



A Different Solution:

**CREATING
AFFORDABLE
HOUSING**

Presented by:
**Snohomish
Affordable
Housing
Group**

FOUR PROPERTIES 103 APARTMENT UNITS



starting with:
FIRST SREET APARTMENTS

CADYVILLE AFFORDABLE HOUSING



TUCKER PLACE APARTMENTS



CENTENNIAL TRAIL SENIOR HOUSING





What is the Snohomish Affordable Housing Group (SAHG)?

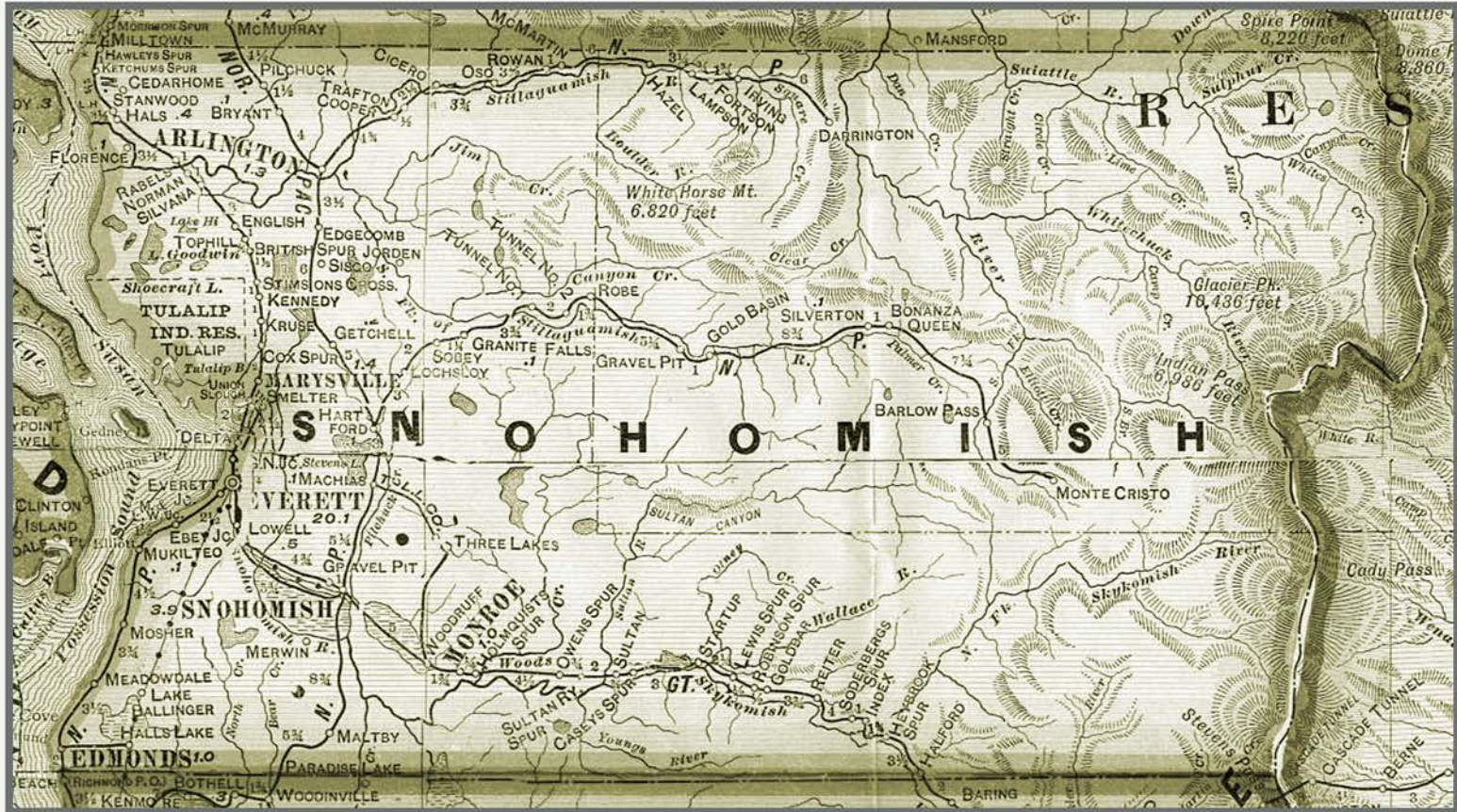
- Non-profit (501(c) 3) dedicated to building and managing very low income apartments in the City of Snohomish.
- Started in 1992.
- Built 103 units in 17 years (2009 last project) without grants or subsidies of any kind.
- Properties are financially self supported with rents at 55% of market.

