUNITY DEVELOPMENT

*Strengthening Northeast Kingdom
Communities, one home at a time.*

RuralEdge envisions Northeast Kingdom communities where every individual can live in stable, affordable housing with access to the services they need to live a healthy and prosperous life.

Organizational History



- ▶ RuralEdge began in 1986 as the Gilman Housing Trust with a focus on providing permanently affordable housing for families, seniors, and those with disabilities. Its first development was Gilman Senior Housing, a restoration of the Manager's House associated with the Gilman Mill. The project still is in RuralEdge's portfolio today, continuing to serve the residents of Gilman.
- ▶ RuralEdge is a non-profit housing and community-development corporation that focuses on affordability. The corporation has served the Northeast Kingdom for 39 years with their main focus being to strengthen homes and communities in and around the Northeast Kingdom.
- ▶ In 1998, RuralEdge became a Chartered Member of the NeighborWorks America Network. NeighborWorks Organizations are held to the highest standards and are intensely monitored and assessed every three years for continued membership.
- ▶ RuralEdge is governed by a Board that includes representation from the public, private and governmental sectors and also includes resident representation.

To our rural service area, we bring...



- ▶ A diverse portfolio of nearly 1,000 perpetually affordable units spanning the Northeast Kingdom.
- ▶ A robust pipeline of projects including acquisitions and new construction to serve the housing needs of the Northeast Kingdom.
- ▶ Partnerships with communities to meet the needs of residents throughout the Northeast Kingdom and develop properties that are compatible with local plans, market demand and wishes.
- ▶ Through our administration of the VHIP Program, RuralEdge has worked with private developers to bring nearly 200 units online since 2021, many housing formerly homeless individuals who benefit from a HOP Rental Assistance program which RuralEdge administers.
- ▶ Construction projects that bring millions of dollars of economic development to communities, businesses and workers throughout the region.
- ▶ A real estate portfolio that contributes over \$900,000 annually to local and school taxes.
- ▶ Expertise and guidance to community partners, municipalities, and private developers regarding real estate development projects.
- ▶ Housing for the most vulnerable residents of the region. 43% of the households we serve moved in from homelessness and about 70% of our residents have household incomes less than \$20,000 annually.

Putting the pieces together...



Samantha Carr and Tim Kidder spoke at the opening of the Shelter at Moose River, the Northeast Kingdom's Emergency Shelter which welcomed its first residents in late 2023. Both had histories with addiction and got direction and the necessary support when they moved into the shelter. They spoke passionately about the impact having shelter and services had on transforming their lives.

From the shelter, they moved to a VHIP unit which was part of a tour during Caledonia County's Capital for a Day last year. Since that time, they have moved to another VHIP unit, allowing them to serve as caretaker for someone with limited mobility. Having shelter has allowed Samantha and Timothy to work toward improving their lives and incomes. Samantha has had four jobs over the last year, each time moving to a position that provided more hours and increasing responsibility. They received HOP Rental Assistance through RuralEdge and received their final payment this month. As their household income increased, their subsidy amount decreased to the point where they should be able to cover the entire rent amount moving forward.

VHCB funding allowed the shelter to be developed. **VHIP funds** allowed private developers to improve properties. **Rental Assistance** was imperative to helping Samantha and Tim succeed.



Still, more housing of all types is needed but there are many challenges to bringing new units online...

- ▶ Cost
- ▶ Exposure and Risk
- ▶ Rural Infrastructure Limitations
- ▶ Lack of Rental Subsidy
- ▶ Construction Trades
- ▶ Elevators
- ▶ Operating Realities



Cost

- ▶ RuralEdge has four large development projects which were considered fully funded based on third party cost estimates following schematic design and updated during design development.
- ▶ In the 12-24-month window between initial cost estimates and going out to bid, projected construction costs increased between 40-100%. Higher increases were seen at smaller projects or in developments that consisted of scattered sites with smaller buildings. This is particularly challenging when working in rural communities and on a rural scale. Design modifications, value engineering and seeking additional funding resources all were necessary to keep the projects advancing but the delays added more time and cost when housing units are desperately needed.
- ▶ A recent divisional cost increase analysis by Naylor and Breen of large-scale projects (average of 24 units) they completed document AIA line-item increase of between 16-578% from 2020 - 2024 with an average per unit cost increase of 53%.

Exposure and Risk

- ▶ Larger-scale projects and developments that include components like brownfield remediation, historic preservation and infill development are very complex and require significant pre-development work.
- ▶ Prior to acquiring or beginning any construction on our Newport Crossing development that includes 40 net new units of three sites (two former brownfields) in both Newport City and Town, RuralEdge had to spend over \$1.5 million in predevelopment expenses which consisted of three separate predevelopment loans and about \$500,000 of organizational funds.
- ▶ This is a huge risk and challenge for any developer - and we have similar exposure at three other developments that will begin construction this year.





Rural Infrastructure Limitations

- ▶ Water and septic are huge expenses and considerations when developing in the most rural communities. Even with a successful design, operation and maintenance present ongoing challenges and cost.
- ▶ Newport Town wanted to see dilapidated eyesores replaced by new efficient properties that complemented their town and addressed contaminated sites.
- ▶ The existing buildings had numerous fire and safety code violations and were threatened with shut down. In reconstruction, insufficient supply and pressure from the local water system required onsite water storage and pumps for the sprinkler system. This added cost but more importantly, the square footage required for this could have resulted in an additional one-bedroom apartment.

