

MEMORANDUM

Date: September 7, 2021

From: Lindsay Masters, ARCH Executive Manager

To: ARCH Member Councils

Subject: ARCH 2022 Budget and Work Program, and Trust Fund Parity Goals

Please find attached the 2022 ARCH Budget and Work Program, which was adopted by a unanimous vote of the ARCH Executive Board in June of 2021. This memo provides an overview of the final budget and work program, including a description of the assessment conducted by Cedar River Group to inform the Board's decision-making. The memo also shares the Board's recent discussion regarding regional Parity Goals for local investment in affordable housing.

Review of ARCH Capacity and Work Program Growth

Early in 2021, ARCH engaged consulting firm Cedar River Group to help the Executive Board through an in-depth assessment of ARCH's current organizational capacity, and growth in the organization's work program over time. This opportunity was made possible through a grant intended to explore options for other north and east King County cities to join ARCH, or form new types of housing partnerships.

Cedar River Group has since prepared a detailed report, which is attached to this memo. Their report offers the following conclusions:

- There is a dramatic need for more housing – specifically affordable housing – and the need is growing.
- ARCH has a proven record of building affordable housing, helping cities implement best policies, and maintaining those assets over time.
- ARCH is well-regarded by member cities, outside stakeholders and developers.
- Staff capacity has not grown sufficiently to keep up with member's needs and requests.
- New staff capacity recommended by the ARCH Board is essential to help catch up with longstanding shortages and meet members' most pressing existing and near-term needs. However, even with this capacity, the need for ARCH's services will likely continue to outstrip capacity, given the anticipated growth in the work program, and potential requests from other north and east King County cities.

ARCH MEMBERS

**BEAUX ARTS VILLAGE ♦ BELLEVUE ♦ BOTHELL ♦ CLYDE HILL ♦
HUNTS POINT ♦ ISSAQUAH ♦ KENMORE ♦ KIRKLAND ♦ MEDINA ♦ MERCER ISLAND
♦ NEWCASTLE ♦ REDMOND ♦ SAMMAMISH ♦ WOODINVILLE ♦ YARROW POINT ♦
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Eastside cities are increasingly taking actions to respond to the growing need for affordable housing, and ARCH expects that momentum to continue building. Recent actions taken by ARCH members include: Kirkland's zoning changes to reduce barriers to building ADUs, duplexes and triplexes in single family zones; Bothell's adoption of a Multifamily Tax Exemption (MFTE) program; Bellevue's expansion of its existing MFTE program; thirteen member cities' adoption of a local affordable housing sales tax; and Redmond and Kirkland's use of fee in lieu funds to support major local affordable housing developments. In the next two to three years, cities will also undertake Comprehensive Plan Updates that present pivotal opportunities to accommodate and shape new housing.

2022 Administrative Budget and Work Program

The final recommended 2022 ARCH Administrative Budget and Work Program are shown in **Attachments 1 and 2**. Following are highlights from each document.

Administrative Budget Highlights

- **Two new staff positions** are included to address gaps in current staff capacity. These positions will focus on administration of local incentive programs, monitoring the expanding portfolio of Housing Trust Fund investments, and assisting with administration of a new funding sources, including new affordable housing sales tax resources.
 - Revenue from new administrative fees are used to free up funds for one new position.
 - A **new tier of member dues** is created to cover the second new position. These dues are allocated to the member cities that utilize ARCH for incentive program administration.
- Board members agreed a **third new staff position is warranted**, but given current fiscal constraints, this position will not be included in ARCH's budget until 2023.
- King County will contribute an additional \$50,000 in dues intended to support activities that advance the Regional Affordable Housing Task Force Action Plan.
- The Board will continue to evaluate ARCH's monitoring and stewardship workload to ensure sufficient staff capacity to keep up with growth.

Work Program Highlights

ARCH's Work Program continues to maintain core services in five key areas: affordable housing investment, housing policy and planning, housing program administration, education and outreach, and general administration.

The Board established the following priorities for ARCH's Work Program in 2022:

- **Provide a housing needs analysis** for all member cities in support of Comprehensive Plan Updates
- Report on **measurable goals for production and preservation of affordable housing** in the ARCH region
- Continue to **support proposals for dedicated revenue sources** for affordable housing

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- **Expand ARCH's capacity** to accomplish its broader mission
- Continue to **provide excellent stewardship** of affordable housing assets, and develop new compliance tools to meet evolving program, property and tenant needs
- Seek opportunities to **advance projects and programs with high potential impact** and facilitate projects in the pipeline to the greatest extent possible
- Develop a **strategic planning process** to guide the ARCH coalition into 2023 and beyond

While ARCH is continuing to expand its services and capacity to meet members' needs, our organization also remains committed to efficient and effective administration made possible by the pooling of local resources.

Housing Trust Fund Contributions / Parity Goals

Each year, ARCH member cities are encouraged to contribute on a voluntary basis toward the ARCH Housing Trust Fund, a foundational program in East King County that has produced more affordable housing than any other program. ARCH members have utilized "Parity Goals" to establish a set of investment goals for each member cities' voluntary contribution, allocating a total goal across communities based on local population, housing and job targets. The last set of 2020 goals ranged from a collective total of \$1.9 to \$3.9 million.

City	2020 Parity Goals		2020 Contributions			2020 Total	2016 - 2020
	Low Goal	High Goal	CDBG	General Fund	Other*		Annual Average
Beaux Arts Village	\$53	\$1,816	\$135			\$135	\$137
Bellevue	\$681,807	\$1,054,164		\$413,213	\$603,718	\$1,016,931	\$1,288,273
Bothell	\$173,394	\$314,235	\$34,983	\$78,000	\$31,845	\$144,828	\$93,616
Clyde Hill	\$0	\$18,431	\$826	\$15,000	\$1,977	\$17,803	\$23,521
Hunts Point	\$0	\$2,542	\$197	\$2,500	\$58	\$2,755	\$2,886
Issaquah	\$170,941	\$348,067	\$23,970	\$65,156	\$2,092	\$91,218	\$142,749
Kenmore	\$53,297	\$179,420	\$19,090	\$40,000	\$26,103	\$85,193	\$72,466
Kirkland	\$343,916	\$528,052	\$139,322	\$415,000	\$3,861,072	\$4,415,394	\$2,309,630
Medina	\$0	\$19,642	\$1,349	\$12,340		\$13,689	\$14,650
Mercer Island	\$17,766	\$146,903	\$14,048	\$33,768		\$47,816	\$79,469
Newcastle	\$13,058	\$75,116	\$6,889	\$27,000		\$33,889	\$59,892
Redmond	\$296,200	\$613,357	\$126,244	\$500,000	\$4,256,672	\$4,882,916	\$2,138,603
Sammamish	\$31,978	\$384,176	\$15,559	\$100,000	\$43,186	\$158,745	\$174,212
Woodinville	\$56,589	\$151,633	\$9,163	\$51,500	\$33,263	\$93,926	\$44,948
Yarrow Point	\$0	\$6,446	\$378			\$378	\$5,063
Total	\$1,839,000	\$3,844,000	\$392,153	\$1,753,477	\$8,859,986	\$11,005,616	\$6,450,115

*Includes Fee in Lieu funds, 1406 sales tax funds, loan repayments, etc.