SAHG wants to share our success with other communities.

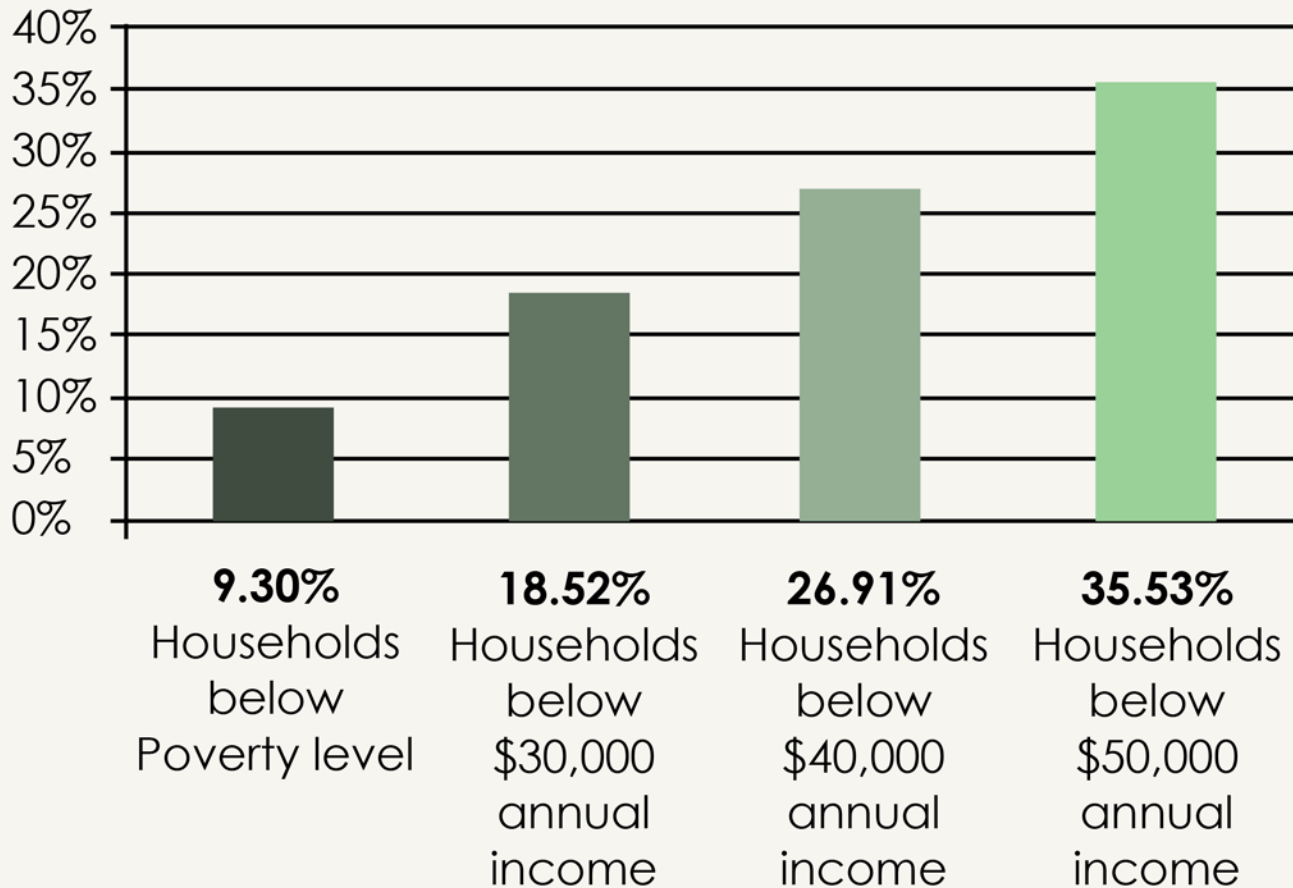
We want to give you the big picture

