A Regional Coalition for Housing
Together Center Campus
16305 NE 87TH St, Suite 119
Redmond, WA 98052
425-861-3677

Memo

To: ARCH Member Jurisdictions
From: Lindsay Masters, ARCH Executive Director
Date: July 21, 2026

Re: ARCH Trust Fund Parity Goals, Funding for Affordable Housing and Credit for Investments through ARCH

For nearly three and a half decades, cities in East King County have worked together to fund affordable housing through A Regional Coalition for Housing (ARCH), creating or preserving close to 7,000 affordable homes across the region via the ARCH Housing Trust Fund (HTF). Investing local dollars to leverage other public and private funds has been a central strategy for East King County cities to create and preserve affordable housing.

This memo provides a brief overview of the following topics as ARCH members consider adoption of ARCH's 2027-28 budget and funding for the ARCH Trust Fund:

A. Updated Parity Goals for member contributions to the ARCH Trust Fund
B. Recent trends and data that inform funding levels needed to sustain affordable housing production
C. Current efforts to increase investment in affordable housing, including countywide revenue discussions, as well as potential local options
D. The impact of ARCH's regional approach to funding affordable housing, and related state policy discussions about ensuring investments through ARCH are credited toward cities' efforts to plan for housing needs under the Growth Management Act

A. Updated Parity Goals for Member Contributions to the ARCH Trust Fund

In 1998, ARCH members established the concept of voluntary Parity Goals to encourage proportional member contributions for affordable housing development. These goals were designed to establish regional funding targets that are distributed among members based on population and projected housing and job growth. These goals provide a way to engage members on annual contributions to the ARCH Trust Fund and encourage a variety of forms of voluntary contributions to affordable housing, including land donations and fee waivers.

ARCH updates Parity Goals on an annual basis to account for inflation. The chart on the following page shows 2026 Parity Goals alongside confirmed 2026 contributions to the Trust Fund from ARCH members. Collectively, ARCH members budgeted approximately **$3.3 million in 2026 for the Trust Fund**. These funds are supplemented by another $627k of Community Development Block Grant (CDBG) funds from Kirkland, Redmond and the northeast (N/E) consortium cities, and additional local funds thar ARCH supports from Bellevue and Issaquah that expand the impact of the ARCH Trust Fund.

ARCH Member Contributions and Updated Parity Goals (2026)

	2026 Trust Fund Contributions				**2026 Parity Goals**		
City	**Total Contribution***	**General Fund**	**HB 1406**	**HB 1590**	Low Goal	Midpoint	High Goal
Bellevue	$1,092,000	$442,000	$650,000	$0	$906,819	$1,400,823	$1,894,828
Redmond	$790,000	$494,450	$295,550	N/A	$416,747	$643,778	$870,808
Kirkland	$631,893	$415,000	$216,893	N/A	$393,899	$608,483	$823,066
Bothell	$104,430	$0	$104,430	N/A	$234,579	$362,369	$490,160
Issaquah	$180,000	$0	$0	$180,000	$131,380	$202,951	$274,523
Sammamish	$155,487	$100,000	$55,487	N/A	$118,763	$183,461	$248,159
Kenmore	$117,500	$93,534	$23,966	N/A	$78,572	$121,376	$164,180
Woodinville	$102,000	$39,210	$62,790	N/A	$64,510	$99,653	$134,795
Mercer Island	$35,000	$35,000	$0	N/A	$54,623	$84,380	$114,137
Newcastle	$13,333	$0	$13,333	N/A	$34,405	$53,148	$71,891
Clyde Hill	$7,118	$0	$7,118	N/A	$4,676	$7,224	$9,771
Medina	$27,201	$17,327	$9,874	N/A	$4,422	$6,830	$9,239
Yarrow Point	$12,069	$10,000	$2,069	N/A	$1,828	$2,824	$3,820
Hunts Point	$5,000	$5,000	$0	N/A	$429	$662	$896
TOTAL	$3,273,032	$1,651,521	$1,441,511	$180,000	$2,445,652	$3,777,962	$5,110,273

**These figures exclude CDBG allocations from Kirkland, Redmond and N/E consortium cities, and funds that are advertised solely for development within Bellevue and Issaquah.*

As in past years, ARCH anticipates available funds will be far exceeded by funding requests. This year ARCH received information from eight projects with **potential requests totaling $35 million**.