In recent years, ARCH cities have collectively exceeded these goals, with an average annual contribution of \$6.4 million in the last five years. Contributions in 2020 reached an all-time high, with significant one-time funding coming from Kirkland and Redmond. At the same

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time, the cost of acquiring land and developing housing in East King County has also increased rapidly, while competition for housing resources at the state and local level has been increasing.

In June, the ARCH Executive Board discussed a potential change in the method of calculating parity goals to reflect the significant real estate appreciation occurring in East King County. This change would have the effect of raising the collective goal closer to recent contribution levels. However, **the Board did not come to a consensus on a final set of parity goals for 2021**, committing to engage ARCH members on the topic more deeply at a later date.

Currently, ARCH is preparing to receive applications for our current \$5 million funding round, which for the first time includes pooled contributions of most members' affordable housing sales tax revenues authorized under HB 1406. In addition, we are assisting the City of Bellevue with a Request for Proposals offering \$6 million in sales tax funds for projects located in Bellevue. We are excited to continue building on our track record of carefully vetting local proposals, leveraging local resources ten to one, and successfully executing on financing that results in meaningful new housing opportunities on the Eastside.

Conclusion

As the disparate impacts of the pandemic continue to ripple deeply through the community, our work to provide safe, decent and affordable housing has become only more urgent. The coming year will be another important step for ARCH to continue growing our capacity to serve the community, and finding ways to magnify our impact. We look forward to opportunities to engage with you, as the ARCH Board prepares for a broader strategic planning process. Thank you for your continued support and commitment to affordable housing.

Attachments:

1. 2022 ARCH Administrative Budget
2. 2022 ARCH Work Program
3. Analysis of ARCH Staff Capacity and Options for Meeting Members Affordable Housing Needs (Cedar River Group, September 2021)

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2022 ARCH Administrative Budget

Final Recommended Budget June 2021

	2021 Budget	Final 2022 Recommended Budget	
	2021 Approved Budget	2022 Recommended Budget	% Change
I. TOTAL EXPENSES	\$ 1,155,261	\$ 1,490,462	29%
A. Personnel	\$ 1,039,302	\$ 1,307,088	26%
Salary and Benefits - Existing Staff	\$ 1,039,302	\$ 1,047,088	0.7%
Salary and Benefits - Potential New Staff		\$ 260,000	
Incentive Programs Administrator		\$ 130,000	
HTF/Loan Program Officer		\$ 130,000	
B. Operating	\$ 76,456	\$ 86,394	13.0%
Rent & Utilities	\$ 24,780	\$ 24,780	
Telephone	\$ 5,500	\$ 6,145	
Travel/Training	\$ 2,730	\$ 2,600	
Auto Mileage	\$ 3,605	\$ 3,000	
Postage/Printing Costs	\$ 3,468	\$ 2,500	
Office Supplies/Furnishing	\$ 3,255	\$ 4,353	
Internet/Website Fees	\$ 2,326	\$ 3,090	
Periodical/Membership	\$ 4,317	\$ 11,400	
Misc. (events,etc.)	\$ 2,100	\$ 2,000	
Equipment Replacement	\$ 3,000	\$ 7,000	
Database/software licensing	\$ 18,375	\$ 19,526	
Relocation Costs	\$ 3,000	\$ -	
C. In-Kind Admin/Services	\$ 19,503	\$ 26,980	38%
Insurance	\$ 9,660	\$ 15,000	
IT Services	\$ 9,843	\$ 11,980	
D. Grants and Consultant Contracts	\$ 20,000	\$ 70,000	250%
Consultant Contracts	\$ 20,000	\$ 20,000	
Special Projects/Programs - RAHTF Support		\$ 50,000	

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	2021 Approved Budget	2022 Recommended Budget			%
					Change
	City Per Capita \$1.98		City Per Capita \$2.04		Add'l \$0.32
	KC Per Capita \$0.93		KC Per Capita \$1.70		Per Capita
II. TOTAL INCOME	\$ 1,155,261	\$1,490,462			29%
		TOTAL	BASE	ADD'L	
A. Member Contributions	\$ 1,103,897	\$1,334,162	\$1,204,162	\$130,000	21%
Beaux Arts Village	\$ 2,000	\$2,060	\$2,060		3%
Bellevue	\$ 281,876	\$344,457	\$293,949	\$50,508	22%
Bothell	\$ 89,384	\$93,127	\$93,127	\$0	4%
Clyde Hill	\$ 6,551	\$6,777	\$6,777		3%
Hunts Point	\$ 2,000	\$2,060	\$2,060		3%
Issaquah	\$ 72,244	\$90,561	\$77,282	\$13,279	25%
Kenmore	\$ 44,921	\$49,257	\$46,257	\$3,000	10%
Kirkland	\$ 175,946	\$213,344	\$182,061	\$31,283	21%
Medina	\$ 6,523	\$6,650	\$6,650		2%
Mercer Island	\$ 50,222	\$55,264	\$52,264	\$3,000	10%
Newcastle	\$ 23,006	\$26,918	\$23,918	\$3,000	17%
Redmond	\$ 123,104	\$156,381	\$133,451	\$22,930	27%
Sammamish	\$ 127,494	\$134,651	\$131,651	\$3,000	6%
Woodinville	\$ 23,673	\$25,207	\$25,207	\$0	6%
Yarrow Point	\$ 2,401	\$2,447	\$2,447		2%
King County	\$ 75,000	\$125,000	\$125,000		67%
Bellevue Detail	\$ 281,876	\$ 344,457			22%
Cash Contributions	\$ 86,173	\$ 141,353			
In-Kind Contributions	\$ 195,703	\$ 203,103			
Personnel	\$ 176,200	\$ 176,123			
Insurance	\$ 9,660	\$ 15,000			
IT Services	\$ 9,843	\$ 11,980			
B. Other Income	\$ 51,364	\$ 156,300			204%
Homeownership Program Fees	\$ 45,064	\$ 150,000			
Existing Administrative Fees	\$ 4,200	\$ 4,200			
Interest Earned	\$ 2,100	\$ 2,100			
III. RESERVES, CONTINGENT INCOME AND EXPENSES					
<i>Note: This section expresses intended use of any excess revenues above levels needed to cover basic operating costs.</i>					
A. Contingent Expenses					
Replenish operating reserves	\$ -	\$ -			
Staffing/Administrative Expenses	\$ 150,000	\$ 150,000			0%
Other Staffing/Services	\$ 150,000	\$ 150,000			0%
B. Contingent Revenue					
Excess Administrative Fees	\$ 150,000	\$ 150,000			0%
Service Fees	\$ 150,000	\$ 150,000			0%

ARCH WORK PROGRAM: 2022

2022 Priorities

In 2022, ARCH will elevate the following priorities in its Work Program:

- Provide a housing needs analysis for all member cities in support of Comprehensive Plan Updates
- Report on measurable goals for production and preservation of affordable housing in the ARCH region
- Continue to support proposals for dedicated revenue sources for affordable housing
- Expand ARCH's capacity to accomplish its broader mission
- Continue to provide excellent stewardship of affordable housing assets, and develop new compliance tools to meet evolving program, property and tenant needs
- Seek opportunities to advance projects and programs with high potential impact and facilitate projects in the pipeline to the greatest extent possible
- Develop a strategic planning process to guide the ARCH coalition into 2023 and beyond

I. AFFORDABLE HOUSING INVESTMENT

A. ARCH Housing Trust Fund

Parity Goals. Develop updated goals for member investments through the ARCH HTF.