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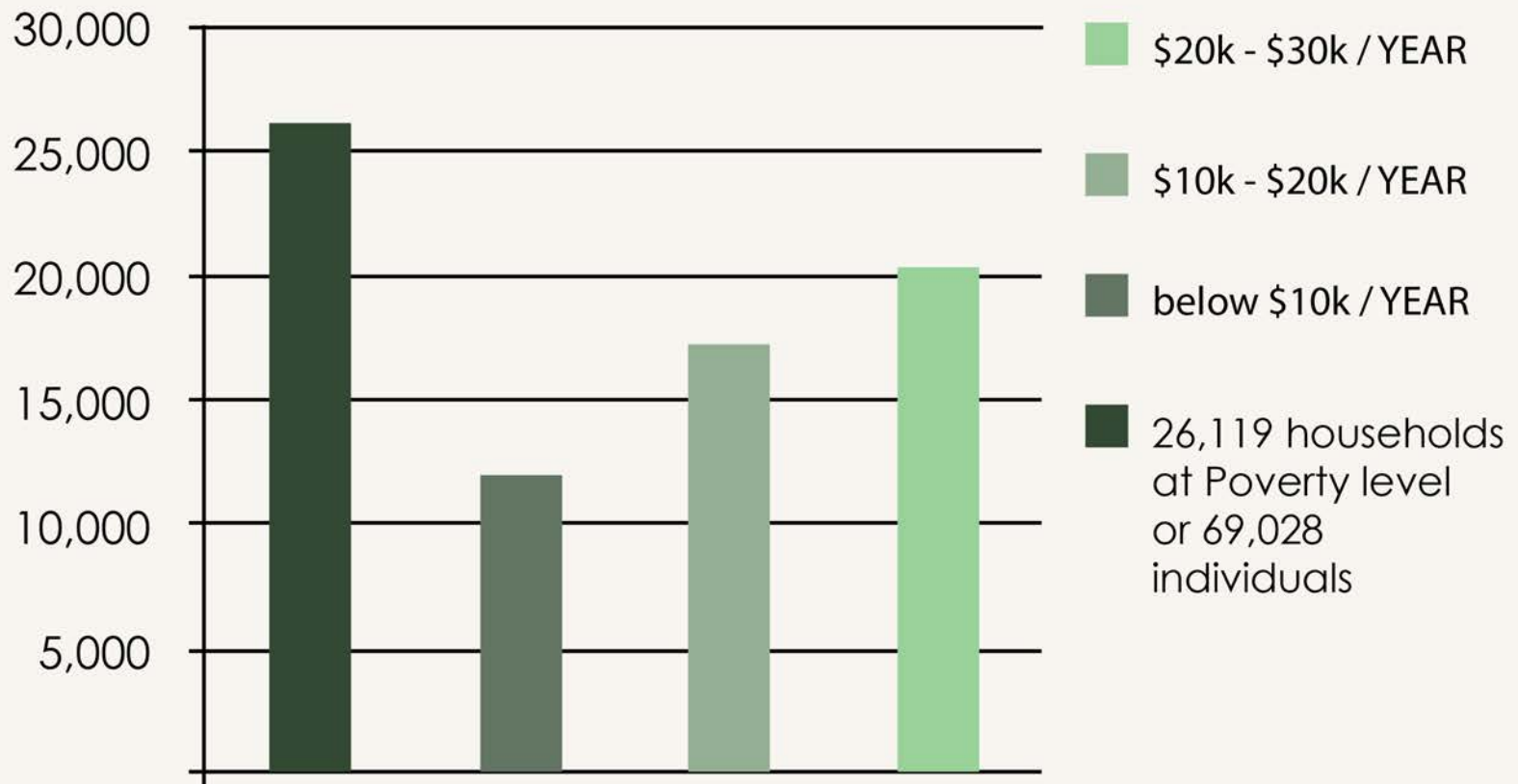
What is the need for low income housing in Snohomish County?



