Breaking Ground

Dara Kovel, CEO, Beacon Communities *By Darryl Hicks*

Dara Kovel is the chief executive officer at Beacon Communities LLC, a Boston-based, multifamily housing development, investment and management company whose footprint includes much of New England, New York and the eastern seaboard.

The company currently owns over 160 communities in 12 states comprising 20,000 units of housing, with a wide variety of affordable, mixed-income and mixed-use projects.

In 2015, Kovel became president of Beacon's development company, and four years later, she succeeded company co-founder and CEO Pam Goodman, who retired after 20 years. Today, Kovel leads the company's senior executive team and is responsible for the overall vision, culture, operation, growth and performance of the company consistent with Beacon's objectives and strategies.

Before joining Beacon, she was vice president and chief housing officer at the Connecticut Housing Finance Authority (CHFA) where she oversaw all multifamily lending and tax credit allocation activities, as well as the homeownership programs.

Tax Credit Advisor sat down with Kovel to talk about her leadership role and where she sees the business headed.

***Tax Credit Advisor:* The pioneers and thought leaders who built the affordable housing industry into what it is today are retiring. You represent the next generation of CEOs. Where do you see the industry and Beacon in ten years?**

Dara Kovel: The industry is at a crossroads. There are limited resources to deal with the affordable housing crisis: creating new units to meet the overwhelming need and dealing with aging properties that are becoming functionally obsolete. When you add up all the dollars that are necessary to do that work, it's going to be a real challenge that requires a substantial lift at the federal level. That said, affordable housing has gotten more attention in the press than ever before. It's frontline news regularly. There's more awareness in the electorate of the issue, and hopefully, that translates into more political awareness. But the hill that we have to climb is pretty dramatic. In states like Massachusetts and New York, there's already a big commitment to affordable housing, but without federal partners, we won't be able to move the needle.

Dara Kovel

***TCA:* How has the company's vision and culture evolved over the four years that you've been CEO?**

DK: I was attracted to Beacon because of its culture and the vision that the founders had created. The company has a unique position in the marketplace as a mission-oriented for-profit development company. We take seriously our delivery of services to residents through our community engagement work and the quality of the buildings we build. That, plus having the capacity and talent to deliver complex projects, puts us in a unique space in the market that I want to reinforce and support. The organization's culture has continued to be one of innovation, intellectual leadership and strength in executing complex deals that we will continue to capitalize on in the future. The external marketplace is changing, and we have to evolve and change by being nimble and responsive to opportunities as they arise. But on a cultural basis, I think Beacon was in a great place when I joined, and I have tried to build on and reinforce that culture.

***TCA:* What's the most important lesson that you've learned as CEO?**

DK: This is an oldy, but goody, but I am amazed every day at how important it is to have the right team members around you. There's nothing that you can do in this industry and at this level on your own. It has taken the last few years to get the right people in the right seats, but when you have great team members, anything is possible. That's not a new lesson. It's one that I've seen play out many times over my 35 years in the affordable housing business. I'm always relearning how important

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it is to have great people who see challenges and know how to solve them, and also have a diversity of views and opinions so that we can challenge ourselves and not get stuck in just thinking in one particular way.

***TCA:* Do you ever feel pressured to make advancements or to keep things the same?**

DK: If we keep things the same, we can't succeed. We have to grow and change and be nimble with the times. An opportunity that is most recently in my mind around this is the Infrastructure Bill and the Inflation Reduction Act. Both laws created new resources, and if you sit on the sidelines and do work that you've always been doing without responding, there's a definite loss to the company and to opportunities that we might create for ourselves going forward. Many of the advancements that we're trying to make are along the lines of technology and creating infrastructure that supports our work. Our organization is 800 people, of which about 650 are site staff at our 160 properties. If we can do things that make their lives easier so that they can focus on the residents and the buildings, then that's tremendous. Those are the kinds of advancements I'm focused on right now and constantly watching the horizon, the political resources and the changing environment so that we can respond and create new developments and opportunities that are aligned with those changes.