Annual Funding Round. Develop funding priorities and evaluation criteria for the annual funding round. Advertise available funds and manage a competitive process on behalf of member cities. Review funding applications and develop recommendations through the Citizen Advisory Board (CAB), with input from member staff. Develop final recommendations by the ARCH Executive Board and facilitate final funding allocations through member councils.

Public Funding Coordination. Work collaboratively with public funders at the State and local levels to promote shared affordable housing goals and equitable geographic distribution of resources. Review and provide input to other funders for Eastside projects that apply for County (HOF, RAHP, HOME, TOD, etc.) and State (Tax Credit, State Housing Trust Fund) resources. Provide input to the King County Joint Recommendations Committee (JRC) on behalf of participating Eastside jurisdictions. Assist N/E consortium members with evaluating and making a recommendation to the County regarding CDBG allocations to affordable housing.

Private Funding Coordination. Work with private investors and lenders to maximize leverage of public investment into affordable housing. Negotiate maximum public benefits from investment of housing funds into private projects.

Project Pipeline Management. Work with member cities and project sponsors to develop a robust pipeline of projects to be funded over the next five years (see related work on Transit Center sites, below). Actively vet potential HTF projects, and lead funding policy and prioritization discussions with the ARCH Executive Board to facilitate planning and decision-making.

Contract Development and Administration. Prepare contract documents in consultation with legal counsel, and facilitate approval of contracts with the Administering Agency. Review and approve disbursement of funds to awarded projects in accordance with executed contracts.

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Centralized Trust Fund Reporting. Work with Administering Agency (Bellevue) to maintain records and produce regular financial reports for the ARCH Trust Fund accounts.

HB 1406 Sales Tax. Develop systems and procedures to manage contributions, commitments and expenditures of pooled sales tax revenue authorized by HB 1406. Work with the Department of Commerce to ensure timely and complete reporting in compliance with state requirements.

B. Special Projects

Transit-Oriented Development Sites. Assist cities with advancing and coordinating affordable housing projects near transit. Partner with Sound Transit, King County Metro and other public agencies to maximize opportunities on public property. Current opportunities include sites in Bel-Red, Overlake, Downtown Redmond, Issaquah, Kirkland, Bothell, and Kenmore.

Surplus Property/Underdeveloped Property. Assist with evaluation of public surplus or underutilized private property (e.g. faith community properties) for suitability of affordable housing. Provide technical assistance to property owners interested in supporting affordable housing. Develop an inventory of promising public and nonprofit property and begin to engage owners to gauge interest in disposition for housing.

Eastside Shelter Capacity. Support efforts by Eastside shelter providers, Eastside Human Services Forum, and member cities to implement an East King County sub-regional strategic approach to shelter and related services for homeless adults and families. Support the construction of a permanent year-round men's shelter, and support efforts by member jurisdictions to fund long-term operations of shelter for men, women, families, youth and young adults.

Preservation of At Risk Affordable Housing. Work with member cities to facilitate acquisitions or other strategies to preserve existing housing where affordability is at risk of being lost, including at-risk manufactured housing communities. As needed, assist with responding to notices of sale of HUD assisted properties received by member cities, or other information indicating an impending loss of existing affordable housing.

Strategic Predevelopment Investment. With approval of the Executive Board, invest in predevelopment studies to investigate feasibility and financial efficiency of special projects.

II. HOUSING POLICY AND PLANNING

A. Local Policy, Planning and Code Development

ARCH provides assistance directly to member cities on a range of local planning efforts. Local planning efforts with individual member cities may be found in *Attachment A*. These efforts may take different forms, such as:

- **Housing Element Updates.** Work with members to update comprehensive plan housing elements.
 - Assist with understanding and complying with new housing-related requirements under the Growth Management Act and Countywide Planning Policies.
 - Prepare an east King County housing needs analysis with focused analyses for each city—including projected affordable housing needs—to fulfill GMA requirements.
 - Coordinate local and ARCH affordable housing goals with King County Affordable Housing Committee and Countywide Planning Policies.
 - Assist with policy writing, outreach, presentations, etc. as needed.
- **Housing Strategy Plans.** Assist members to prepare housing strategies to implement housing elements and create council work plans. Cities with recently completed strategy plans include Bellevue, Issaquah, Kenmore, Bothell, Kirkland, Redmond, and Sammamish.
- **Incentive Program Design.** Provide economic analysis and policy and program development support to design housing incentive programs, including land use, property tax, impact fee waivers and other incentives.
- **Land Use Code Amendments.** Assist city staff on land use and other code amendments in order to implement comprehensive plan policies.
- **Other Support.** Other areas in which ARCH could provide support to member cities include preservation of valuable community housing assets, assistance to households displaced by development activity, or negotiation of agreements for specific development proposals. ARCH views this as a valuable service to its members and will continue to accommodate such requests to the extent they do not jeopardize active work program items.

B. Inter-Local / Eastside Planning Activities

Interlocal planning activities are coordinated by ARCH for the benefit of multiple members.

ARCH Regional Affordable Housing Goals and Reporting. Work with member staff and the ARCH Executive Board to report on adopted goals for production and preservation of affordable housing across ARCH member communities.

Eastside Equitable Transit-Oriented Development Plan. Partner with transit agencies and other stakeholders to plan for equitable transit-oriented development on the Eastside. Define shared policy goals and strategies, establish numerical goals for affordable unit production, advance specific site opportunities and manage the affordable housing funding pipeline.

Long-Term Funding/Dedicated Revenue Strategy. Continue work on a long-term funding strategy for the ARCH Trust Fund. Facilitate conversations with member cities on identifying and exploring dedicated sources of revenue for affordable housing at the local and regional level (e.g., REET, property tax levy, 0.1% sales tax, etc.). Provide relevant data and develop options for joint or individual revenue approaches across ARCH member cities and determine any shared state legislative priorities to authorize local options for funding.

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Eastside Housing Data Analysis. On an annual basis, provide local housing and demographic data as available. Make information available to members for planning efforts and incorporate into ARCH educational materials.