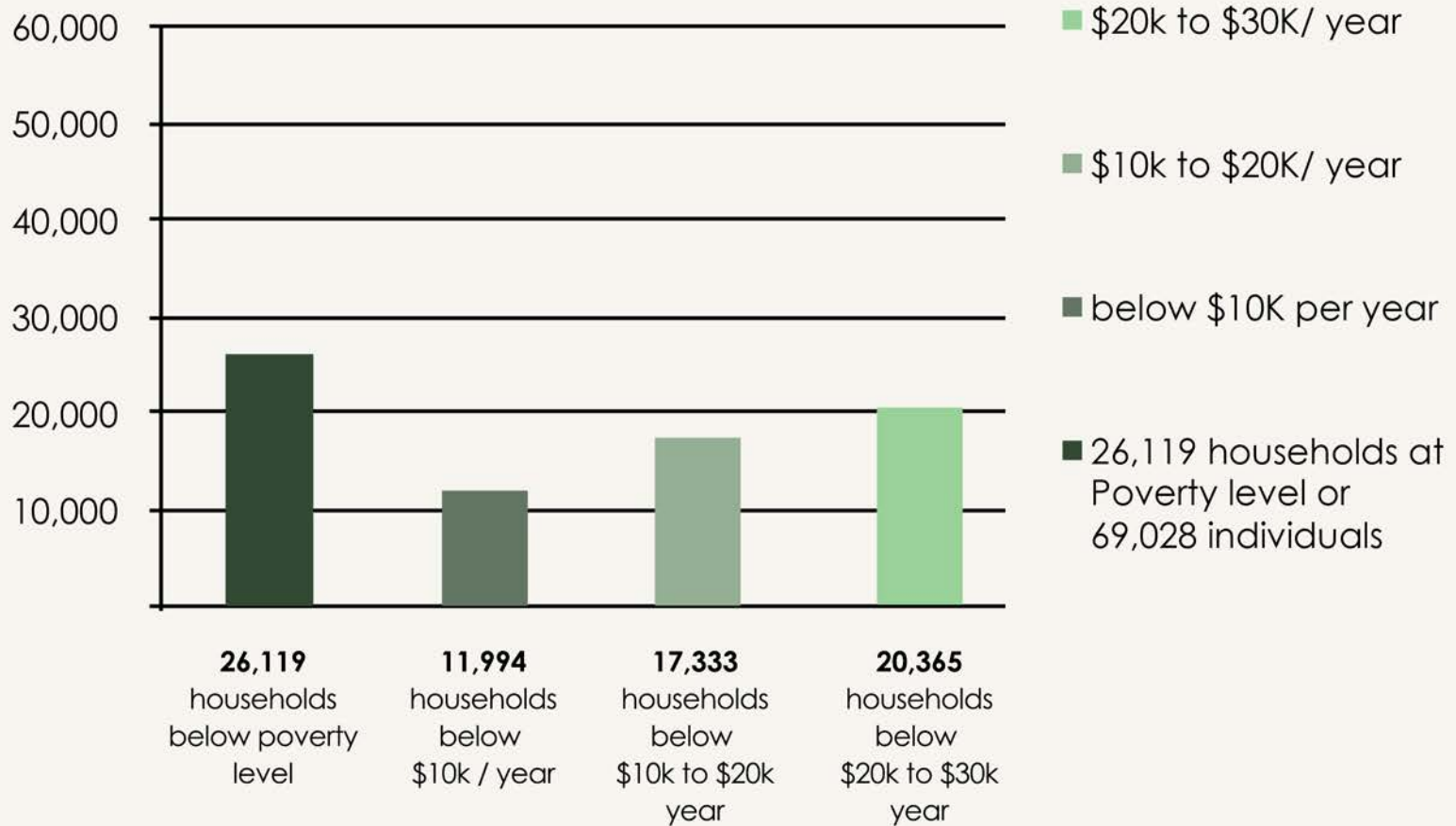
2010 Census – Percentage of Households with lowest Income in Snohomish County



2010 Census - Number of Households with lowest income in Snohomish County



Number of low-income households in Snohomish County



Defining Low Income

(based on Seattle- Bellevue HUD Metro Fair Market Rent Area)

HOUSEHOLD SIZE	POVERTY LEVEL	30% MEDIAN FY 2014	50% MEDIAN FY 2014	ANNUAL MIN. WAGE – 40 HOUR WEEK
1	\$11,490	\$18,550	\$30,900	\$19,385
2	\$15,510	\$21,200	\$35,300	\$38,771
3	\$19,530	\$23,850	\$39,700	
4	\$23,550	\$26,450	\$44,100	
5	\$27,570	\$28,600	\$47,650	
6	\$31,390	\$30,700	\$51,200	
7	\$35,610	\$32,800	\$54,700	
8	\$39,630	\$34,950	\$58,250	

Apartment rents in Snohomish Co.