B. Recent Trends and Funding Levels Needed to Sustain Future Production

While ARCH members have successfully sustained consistent funding for the ARCH Trust Fund, several factors have impacted the level of local investment needed to maintain consistent production of affordable housing and attract ongoing investment:

- Construction costs have risen nearly 50% in the Seattle area since 2020.
- Lower tax credit investor pricing has reduced equity from the Low Income Housing Tax Credit Program by approximately 15%.
- Continued high interest rates are reducing borrowing power and adding millions of dollars in construction financing costs to projects.
- Increases in operating expenses are further reducing projects' capacity for debt service.

Over the last five funding rounds, these factors have resulted in steady per unit increases in total project cost, total public funding, and total ARCH investment. Using current assumptions, ARCH modeling estimates that **between $20-$25 million in local and county funding is needed to sustain production of roughly 350 units of affordable housing annually in East King County,** which represents a baseline production associated with continuing to attract the most significant sources of leverage to East King County**.**

As the demand for funding has grown, ARCH has seen a decline in general fund contributions to the ARCH Trust Fund as local jurisdictions face continued structural barriers to keep up with rising costs. Exacerbating this challenge is the near-term exhaustion of King County's largest funding source for affordable housing (Transit Oriented Development (TOD) bonds).

Despite constrained general funds, ARCH has worked successfully with members to creatively fill funding gaps and achieve a significant magnitude of investment and production through additional local funding and land contributions.

ARCH Members Five-Year Investment Trend (2021-25)

Year	2021	2022	2023	2024	2025	Total	Annual Average
Units	346	553	599	245	498	2,241	448
ARCH HTF and Member Awards	$7.4M* (Kirkland $2.7M fee-in-lieu)	$9.8M** (Redmond add'l $3.2M)	$6.6M (Redmond add'l $1M)	$5.6M	$5.7M ($600k from Redmond & Kirkland)	$35.1M	$7.0M
Bellevue & Issaquah (1590 + other)	$2.0M		$6.5M	$9.0M	$32.0M	$49.0M	$9.9M
Land Contributions		Redmond land donation estimated at $7.7M	2x Sound Transit land, Bellevue property estimated at $1M		Bothell land contribution estimated at $6.4M	4 low-cost sites	$3.0M in land value from cities

**2021 included a carry forward of a previous $4M award*
***2022 included a carry forward of a previous $3.2M award from 2020*

C. Options to Increase Investment in Affordable Housing

ARCH's 2024 Strategic Plan identified additional funding as the number one strategy to *Build More Affordable Housing Faster*. Building on the successes in recent years, ARCH members have a range of options to advance this strategy, including:

1. **Maintain Trust Fund Commitments.** While existing revenue sources have limited room to grow, continuing to maintain current general funds and HB 1406 funds for the ARCH Trust Fund preserves an important foundation for attracting development to East King County over the long-term. Since the passage of HB 1406 in 2019, a total of 11 ARCH members have contributed these state sales tax funds to the ARCH Trust Fund.
2. **Land Contributions.** Cities with surplus or underutilized public land could consider dedicating such properties for affordable housing. ARCH can provide technical assistance to perform feasibility studies and assess potential development options on city or other public and tax-exempt properties.
3. **Local REET Funds.** The legislature recently adopted HB 1791, which expanded eligibility for using existing REET revenues for affordable housing. Both REET1 and REET2 funds are eligible to be budgeted for affordable housing, including in regional investments through ARCH.
4. **Countywide and Local Levy Options.** Cities and counties may consider requesting voter approval for a levy lid lift or an affordable housing levy under RCW 84.52.105. Earlier this year, the King County Executive convened a work group to explore countywide approaches,

with a report due by the end of 2026. Member cities will have opportunities to engage in these discussions through ARCH and the Sound Cities Association.

5. **Fee in Lieu Funds.** Local inclusionary programs under RCW 36.70A.540 provide a mechanism for cities to tap into the value created by development incentives like height and density bonuses to generate affordable housing. State law also gives cities the option of establishing fee in lieu options for developers when such fees could be used for an equal or better outcome for affordable housing. ARCH encourages members utilizing fee in lieu options to calibrate the fee rates to optimize these benefits and work with ARCH to swiftly invest such funds into ready development opportunities.
6. **Tax Increment Financing.** RCW 39.114 allows counties and cities to issue bonds for public improvements that generate increased property tax revenue, which helps repay the bonds. Funds can pay for many eligible costs, including infrastructure, affordable housing, energy efficiency projects, and childcare facilities.
7. **State Legislative Advocacy for Additional Tools.** ARCH is continuing to support members in developing legislative priorities for additional funding options that the Washington State legislature could authorize. Several ARCH members have supported requests for additional local REET options, or short-term rental tax options. ARCH anticipates these discussions to continue in the 2027 legislative session.