Housing Diversity/Accessory Dwelling Units (ADUs). Continue to support a diversity of housing options among member cities:

- “Missing Middle” Housing: Facilitate sharing of best practices for encouraging a greater diversity of housing types in single family/low density neighborhoods, including duplexes, triplexes, etc.
- Accessory Dwelling Units (ADUs): Explore outreach and other ways to promote ADU development (e.g., improve online resources, provide connections to financing options, adopt pre-approved plans, etc.). Explore partnership with eCityGov Alliance to increase accessibility of ADU permitting (e.g., update tip sheets and create streamlined portal through MyBuildingPermit.com). Explore a centralized system for tracking ADU production.
- Help jurisdictions develop strategies and codes to address emerging housing types, like micro-housing, small efficiency dwelling units, and others.

C. State Legislative Activities

The ARCH Executive Board will discuss and explore shared legislative priorities for advancing affordable housing in the region. ARCH staff will track relevant state (and, where feasible, federal) legislation. As needed, staff will report to the Executive Board and members, and coordinate with relevant organizations (e.g., AWC, SCA, WLIHA, HDC) to advance shared legislative priorities.

D. Regional/Countywide Planning Activities

ARCH participates in regional planning efforts to advance Eastside priorities and ensure that perspectives of communities in East King County are voiced in regional housing and homelessness planning.

King County GMPC Affordable Housing Committee / Housing Inter-Jurisdictional Team (HIJT). Support efforts to advance the five-year action plan developed by the Regional Affordable Housing Task Force (RAHTF) in 2018. ARCH will help staff the HIJT, which provides support to the Growth Management Planning Council’s Affordable Housing Committee (AHC).

Regional Affordable Housing Task Force Action Plan. In addition to staffing the GMPC committee, pursue other opportunities to advance strategies called for in the RAHTF Action Plan. Facilitate discussions as needed with members and the Executive Board to consider actions recommended in the five-year plan.

King County Regional Homelessness Authority / Eastside Homeless Advisory Committee (EHAC). Play a role in regional homelessness efforts, as appropriate and as resources allow. Collaborate with KCRHA, EHAC and other relevant organizations and initiatives to advance shared work on homelessness. Coordinate allocation of resources, and work on specific initiatives (e.g., coordinated entry and assessment for all populations).

Explore Collaboration with Cities in North and East King County. As requested, engage cities interested in supporting affordable housing in north and east King County that are not currently members of ARCH. Explore collaboration that provides benefits for additional cities and current ARCH member cities.

III. HOUSING PROGRAM IMPLEMENTATION

A. Administration of Housing Incentive and Inclusionary Programs

ARCH partners with member cities to administer local housing incentive and inclusionary programs, including mandatory inclusionary, voluntary density bonus, multifamily tax exemption (MFTE) and other programs. Specific programs administered by ARCH include:

Jurisdiction	Incentive/Inclusionary Programs
Bellevue	Voluntary density bonuses, MFTE, impact fee waivers.
Bothell	Inclusionary housing.
Issaquah	Development agreements, voluntary and inclusionary programs, impact and permit fee waivers.
Kenmore	Voluntary density bonuses, MFTE, impact fee waivers.
Kirkland	Inclusionary program, MFTE.
Mercer Island	Voluntary density bonus.
Newcastle	Inclusionary program, impact fee waivers.
Redmond	Inclusionary program, MFTE.
Sammamish	Inclusionary and voluntary density bonuses, impact fee waivers.
Woodinville	MFTE.
King County	Development agreements.

ARCH roles and responsibilities will typically include:

- Communicate with developers/applicants and city staff to establish applicability of codes and policies to proposed developments
- Review and approve proposed affordable housing (unit count, location/distribution, bedroom mix, and quality)
- Review and recommend approval of MFTE applications.
- Review and recommend approval of alternative compliance proposals
 - For fee in lieu projects, provide invoices and receipts for developer payments
- Develop contracts and covenants containing affordable housing requirements
- Ensure implementation of affordable housing requirements during sale/lease-up
- Register MFTE certificates with County Assessor and file annual MFTE reports with state Commerce.
- On-going compliance monitoring (see Stewardship, below).

Coordinate Shared Policy, Program and Procedure Improvements. Work with member city staff and legal counsel to align incentive and inclusionary programs with a unified set of policies, practices and templates for legal agreements. Coordinate changes across member jurisdictions to adapt programs to new knowledge and best practices (for example, implementing fee strategies to create sustainable revenue for monitoring).

MyBuildingPermit.com. Explore feasibility of using MyBuildingPermit.com to take in, review, and process projects (covenants) using land use and/or MFTE programs.

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B. Stewardship of Affordable Housing Assets

ARCH provides long-term oversight of affordable housing created through city policies and investment to ensure stewardship of these critical public assets for residents, owners and the broader community.

ARCH Rental Program (Incentive and Inclusionary Projects). Monitor and enforce compliance in rental housing projects with incentive and inclusionary housing agreements. Administer a robust compliance monitoring program, including:

- Ensure compliance with rent and income restrictions through timely annual report reviews and supplemental on-site file audits
- Provide training and technical assistance for property managers
- Maintain written standards for eligibility, leasing and other program requirements
- Implement standard remedies for non-compliance
- Respond to tenant issues and questions

ARCH Trust Fund Projects. Oversee contracts and regulatory agreements with owners of projects supported through the direct assistance from members, including:

- Monitor project income and expenses to determine cash flow payments
- Conduct long-term sustainability monitoring of projects and owners
- Proactively problem-solve financial and/or organizational challenges in partnership with project owners and other funders
- Work with legal counsel to review and approve requests for contract amendments, subordination and other agreements
- Pursue formal MOUs with other funders to govern shared monitoring responsibilities that streamline processes for owners and funders.
- Collect annual compliance data and evaluate program beneficiaries

ARCH Homeownership Program. Provide effective administration to ensure strong stewardship of resale restricted homes in the ARCH Homeownership Program. Ensure ongoing compliance with affordability and other requirements, including enforcement of resale restrictions, buyer income requirements, and owner occupancy requirements. Implement adopted policies and procedures for monitoring and work with cities to address non-compliance.

Continue to implement long-term recommendations in the 2019 Program Assessment from Street Level Advisors and make other program improvements that support the program objective of creating and preserving long-term affordability, including:

- Work with member planning and legal staff to make improvements to boilerplate legal documents, in consultation with key stakeholders and outside counsel, as needed
- Develop strategies to preserve homes at risk of foreclosure
- Preserve expiring units and pursue strategies to re-capture lost affordability
- Pursue offering brokerage services or developing partnerships with realtors to provide cost-savings to homebuyers and sellers, diversify program revenue, and expand ARCH's marketing reach
- Plan for additional staff capacity as the number of ARCH homes continues to grow.
- Implement program fees to ensure program financial sustainability

Database/Systems Development. Continue to utilize the new ARCH Homeownership Program database to collect critical program data and evaluation, compliance monitoring, communication with program participants, and other key functions. Continue to improve and streamline data systems for ARCH Rental Program and Trust Fund Program.