Age 1975 to 1984 from Dupree and Scott

	STUDIO	1-BEDROOM	2-BEDROOM	3-BEDROOM
RENT	\$710	\$802	\$903	\$1,062
ELECTRICITY	\$44	\$62	\$80	\$97
TOTAL	\$754	\$864	\$983	\$1,159

Percentage of income paid in rent and utilities for a one person household.

	STUDIO	1-BEDROOM
Poverty Level	85%	96%
30% Median Income	53%	61%
50% Median Income	32%	36%

Percentage of income paid in rent and utilities for a two person household.

	1-BEDROOM	2-BEDROOM
Poverty Level	71%	80%
30% Median Income	53%	60%
50% Median Income	32%	36%

Percentage of income paid in rent and utilities for a four person household.

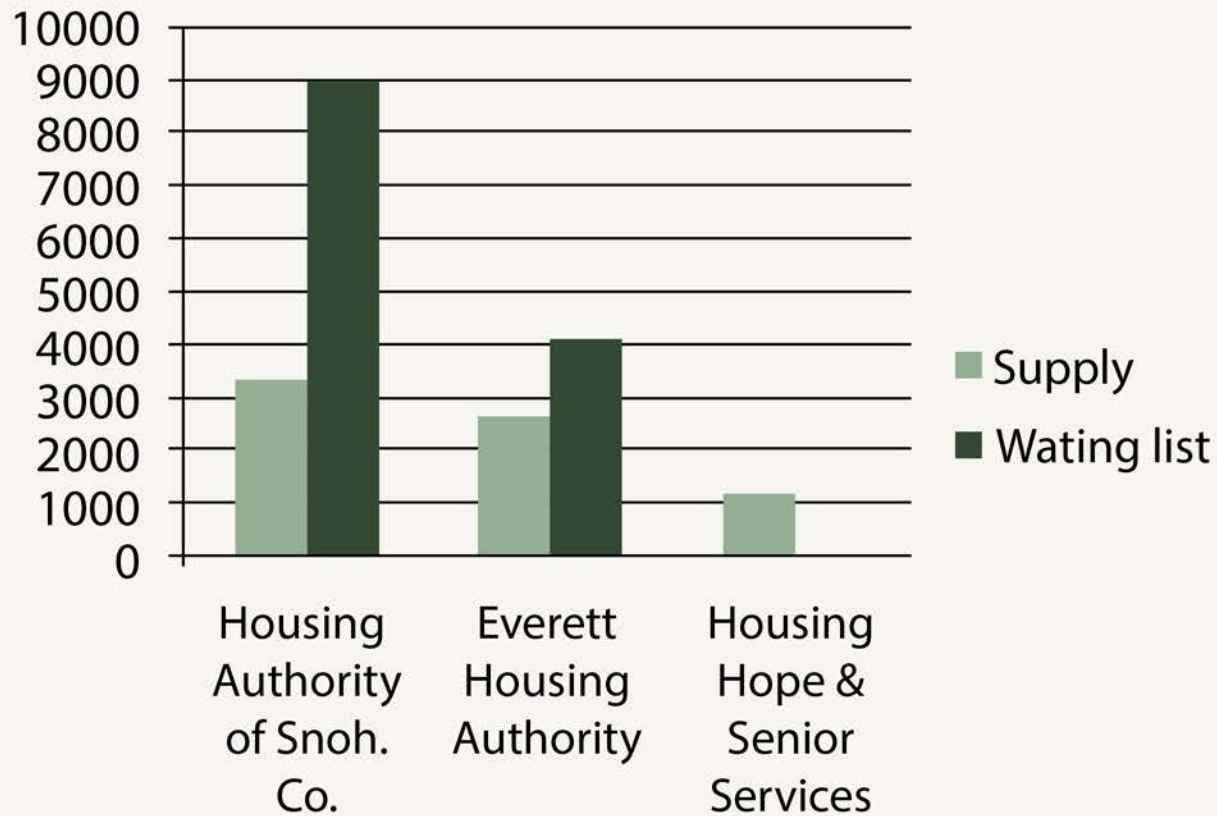
	2-BEDROOM	3-BEDROOM
Poverty Level	53%	62%
30% Median Income	48%	56%
50% Median Income	29%	34%

