




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)?

- 1. Non-profit (501(c)3) dedicated to building and managing very low income apartments in the City of Snohomish**
- 2. Started in 1992.**
- 3. Built 103 units in 17 years (2009 last project) without grants or subsidies of any kind.**
- 4. Properties are financially self supported with rents at 33% of market as of 2020.**

Let's compare for affordability - SAHG

Rent vs. Rent limits under HUD rules

(after reduction for electricity allowance)

		1- Bedroom/1 person	1-/Bedroom/2 person
Market Rent Apartment		\$1,460	\$1,460
30% AMI		\$610	\$654
50% AMI		\$1,058	\$1,133
80% AMI		\$1,724	\$1,843
Single Mom w/ 2 kids at min. wage		\$640	\$640
EAHG Rents @ 70% of Market		\$1,046	\$1,046

Note: Minimum wage in 2020 is \$13.50/ hr.

Let's compare for affordability - EAHG

Rent vs. Rent limits under HUD rules

(after reduction for electricity allowance)

Everett Area –Proposed 15 Unit Apartment

	Studio	1- Bedroom	2-Bedroom	3-Bedroom
Rent Apartment	\$950	\$1,200	\$1,600	\$1,900
30% AMI	\$575	\$610	\$722	\$835
50% AMI	\$992	\$1,058	\$1,260	\$1,457
80% AMI	\$1,615	\$1,724	\$2,060	\$2,381
Single Mom w/ 2 kids at min. wage	\$649	\$640	\$618	\$606
SAHG Rents	\$325	\$415	\$455	\$540

Note: Minimum wage in 2020 is \$13.50/ hr.



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.**
- 1. Helping people succeed, that's what we are all about. The opportunity to get ahead.**
- 2. 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.**
- 3. We review their progress over time to see if they are working towards their goals.**
- 4. With reasonable progress, we are not supporting the status quo.**

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 (2009). SAHG has 103 units.**
- 2. The current rents average approximately 33% of Market Rate.**
- 3. All operating costs are covered out of rents charged including reserves for replacement and repairs.**
- 4. Low operating costs of \$3,288 per unit per year including allowance of \$200 per unit in reserves for replacement (2020 results).**

SAHG Results:

- 5. SAHG'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.**
- 6. SAHG's low cost housing facilitates the efforts of our tenants to create a better life. 40% of the units are set aside to serve this purpose.**

And Last – No Property Taxes

*** An effort by our Board through the State Department of Revenue resulted in a property tax exemption for SAHG in 2014. This benefits all other nonprofit low income housing providers that use tax exempt bond financing. This reduced operating costs by about 11%. **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 \$3,288 per unit in 2020.**

Traditional Model

- * **High operating costs (government reporting, tenant management, and maintenance at prevailing wage) – Typical costs will exceed \$6,000 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 often unintentionally encourage 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 limited 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



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.