IV. EDUCATION AND OUTREACH

A. Housing 101/Education Efforts

Housing 101. Develop educational tools and conduct or support events to inform councils, member staff and the broader community of current housing conditions, and of successful housing programs. Build connections with community groups, faith communities, developers, nonprofits and others interested in housing issues. Plan and conduct a Housing 101 event to occur no later than the end of 2021.

Private Sector Engagement. Support efforts by ARCH member cities to engage employers and private sector entities in discussions around the need for more affordable housing and identifying options for public-private partnerships.

B. Information and Assistance for the Public

ARCH Website. Update information on the ARCH website on a regular basis, including information related to senior housing opportunities. Maintain the ARCH web site and update the community outreach portion by incorporating information from Housing 101 East King County, as well as updated annual information, and links to other sites with relevant housing information (e.g. All Home, HDC). Add information to the website on ARCH member affordable incentive programs and fair housing.

Assist Community Members Seeking Affordable Housing. Maintain up-to-date information on affordable housing in East King County (rental and ownership) and distribute to people looking for affordable housing. Continue to maintain a list of households interested in affordable ownership and rental housing and advertise newly available housing opportunities.

Work with other community organizations and public agencies to develop appropriate referrals for different types of inquiries received by ARCH (e.g., rapid re-housing, eviction prevention, landlord tenant issues, building code violations, fair housing complaints, etc.).

C. Equitable Access to Affordable Housing in East King County

Collect and analyze data on existing programs to determine potential gaps in access by different populations, such as communities of color, immigrant and refugee communities, homeless individuals and families, and workers in EKC commuting from other communities. Pursue strategies to increase access to affordable housing in EKC by underserved communities. Develop outreach and marketing efforts to maximize awareness of affordable housing opportunities in East King County, and build partnerships with diverse community organizations.

V. ADMINISTRATION

A. Administrative Procedures

Maintain administrative procedures that efficiently and transparently provide services to both members of ARCH and community organizations utilizing programs administered through ARCH. Activities include:

- Prepare the Annual Budget and Work Program and ensure equitable allocation of administrative costs among ARCH members.
- Prepare quarterly budget performance and work program progress reports, Trust Fund monitoring reports, and monitor expenses to stay within budget.
- Manage the ARCH Citizen Advisory Board, including recruiting and maintaining membership that includes broad geographic representation and a wide range of housing and community perspectives.
- Staff the Executive Board.
- Work with Administering Agency to streamline financial systems.
- Review and update bylaws and ensure timely renewal of the ARCH Interlocal Agreement.

B. Organizational Assessment and Planning

The ARCH Executive Board will continue to evaluate ARCH's organizational capacity to accomplish its Work Program and broader mission. The Board will review ARCH's organizational structure, staffing resources, capital resources and other foundational aspects of the organization to determine any gaps, and assess options for expanding organizational capacity. The assessment will inform recommendations for the following year's work program and budget. In 2022, ARCH will outline a strategic planning process to be initiated by 2023 that will establish a shared framework for the organization's mission, values and work program going forward.

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Attachment A Local Planning Efforts by City

ARCH staff will assist members' staff, planning commissions, and elected councils with local policy, planning and special projects and initiatives, as described below. Member city staff may make adjustments to the proposed actions identified below as individual city work plans are updated.

Bellevue

Support 3-4 actions to implement Bellevue's Affordable Housing Strategy, such as:

- Facilitate development on affordable housing on suitable land owned by public agencies, faith-based groups, and non-profits housing entities.
- Analysis of affordable housing density incentives in the Wilburton and East Main neighborhood plans.
- Developing funding strategy for affordable housing on suitable public lands in proximity to transit hubs including 130th TOD parcels.

Provide initial and ongoing support to implement investment of funds authorized by HB 1590, or other city funds as directed.

Implement newly authorized affordable housing incentives; develop boilerplate agreements and procedures for ongoing monitoring.

Provide advice on a Housing Needs Assessment, including coordination on scope/methodology, and potentially provide supplemental data.

Assist City with implementation of affordable housing agreements at the TOD project adjacent to Sound Transit's Operating and Maintenance Facility East (OMFE).

Bothell

Support actions to implement the city's Housing Strategy Plan.

Complete implementation of an MFTE program; develop boilerplate agreements and procedures for ongoing monitoring.

Support affordable housing opportunities in the Downtown/Canyon Park GDC overlay areas, such as any proposals for affordable housing on the Civic Center property or other city-owned property.

Evaluate affordable housing incentives such as parking reductions, and implement those adopted.

Assist with compliance with new requirements under HB 1220.

Support updates to policies and codes for affordable housing options, including ADUs, micro-housing, small efficiency dwelling units, and "missing middle" housing.

Issaquah

Assist with preparing the annual Affordable Housing Report Card/Analysis.

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Support updates and consolidation of Title 18 and Central Issaquah Development and Design Standards. Review the affordable housing chapter to evaluate the efficacy of existing policies, and potentially revisit density bonus provisions.

Support reporting on the current Housing Strategy, and potentially further updates to the Housing Strategy.

Help to evaluate and, as needed, implement development standards and regulations related to the housing policies adopted in the Central Issaquah Plan and Central Issaquah Standards, including inclusionary zoning.

Help to evaluate potential projects/opportunities that arise under current or amended Development Agreements.

Coordinate marketing efforts to maximize awareness of affordable housing opportunities in Issaquah.

Support implementation and funding of the city's TOD project.

Kenmore

Assist with implementing a high priority item identified in the Housing Strategy Plan, as requested.

Continue support of the Preservation of Affordable Housing/Mobile Home Park project started in 2018.

Assist with the Comprehensive Plan Housing Element update, including help with a housing assessment/background information and statistics.

Provide technical support, data and best practices to assist with potential code changes, such as for "missing middle" housing.

Advance opportunities to site affordable housing in Kenmore, such as near ST3 transit investments, or on other public, nonprofit and faith-based community property. Help evaluate and identify potential partners and financing strategies.

Evaluate potential expansion of TOD overlay and refinement of affordable housing requirements in the overlay zone.

Kirkland

Continue to support efforts to create affordable housing within a transit-oriented development at the Kingsgate Park and Ride.

Support development of housing policies in connection with the I-405/NE 85th Street Station Area Plan, such as evaluation of a commercial linkage fee, and inclusionary housing requirements.

Assist with scoping and stakeholder discussions of a potential affordable housing levy.

Assist with implementing programs to encourage construction of more ADUs, such as pre-approved ADU plans.

Evaluate housing-related issues in ongoing neighborhood plan updates, such as Moss Bay and Everest.

Help review the effectiveness and value of the current MFTE program.

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Mercer Island

Assist with data and scoping for a housing needs analysis and review draft housing policies and goals for the City's Comprehensive Plan update.

Newcastle

Assist with potential investment of fee-in-lieu payments, first exploring opportunities to site affordable housing within Newcastle.

Assist with updating the City's Housing Strategy Plan.