Let's compare for affordability

-Rent vs. Rent limits under HUD rules
(after reduction for electricity allowance)

	STUDIO	1-BEDROOM	2-BEDROOM	3-BEDROOM
RENT OLDER APARTMENT	\$710	\$802	\$903	\$1,062
30% AMI	\$418	\$434	\$515	\$591
50% AMI	\$727	\$764	\$912	\$1,049
80% AMI	\$1,190	\$1,261	\$1,508	\$1,738
SINGLE MOM w/ 2 kids at min. wage	\$440	\$423	\$405	\$388
SAHG Rents	\$350	\$430	\$480	\$565

Main Sources of Subsidized Housing in Snohomish County





The Waiting List

- **Public Housing Authorities (PHA) manage the Federal Government subsidies:**
 - **An applicant must be below 50% of median income. Most are below 30% of median income.**
 - **Most PHA waiting lists are closed to new applicants, open application window every 1-2 years.**
 - **HASCOs waiting list has 9,000 names – about an 8 year wait.**
 - **New applicants are chosen by lottery – Seattle Housing Authority had 20,000 applicants for 2000 openings on the waiting list (i.e. a 2 year supply)**
 - **Turnover rate is very low – tenants can stay as long as they qualify for subsidized housing.**

We Need More Supply!!

A background image showing a construction site. A worker is visible on a red platform or crane arm extending over a building's roof. The building has a corrugated metal roof and some windows. The scene is set against a clear sky.

- Federal HUD funding decreased 5% in 2013 due to the sequester.
- HUD funding increases keep up with the cost to maintain the same inventory/ support.
- Lower HUD funding in 2013 forced PHA's to consider reducing those served in Section 8 housing choice vouchers. New budget in 2014, has alleviated the shortfall for now.

Where do we get more supply?



HUD supplies most of the government housing subsidies and housing initiatives. There is a broad spectrum of programs. Here are the largest programs:

Section 8, HC V



Housing Choice Voucher (HCV) Section 8 Program

They are administered locally by public housing authorities (PHAs) like HASCO in Snohomish County or the Everett Housing Authority. Nationwide there are about 2.1 million households supported by this program currently. HASCO has 3,350 vouchers.

Project based rental assistance -

Supports about

1.2 Million

Low income households

No new projects are being funded now



PUBLIC HOUSING

The housing developments are owned by a public housing authority (PHA) and HUD pays the PHA for operation and maintenance. There are approximately 1.2 million units nationwide. HASCO owns 210 here in Snohomish County.

TO CONCLUDE:

- **Federal, state and local government budget constraints will continue to limit the opportunity to increase the supply of low income housing.**
- **Government programs are expensive and lack entrepreneurial efficiency and containment.**
- **Some more entrepreneurial, locally managed low income housing programs, such as Housing Hope of Snohomish County, are making a difference but we need more supply than they can provide.**
- **Speaking of entrepreneurial, you could try to do it yourself following the SAHG model.**



The SAHG Model

- The Snohomish Affordable Housing Group was formed in the early 1990's at the encouragement of the Mayor of Snohomish and City Manager.
- A group of active citizens was asked if they could do something to address a need for low income housing.
- Goal: to create 100 affordable units through private donations and volunteer labor and management.



SAHG Developed Four Key Principles:

First Key Principle:

- No Traditional "Low Income Housing" Government Subsidies

- Assistance has come from local municipal support such as expediting building permits, zoning, discounts on building permits and/ or utilities, and tax exempt financing bonds, and recently a State approved property tax exemption.

As far as we know, SAHG is the only low income housing provider in the state to do it this way.

Second Key Principle:

- Help people with initiative to move up the economic ladder.

- Helping people succeed, that's what we are all about. A helping hand, not a hand out:**
- Tenants have a two year plan of how they are going to reach a goal to get ahead. Maybe it is education, job training or saving money for a goal.**
- We review their progress over time to see if they are working towards their goals.**
- We are not supporting the status quo like a permanent welfare state of being.**

Third Key Principle:

- Strategic Selection of Board Members

A diversified Board of Directors that had all the necessary talent to be effective including:

- banker**
- developer**
- builder**
- real estate broker/ sales agent**
- attorney**
- CPA /accountant**
- business owners**
- clergy**
- local government official**
- property manager**

All are well connected in the community and donated time in their field of expertise.