D. Importance of a Regional Approach and Credit for Regional Investments

The flexible and regional nature of ARCH's Trust Fund has been a key ingredient to its success. This approach benefits member jurisdictions and the region in several ways:

- By pooling city funds and deploying them to the most competitive projects in the region, ARCH increases **the speed of investment** and supports a steady rate of production that individual jurisdictions would be unable to achieve.
- Through its longstanding partnerships with other funders and housing finance expertise, ARCH has been able to **maximize leverage** of scarce local resources. Over the life of the Trust Fund, ARCH members have attracted approximately $2 billion in investment in affordable housing to the region, with each $1 of local funds invested by ARCH leveraging between $10-$15 of other public and private funding.
- For individual jurisdictions, investing through ARCH enables them to support production across the region year after year, while also having access to a pool of capital for their local projects when they are ready to advance. ARCH also provides **technical support to jurisdictions of all sizes** to ensure that competitive projects can succeed in small and large cities alike.
- The flexibility of local funds has enabled ARCH members to support a **diverse range of populations and housing needs** including seniors, families, people with disabilities and special needs, first time homebuyers, and people transitioning from homelessness.

Attachment 1 shows the broad geographic impact achieved by this regional approach over the long-term, resulting in thousands of affordable housing opportunities created in large and small jurisdictions across East King County.

In recent months, the ARCH Executive Board, ARCH Council of Elected Officials, and ARCH Staff Liaisons have discussed the importance of giving credit to jurisdictions that invest in ARCH, which could encourage members to continue investing across their jurisdictional borders in a shared housing fund. Because housing needs numbers under the Growth Management Act are established on a jurisdiction-by-jurisdiction basis, cities have raised concerns about whether they will need to

demonstrate specific local subsidies to meet those needs. This would present a risk to the successful regional approach of ARCH members and could fragment and delay future investments in housing.

As ARCH members are focused on compliance with housing provisions of the Growth Management Act, ARCH is working actively with members to ensure that state policies and related monitoring will credit cities' investments in ARCH as part of their efforts to plan for and accommodate housing needs under the Growth Management Act. These discussions have identified two potential avenues for giving credit to ARCH members for their shared investments:

- State Legislation: Modifying or clarifying the relevant provisions of the Growth Management Act to encourage collaboration in interlocal organizations like ARCH.
- Countywide Monitoring Processes: Developing reporting approaches for tracking implementation of local Comprehensive Plans that recognize the shared impact of collaborative investments through interlocal organizations like ARCH.

To advance potential solutions via state legislation or countywide monitoring processes, ARCH has done the following:

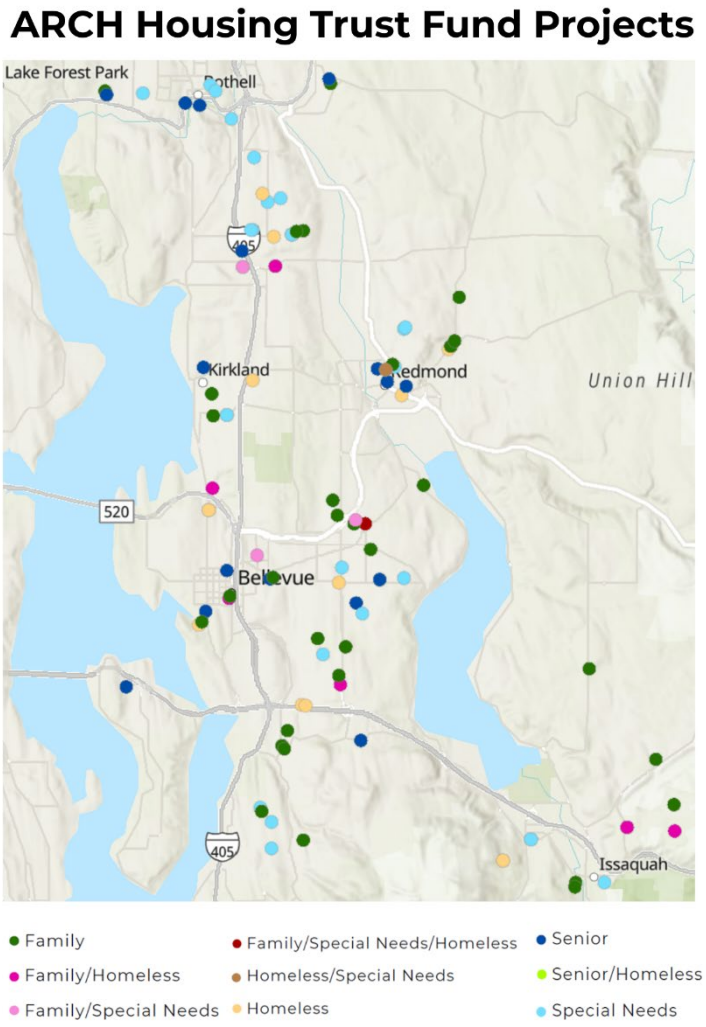
- Held workshops with ARCH members to discuss potential legislative solutions that clarify local government's role in planning for and accommodating affordable housing under the Growth Management Act, while recognizing the importance of sub-regional collaboration through organizations like ARCH.
- Collaborated with the Sound Cities Association, South King Housing and Homelessness Partners, Association of Washington Cities and lobbyists serving ARCH members regarding legislative proposals that could encourage investments in affordable housing via interlocal entities like ARCH.
- Participated in King County's Monitoring and Reporting Work Group to develop standards to measure progress that account for shared investment pools, like the ARCH Housing Trust Fund.
- Developed a quantitative methodology to estimate the number of housing units each ARCH member has helped fund from 2019-2025 through the ARCH Housing Trust Fund (See **Attachment 2**).

We look forward to working with members to protect our model of collaboration, which has a proven track record of building more affordable housing faster across East King County, by advancing state policies and monitoring that will give proper credit to cities that invest in ARCH.

Attachments

1. Location of Affordable Housing Funded through the ARCH Housing Trust Fund (1992-2025)
2. Affordable Units Created through City Contributions to ARCH-Funded Projects, 2019-2025

Attachment 1
Location of Affordable Housing Funded through the ARCH Housing Trust Fund (1992-2025)



Location	Total Units
Bellevue	2,402
Bothell	348
Issaquah	484
Kenmore	86
Kirkland	1,381
Mercer Island	59
Newcastle	15
Redmond	1,903
Sammamish	64
Woodinville	100
Scattered / Multiple Locations	93
Unincorporated King County	5
Grand Total	6,940

Attachment 2
Affordable Units Created through City Contributions to ARCH-Funded Projects (2019-2025)

Contributing City	Total	30% AMI	40% AMI	50% AMI	60% AMI	70% AMI	80% AMI	Total Affordable Units
Bellevue	$57.73M	127.1	20.5	188.7	490.3	39.0	39.9	905.5
Bothell	$7.08M	23.0	0.8	73.8	92.6	2.3	1.7	194.2
Clyde Hill	$0.15M	1.6	0.2	1.9	2.7	0.6	0.2	7.2
Hunts Point	$0.03M	0.3	0.0	0.5	0.6	0.1	0.1	1.6
Issaquah	$2.34M	18.7	3.7	18.4	25.3	5.4	3.3	74.8
Kenmore	$0.50M	5.2	0.6	7.4	8.5	1.9	0.4	23.9
Kirkland	$9.01M	102.1	9.7	178.2	176.1	31.7	6.0	503.9
Medina	$0.14M	1.4	0.2	1.6	2.2	0.6	0.2	6.2
Mercer Island	$0.41M	4.6	0.6	5.4	7.5	2.1	0.4	20.6
Newcastle	$0.33M	4.7	0.9	4.7	5.8	3.0	0.3	19.2
Redmond	$23.21M	190.5	6.7	151.5	275.8	21.5	29.5	675.5
Sammamish	$0.97M	10.3	1.2	13.8	17.1	4.1	1.0	47.5
Woodinville	$0.60M	6.0	0.8	7.3	9.5	2.5	1.0	27.1
Yarrow Point	$0.05M	0.6	0.1	0.8	1.0	0.2	0.1	2.7
	$102.53M	**496.0**	**46.0**	**654.0**	**1115.0**	**115.0**	**84.0**	**2510.0**

Note: The table above estimates the number of affordable units at different income levels associated with local investments in ARCH-funded projects. These figures are calculated on a per-project basis using the value of direct funding and land contributions provided by ARCH member cities.