Redmond

Provide advice and technical support to evaluate and refine existing inclusionary and incentive programs, and impact fee waiver provisions.

Assist with scoping and stakeholder discussions regarding potential opportunities to increase revenue options to support affordable housing, and help with advocacy for expanded funding options.

Help evaluate programmatic approaches to support greater affordable homeownership opportunities.

Support partnerships with transit agencies to advance affordable housing within transit-oriented developments, including at Overlake and Southeast Redmond.

Support City efforts to identify suitable projects for preservation as a mechanism to advance affordable housing objectives.

Sammamish

Assist with data and scoping for a housing needs analysis, and review draft housing policies and goals for the City's Comprehensive Plan Update.

Assist with development of incentives within Phase 3 development regulations to encourage greater housing diversity.

Help explore development of educational or promotional materials to encourage developers and property owners to consider more diverse housing types, such as duplexes.

As opportunities arise, support development of affordable homeownership options like the Sammamish Cottages developed by Habitat for Humanity.

Woodinville

Provide advice on scope and data collection in support of the City's efforts to adopt a Housing Strategy Plan.

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King County

Provide monitoring and stewardship services for affordable housing in the Northridge/Blakely Ridge and Redmond Ridge Phase II affordable housing development agreements.

Help advance the King County Regional Affordable Housing Task Force Action Plan.



Analysis of ARCH Staff Capacity and
Options for Meeting Members
Affordable Housing Needs

September 2, 2021

Prepared by: Cedar River Group

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Executive Summary

Building more housing – and specifically more affordable housing – is an urgent and growing challenge for cities. To address this challenge, East King County cities have worked together for nearly 30 years through A Regional Coalition for Housing (ARCH) and have a proven track record of building and preserving affordable housing across the eastside. Other cities in north and east King County are exploring how to increase affordable housing capacity, including the



possibility of joining ARCH. However, before that option can be evaluated, the ARCH Board wanted to know: ***What is ARCH’s existing capacity to meet the current and near-term affordable housing needs of its current members?*** This study provides that analysis by reviewing data and regional growth trends, ARCH’s accomplishments, its current work plan, trends in ARCH workload and staffing capacity, and interviewing ARCH members, ARCH staff and housing developers.

The study concludes with options, conclusions and recommendations for ARCH staffing to effectively meet the needs of its current members.

There is a dramatic need for more housing – specifically affordable housing – and the need is growing.

The Puget Sound area has gone through tremendous recent population and economic growth. In the past decade, King County with a net increase of 321,000 people was the third fastest growing county in the country, and jobs – particularly high-paying jobs – have grown even faster. The Puget Sound Regional Council (PSRC) predicts another 1.8 million residents and 1.2 million jobs coming to the Puget Sound region by 2050.

Fundamentally, housing production – especially of affordable housing – has not kept up with the area’s growing economy and population. While adding 12 percent more population and 21 percent more jobs, King County has only added 8 percent more houses. In addition, a study found that over the past 10 years, as King County added 67,000 new rental units, it lost more than 112,000 units of housing affordable to those living below 80 percent Area Median Income (AMI).

These factors have combined to leave an estimated 124,000 households severely cost-burdened in King County (paying over 50% of income on housing), with the vast-majority being households at 0 to 30% AMI, and close to 60% renters. Not surprisingly, the burden falls disproportionately upon Black, Indigenous, and People of Color. Households that are American

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Indian and Alaskan Native, or Black are roughly twice as likely to be severely cost burdened as White households.

There are new resources and opportunities to face these growing challenges. Local cities have used new authority to create dedicated funding for affordable housing. Local employers have committed new funding resources to affordable housing and local light rail expansion creates new transit-oriented development opportunities. The new State budget includes almost \$300 million for the Housing Trust Fund. And the American Rescue Plan includes billions to help create affordable housing, with more funds possibly available in the pending infrastructure bill.

ARCH has a proven record of building affordable housing, helping cities implement best policies, and maintaining those assets over time.

In the nearly thirty years ARCH has been in existence, its members have achieved a lengthy list of accomplishments. The following provides a brief description of just some of the ARCH's accomplishments:

- Produce or preserve 5,166 units of affordable housing by raising nearly \$80 million for the Housing Trust Fund and leveraging more than \$880 million in other funding.
- Helped ten member cities adopt local incentive or inclusionary programs for developers, including six cities who have offered property tax exemptions. These programs and incentives have yielded more than 2,800 additional affordable units built or in development.
- Established monitoring systems and procedures to ensure continued affordability of units, and compliance with loan terms and conditions.
- Worked on more than 50 policies, plans, code amendments, or regulations for cities, geared toward creating more affordable housing units.
- Created a single point of contact for developers interested in creating affordable units in eastside cities and serves as a central portal for homebuyers and renters looking for affordable homes.
- Supported hundreds of low and moderate income households to achieve homeownership, with ARCH homes creating over \$90 million in appreciation for owners.
- Regularly provides information, education and updates for elected and appointed officials.

ARCH is well-regarded by member cities, outside stakeholders and developers.

In interviews with member cities, stakeholders, and staff, there was widespread agreement that ARCH is doing well at leveraging member resources to achieve results, administering existing programs (with some known gaps), and raising awareness about the need for affordable housing.

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Developers echoed these sentiments – viewing ARCH as a good partner that helps developers navigate local processes and work effectively with city staff where projects are located. ARCH was also viewed as an important funder who is comparatively easy to work with and whose initial money helps bring other dollars to projects. Most concerns expressed by developers were structural: ARCH’s limited resources limit their impact, and their governance by multiple cities limits their flexibility and their ability to advocate.

Staff capacity has not grown sufficiently to keep up with member’s needs and requests.

While there has been some recent growth in staff to address the monitoring of affordable units, interviews and analysis of ARCH’s staffing trends and workload show that staff capacity has not grown with the increase in demands from member cities.

Overall staffing: When ARCH was created, 2.5 FTE were hired to provide support to the original 4 member jurisdictions and to manage the Housing Trust Fund. As ARCH membership increased to 16 cities, the number of FTE’s increased to 5 FTE by 2008, where it remained until 2019.

Monitoring & reporting: In 2019, two FTE were added to address the needs of monitoring rental and home ownership units. These hires help meet current obligations for compliance and monitoring, but new units are being added quickly. Keeping a proper staff to unit ratio may ultimately require additional FTE.

Housing Trust Fund: Since 1993 the number of projects funded by the Trust Fund has averaged 4 per year, but the trust fund’s ever-growing portfolio (over 100 contracts) requires more active monitoring than the current one FTE can provide. In addition, the trust fund work is facing increasing demands from both growing opportunity (new funding sources, new TOD sites, more special projects) and growing complexity (higher loan amounts, use of multiple funding sources.)

Planning and programs: In ARCH’s first twenty years (through 2011), ARCH staff completed 26 planning activities for member. There were 91 development projects with city affordable housing incentives or requirements. In the past 9 years, ARCH staff have completed 56 planning activities and there were 111 projects created through local incentives or requirements. Despite this growth, ARCH has not added additional planning capacity since one FTE was created in 2002. Upcoming requested work will place still greater demands on the staff capacity for ARCH.