Lack of Rental Subsidies

- ▶ While between 3-4,000 new units are needed across the Northeast Kingdom over the next decade, about 75% of those need to serve households with incomes less than 50% of area median income. Fair market rents are not affordable to this income bracket without rental assistance.
- ▶ 85% of RuralEdge's tenants, which represent about 3% of the Northeast Kingdom population, receive rental subsidy, either through project-based or tenant-based assistance. Funding limitations at the federal level place previously committed project-based contracts at risk and with it, the ability to move households from homelessness slips further away.

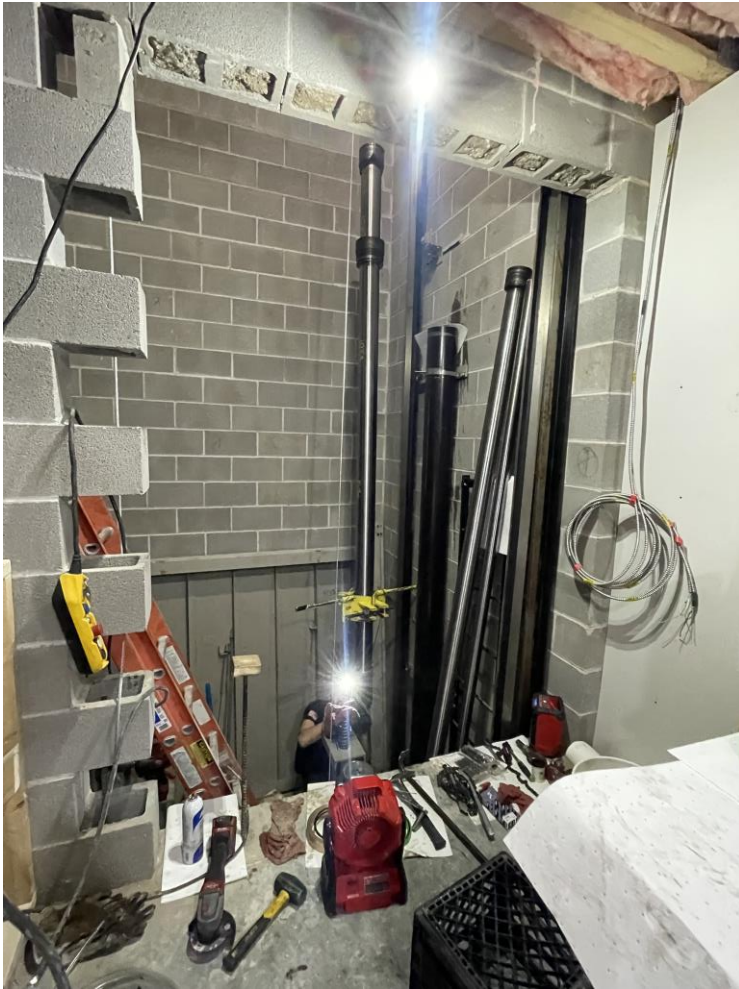


Construction Trades



- As project scale increases, the ability for local, NEK-based contractors to bid, decreases. Too, smaller firms don't have the backroom capacity to handle administrative requirements of many programs.
- The need for larger firms adds more travel time, general conditions fees and increases cost overall.
- Advancements, especially in HVAC systems, require specialized knowledge and the number of firms able to install and service these systems is not sufficient.
- As the market softens and number of bidders increase, larger firms are often able to achieve more efficiencies of scale and can offer more competitive fees, beating out local employers.
- A lack of subcontractors in general require the use of many firms from out of state.

Elevators



- Limited number nationwide of elevator manufacturers and installers. All rely on their own crews who may come from the other side of the country.
- Small elevator servicing companies have been bought by larger regional firms and require exclusive service contracts. Necessary and emergency repairs can linger for weeks.
- Elevator inspection companies too have been sold to out of state companies and inspections are months behind, placing building owners at risk with expired certifications, even those with monthly inspection and service contracts.
- Elevator repair expenses are astronomical. A recent emergency weekend repair was billed at over \$1400 per hour.

Operating Realities

- Exterior paint, especially in historic buildings is an increasingly expensive item. Exterior paint jobs can run \$50,000 easily for a three-unit building. Limited flexibility in addressing exterior paint does not adequately reflect the realities of the market and limitations of exterior painters.
- Maintaining safe environments, in and around buildings, is a huge concern. Design considerations of security features in buildings, from cameras, fencing, exterior lighting all adds to cost and is a necessity because response time to emergency calls is so uncertain.
- While tenant rights are vital, there are emergency situations which warrant quick response in order to ensure the well being of our residents. Expediting evictions in instances where there are clear and documented threats to the safety and well being of buildings and people should be a priority.

What is needed?

- ▶ Consistent funding - VHCB, VHIP and other programs. We have been charged with building a pipeline of projects and programs and access to funding with consistent amounts is paramount to unit production, whether by nonprofits like RuralEdge or by private developers as well as the next generation of responsible “Mom and Pop” landlords.
- ▶ Mechanisms to help increase homeownership, especially of older homes that require substantial renovations.
- ▶ Fast response for regulatory and permit review, including CAPs.
- ▶ A workforce of consultants and contractors that are able to support ongoing compliance requirements.
- ▶ Continued focus on new solutions - how to produce more, faster but ensure high quality. How do we streamline design and the associated expense, encourage reuse of existing newer buildings and grow production.