Fourth Key Principle:

- Minimize Costs

Save on costs in every way possible including:

- a) Raising cash donations from the local public and philanthropic organizations.**
- b) Ask for discounts on City permits and services.**
- c) Find land at favorable prices relative to market.**
- d) Seek concessions from building material suppliers on the cost of materials.**
- e) Seek concessions on subcontractor bids for the project.**
- f) Seek concession from the general contractor on the project.**

- More Ways to Minimize Costs

- g) Seek favorable bank interest rates & origination costs for all loans (i.e. a line of credit, construction loan, & permanent loan.)**
- h) Effective on-site property manager with oversight expertise of board.**
- i) Tenants share in grounds maintenance responsibilities.**

SAHG Results:

- 1. Goal reached in 18 years (as of 2009).
SAHG has 103 units.**
- 2. The current rents are approximately
55% of market rate.**
- 3. All operating costs are covered out of rents
charged including reserves for replacement
and repairs.**
- 4. Low operating costs of \$3,028 per unit per
year including allowance of \$200 per unit in
reserves for replacement (2013 results).
Property tax exemption in 2014 will lower
cost to \$2,405 per unit.**

SAHG Results:

- 4. SAGH's current rent structure permits an average household with 30% of median income to pay less than 30% of their income towards rent. The need for most Section 8 subsidies is eliminated. SAHG does not participate in the Section 8 program.**
- 5. SAHG provides a helping hand, not a hand out. We want to help facilitate the self determination to have a better life. 70% of the units are set aside to serve this purpose.**

And Last - No Property Taxes

- A recent effort by our Board through the State Department of Revenue resulted in a property tax exemption for SAHG in 2014 and all other nonprofit low income housing providers that use tax exempt bond financing. This will reduce operating costs by about 11%. SAHG could lower its rents down to 48% of market with the same net cash flow.

Most importantly, it will increase net operating income and potential loan size for other startup housing organizations that follow the SAHG model.

Two Different Approaches:

SAHG

- Minimal government subsidy

TRADITIONAL MODEL

- Substantial government subsidy including funds to build and maintain projects, and subsidize tenant rents

Two Different Realities:

SAHG

- Low operating costs at projected \$2,405 per unit in 2014

TRADITIONAL MODEL

- High operating costs (government reporting, tenant management, and maintenance at prevailing wage) - Typical costs will exceed \$3,800 per unit per year.

Two Different Levels of Control:

SAHG

- Freedom to control cost
– entrepreneurial

TRADITIONAL MODEL

- Government rules limit cost control (i.e. construction at prevailing wage, loan origination cost, etc.)

Two Different Results:

SAHG

- Avoid unintended social impacts
- Tenants must have a plan to improve their economic future and move on.

TRADITIONAL MODEL

- Government rules allow participants to remain in their subsidized status.

Two Different Possibilities:

SAHG

- Opportunity to increase low income housing.

TRADITIONAL MODEL

- Government funding is likely to remain static because of budget constraints – there is minimal opportunity to increase low income housing supply at this time.

Two Different Futures:

SAHG

- Self-sustaining housing
– no annual funding

TRADITIONAL MODEL

- Government funding
needed annually to keep
the supply sustained

What is the need for low income housing in your community?

- **Number of people under the poverty level in last census**
- **Number of households on the waiting list for Section 8 vouchers in your area**
- **Waiting time for these folks needing low income housing**

How can your community make a difference in providing more low income housing?

- SAHG can show you how. We will share our experience and act as your consultant
- Form a dedicated Board with the right expertise



How can your community make a difference in providing more low income housing?



- Gain the commitment of your city to support the effort – it is in their best interest
- Develop a business plan that includes fund raising, and property acquisition efforts



A great journey starts with a single step. This may sound like an overwhelming effort but with the division of labor in a diversified board, it is easier than it appears. And it is very rewarding.

You CAN make a difference.



Bottom Line

- The affordable housing shortage is not going to be solved by the government alone. But you can do something about the problem in your local community.

Start Today.