Additional work items: In conversations with ARCH members and staff and after a review of the ARCH workplan, a number of items were identified that are not getting completed, including:

- Proactive monitoring of project financial sustainability (cash flow, vacancy rates, maintenance needs) for developments created using ARCH funds
- More support implementing cities Housing Strategies / Housing Action Plans
- Providing proactive policy development, planning, research and best practices work

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- Conducting Housing 101 and educational/outreach work with elected and appointed officials
- Making affordable housing accessible to diverse communities.
- Updating administration and systems, including implementing new monitoring fees, revising rental covenant documents, and updating internal tracking technology.

Conclusions and Recommendations

Overall Assessment: Member cities clearly value ARCH for the affordable units created and the range of services and supports provided. However, there is demand among ARCH members for creating more affordable units and for additional technical assistance in creating affordable housing policies and programs.

ARCH Work Plan Needs: Based on the interviews with member cities, and discussions with the ARCH Board, the following themes emerged regarding ARCH's annual work plan, and the needs and interests of members.

- All ARCH cities will rely on ARCH staff for support with Comp Plan Updates and tracking data to comply with Countywide Planning Policies (CPP) reporting requirements.
- Several cities are counting on ARCH support to implement actions from their housing strategy, to facilitate TOD projects or other special projects.
- Some cities had aspirational ideas about expansion of ARCH's services/role: e.g. facilitating collaboration on homelessness policy/practice, proactive encouragement of best practices.
- In general, smaller jurisdictions with little or no planned growth will not use ARCH for planning services.

Staff Capacity and Staffing Trends: Staff from member cities agreed that ARCH staff are fully utilized and have no additional capacity for new work requests. ARCH staffing has stayed relatively flat, even as the workload has grown.

Revenue Opportunities: There is an opportunity to utilize some existing revenue sources to increase staff capacity. ARCH now has a sustainable source of income from home ownership program fees to support 1 FTE. In addition, King County has expressed a willingness to increase its contribution to ARCH annual operations.

Executive Board Recommendations

Phased Approach to Adding New Staff Capacity: Balancing the different needs expressed by member cities, and the budget challenges facing many cities, the Executive Board recommended a phased approach to increasing staffing.

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In 2022, current member dues from all jurisdictions should be used to support the 2021 base staffing level, and new revenue should be used to support two new full time ARCH staff positions:

- A Program Officer working on the Housing Trust fund (paid for from membership dues which would be offset by home ownership fees), and
- An Incentives Program Administrator (paid for by a new tiered-dues structure – see below)

In 2023 one additional position should be added:

- A Housing Programs, Special Projects Manager

Use New Revenues and Create a New Tiered Dues Structure Based on the Level of Program Activity: The Program Officer can be paid for with existing fee revenues that have been collected by ARCH. The Incentive Program Officer presents an opportunity for ARCH to implement a tiered dues structure based on the number of projects each city has in their incentive program. (See Chapter 8 for further details about the tiered structure.)

Conclusion

The changes proposed by the Board are essential actions to help ARCH staff capacity catch-up with long-standing shortages in staffing and meet member's most pressing existing and near-term needs.

This new capacity will make a significant difference, but the need for ARCH's services will likely continue to outstrip capacity, given the anticipated growth of the work program, and potential future requests from other cities in north or east King County to join ARCH.

Finally, there are structural tensions within the organization that were not possible to address in this evaluation (such as the desire from external stakeholders for us to be stronger advocates, or the disparate level of commitment to housing across our member councils). A strategic planning process is needed in 2022 that can address these and other pressing issues outside the normal course of operations and budget cycles.

Introduction



In east King County and across the entire Puget Sound region, building more housing – and specifically more affordable housing – is an urgent and growing challenge for cities. Housing costs in the central Puget Sound region are some of the highest in the country – for both renters and home buyers. Even through the pandemic, housing costs remained at historic highs.

In the face of these challenges, many cities in King County (and elsewhere) have found value in sharing staff and funding resources in an

organized collaboration. For nearly 30 years, East King County cities have worked together through A Regional Coalition for Housing (ARCH) and have a proven track record of building and preserving affordable housing across the eastside. The ARCH model has been so successful that it is now being replicated in South King County and Pierce County.

Over the years, ARCH member cities have found that there are challenges both for developers hoping to construct more affordable homes and for the cities that want more affordable units in their community. In recent years one of the challenges that everyone faces is rapidly escalating costs – the rising costs of land, construction materials, labor, planning. Developers must also navigate the individual zoning restrictions, building codes, permitting processes, and affordable housing incentives or requirements for each city to find a suitable location to efficiently build a project that meets both the future tenants’ needs and is supported by the community. At the same time, cities have been exploring, and adopting, strategies to increase affordable development and preservation, including expedited permitting, local zoning or other land use incentives or requirements, and new funding sources for the ARCH Housing Trust Fund.

To successfully build affordable housing requires willing and supportive elected leadership; a suitable site with the right zoning and location; a variety of funders; and skilled technical knowledge to help cities facilitate both the building and financing of affordable units. This combination asks a lot of local cities and their staff. ARCH staff have provided housing-specific technical assistance and support for its members, that many cities do not have the capacity to create on their own.

Purpose of Study

As the need for more affordable housing increases in every community, those cities that are part of the ARCH collaboration are exploring how they can create more affordable housing, and those cities who are not ARCH members are considering their options for strengthening their work on affordable housing.

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In the King County 2019-2020 biennial budget, funding was approved to examine how cities that are not currently ARCH members may collaborate more effectively with one another. There are currently two cities – Shoreline and Lake Forest Park – in north King County that are outside of the ARCH service area (referred to as the “ARCH Sphere of Influence”). There are also several cities in east King County that are located within the ARCH service area that are not ARCH members – Carnation, Duvall, North Bend, and Snoqualmie.

One of the options being considered by several of those cities in north and east King County is the possibility of joining ARCH. However, before that option can be evaluated, the ARCH Board requested an analysis of ARCH’s existing capacity to meet the affordable housing needs of its current members. This study provides that analysis by reviewing data and regional growth trends, ARCH’s accomplishments, its current work plan, trends in ARCH workload and staffing capacity, and interviewing ARCH members, ARCH staff and housing developers.

The study concludes with recommendations for ARCH staffing to effectively meet the needs of its current members.

Landscape Analysis

A number of factors influence both the need and opportunities for affordable housing units in ARCH member cities. The following provides a description of several of the strongest influencing factors.