***TCA:* Beacon has a strong social motivation and a successful business model for doing the right thing and for being gutsy, which has led to prosperity. I'd like to explore your tagline of "We do difficult…" What led to that and what does it mean?**

DK: "We do difficult" predates me by almost a decade and speaks to the company culture and the drive for innovation and problem-solving that was part of the mentality and focus of Beacon's founders Howard Cohen, Pam Goodman and Kathleen Sheehan. It speaks to the way that we go about tackling challenges. There are lots of developers who do more off-the-shelf, vanilla-type projects, but we thrive on complexity. There are people throughout our organization who like a challenge and are good at solving complex problems. Sometimes we ask ourselves whether we should do fewer difficult deals, but the affordable housing business is by definition complex. The environment of the last couple of years, coming out of the pandemic and the rise in construction costs and interest rates have created a whole new level of complexity. Challenging times play to our strength, and we will continue to be people who want to solve problems and take on those challenges that others would not.

***TCA:* How would you sum up 2023? What does your pipeline look like for 2024?**

DK: 2023 was more challenging than I anticipated. As we entered 2023, we were putting the pandemic behind us. There were good signs on the horizon about resources, but the construction cost and interest rate environment have continued to conspire to make development very challenging and refinancing, which we used to do on a pretty regular basis, impossible. But I'm hopeful about 2024. The pipeline for '24 is very robust. We have about 50 projects in our pipeline right now, about 7,000 units, that we're actively developing in six states. Our focus is on getting deals closed, which is no easy task. It sounds like we're going to be in a high-interest-rate environment for the foreseeable future. We have to assume that '24 and '25 won't provide any relief on that front, which is going to mean continuing to be creative about public resources and focusing on cost containment as much as possible so that we can get our deals closed.

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***TCA:* What new initiatives are you planning for 2024? Are there any new markets you're looking to expand into, or noteworthy projects that you're looking to announce?**

DK: In terms of markets, we are going to focus on the ones that we're in right now. We're a relationship-driven company and we want to build those relationships, particularly in places where we're not as much of a household name as we are in Massachusetts. We're focused on expanding our relationships in Ohio, Virginia, Maryland and Washington, DC. We're doing a lot of adaptive reuse projects in Ohio. We have a couple of deals in Cleveland and one in downtown Columbus that I'm excited about where we're turning two schools and an old Knights of Columbus Meetings Hall into housing. In Pittsburgh, we have two conversion projects, one that involves an office building and the other a light industrial building and that's all because the city has created a program around conversion of non-housing buildings into housing.

TCA: ***In a recent op-ed, you highlighted the Commercial New Construction Program in New York that you'll be using to develop a blueprint for making your housing portfolio in the Empire State more energy-efficient and resilient. What can you tell our readers about this effort?***

DK: We were thrilled to be the first company to partner with NYCERDA, the New York State Energy Research and Development Authority, to commit to making our portfolio as energy-efficient as it can be. For new construction developments, we will be achieving carbon neutrality, and in our existing portfolio, we're making investments to make them as energy-efficient as possible. We hope to move the needle on reducing energy consumption at all of our properties in New York State and support Governor Hochul's intention to lead in sustainability and environmental responsibility. We'll be partnering with the state housing finance agency to ensure that each investment we make is as close to carbon neutral as it can be.

TCA: ***Is New York providing financial incentives to support this effort?***

DK: Financial support is provided by NYCERDA and other state agencies to see that investments pay off in terms of sustainability. You may also be aware that out of the Inflation Reduction Act, the federal government established the Green and Resilient Retrofit Program (GRRP) to invest in reducing energy consumption in the Department of Housing and Urban Development-assisted portfolio. We just received a GRRP grant for a property that we own in Pittsburgh that we're doing a retrofit on. We most recently finished a project up in Rome, NY that was a deep energy retrofit of an existing public housing property with the Rome Housing Authority that created a new standard for sustainability and public housing renovation. There are lots of different pieces of that kind of environmental investment that are happening at the federal and state levels.

TCA: ***What other noteworthy issues or trends are you keeping an eye on as we kick off the new year?***

DK: I hope that construction costs slow down, but another challenge the industry will face is that the federal government pushed through a lot of resources around the pandemic, particularly the American Rescue Plan Act (ARPA). Once those ARPA resources are tapped and spent by the states and cities that receive them, there will be a natural slowdown of activity. I'm hoping states will step up to different degrees. Massachusetts has been a leader in this regard. After increasing the state housing tax credit a couple of years ago, the governor increased it again to $60 million, which helps to keep the pipeline moving. The other challenge is the volume cap constraint around tax-exempt bonds. It would have a huge impact on the affordable housing pipeline if Congress reduced the 50 percent test down to 30 or 25 percent. That is something we've been very active in trying to get the word out with our elected officials about how important that could be to generate more housing, both new construction and substantial rehabilitation. TCA

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