Rapid Regional and Local Growth in Population and Jobs

Rapid Population Growth: The Puget Sound area has gone through tremendous recent growth. In the past decade (2011- 2020), King County had a net increase of 321,000 people, and was the third fastest growing county in the country – increasing in population by 12 percent.^{1 2} And much of that growth was centered in the Eastside. Looking at either absolute population growth or growth rate, 7 of the top 25 fastest growing cities in the Puget Sound region were Eastside cities (although annexation accounted for some of that growth).³ And with this growth, the Eastside has become more diverse – both Bellevue and Redmond have become over 50% people of color – including significant increase in Asian, Hispanic and multiracial populations.⁴ This growth is projected to continue – with Puget Sound Regional Council (PSRC) predicting another 1.8 million residents coming to the four-county region by 2050.⁵ The population growth has created unprecedented demand for available housing units.



Even Faster Economic Growth: This growth in population has been matched with tremendous economic growth. Large employers, particularly those focused in technology, along with smaller companies, have helped drive the local growing economy, and fueled a growth in high-paying jobs. In fact, jobs grew even faster than population – in the past decade, the number of jobs in King County grew by 21 percent.⁶ The result has been a steady growth in income – from 2000 to 2018, King County’s median household income increased from \$53,157 in 2000 to \$95,009 in 2018, an increase of over 78%.⁷ Some significant portion of that rise in income is driven by the information and technology sector in two ways. First – the new jobs and new households were

¹¹ <https://www.seattletimes.com/seattle-news/data/king-county-had-decades-third-largest-population-growth-among-u-s-counties>

² <https://www.mckinsey.com/industries/public-and-social-sector/our-insights/why-does-prosperous-king-county-have-a-homelessness-crisis#>

³ <https://www.psrc.org/sites/default/files/trend-population-202010.pdf>

⁴ <https://www.heraldnet.com/northwest/decade-in-demographics-top-5-changes-in-the-seattle-area/>

⁵ https://www.psrc.org/sites/default/files/2050_macro_forecast_web.pdf

⁶ <https://www.mckinsey.com/industries/public-and-social-sector/our-insights/why-does-prosperous-king-county-have-a-homelessness-crisis#>

⁷

<https://kingcounty.gov/independent/forecasting/King%20County%20Economic%20Indicators/Household%20Income.aspx>

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disproportionately higher-income: “Sixty percent of the new households in King County between 2006 and 2016 earned \$125,000 or more per year, while 18 percent earned less than \$50,000,” Second - the wages for these new information jobs grew at a faster rate: “[between 2005 and 2018], average annual wages for an information worker increased 127%.”⁸ As with population, the growth in jobs is projected to continue – with average annual predicted 1.3 percent growth leading to another 1.2 million jobs coming to the Puget Sound region by 2050.⁹

Changes in Housing

Falling Behind on Housing: Fundamentally, housing production – especially of affordable housing – has not kept up with the area’s growing economy and population. While adding 12 percent more population and 21 percent more jobs, King County has only added 8 percent more houses. Looking at the Puget Sound region: for every 1 new housing unit, the region added 3 new residents (2010 to 2019) and 4 new jobs (2010 to 2016).¹⁰ The types of housing has changed to try and meet the new demands. While production of single-family homes has remained relatively steady at 6,000 – 8,000 per year, multi-family housing has shown tremendous growth in the Puget Sound. In 2010, less than 5,000 homes were in multi-family developments; in 2019, almost 20,000 new homes were built in multi-family developments.¹¹

And in addition to the challenges stemming from new production failing to keep pace with the new demand, the region is also losing previously affordable housing units. McKinsey & Company found that over the past 10 years, as King County added 67,000 new rental units, it lost more than 112,000 units of housing affordable to those living below 80 percent Area Median Income (AMI). The McKinsey study cited the two largest drivers as: rents on units rising faster than incomes and lower-cost units being demolished to make way for more expensive units.¹²

The Net Result – A Squeeze on Housing: As a result of these factors, the cost of homeownership and rental have risen dramatically in the area. Just recently, *the Seattle Times* reported that for November, the year over year price for Seattle-area homes grew by 12.7 percent, the second highest growth in home prices in the nation.¹³ And this is not new – the King County Regional Affordable Housing Task Force Final Report cites that in King County “from 2012 to 2017, median home sale prices increased 53 percent and average rents increased 43 percent.”¹⁴ For east King County, the average cost of either homeownership or renting an apartment now exceeds the cost-burden thresholds for even a family earning 100 percent of area median

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<https://kingcounty.gov/independent/forecasting/King%20County%20Economic%20Indicators/Household%20Income.aspx>

⁹ https://www.psrc.org/sites/default/files/rhna_early_findings_20201009_stakeholder_event.pdf

¹⁰ https://www.psrc.org/sites/default/files/rhna_early_findings_20201009_stakeholder_event.pdf

¹¹ https://www.psrc.org/sites/default/files/rhna_early_findings_20201009_stakeholder_event.pdf

¹² <https://www.mckinsey.com/industries/public-and-social-sector/our-insights/why-does-prosperous-king-county-have-a-homelessness-crisis#>

¹³ <https://www.seattletimes.com/business/real-estate/seattle-home-prices-still-climbing-at-second-fastest-rate-in-nation/#>

14

https://www.kingcounty.gov/~media/initiatives/affordablehousing/documents/report/RAH_Report_Final.ashx?

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income.¹⁵ As of 2018, the median purchase price of a home in East King County was \$813,000,¹⁶ corresponding to an income of over \$125,000 needed. As of October 2020, the average rent for most Eastside cities was over \$2,000 a month, requiring a median income of over \$80,000 to avoid being cost-burdened.¹⁷

A Growing and Inequitable Number of Cost-burdened Families: Households that spend more than 30% of their income on housing are considered “cost-burdened,” and “severely cost-burdened” if spending more than 50% of their income on housing. In King County, it is estimated that over 124,000 households are severely cost-burdened, with the vast-majority focused at 0 to 30% AMI, and close to 60% of those being renters. Not surprisingly, the burden falls disproportionately upon Black, Indigenous, People of Color (BIPOC) communities: households with head of households who are American Indian and Alaskan Native or Black are roughly twice as likely to be severely cost burdened as White households.¹⁸ Across the county (as of 2015), 45% of renters and 29% of homeowners were cost-burdened (including severely-cost burdened). On the Eastside, 36% of renters and 29% of homeowners were cost-burdened or severely cost-burdened.¹⁹

New Growth, New Funds, New Opportunities

The Eastside has new resources and opportunities for Affordable Housing: As the issue of affordable housing has exploded into a local, regional, statewide and even national issue, more resources are emerging to support affordable housing. Two recent state measures (HB 1406 & HB 1590) have created dedicate funding streams for cities and counties to work on affordable housing. Large local employers, most notably Microsoft and Amazon, have both made recent national news with commitments to funding more affordable and middle-income housing. Regionally, the new expansion of light rail to the Eastside creates new, important locations for equitable transit-oriented development. At the State level, the 2021- 2023 budget includes \$175 million for the Housing Trust Fund and an additional \$120.9 million in investments in housing and shelters. And nationally, this spring’s American Rescue Plan includes an allocation of nearly \$5 billion in funds to help communities across the country create affordable housing, and more funds may be available in the pending infrastructure bill.

In the face of all the challenges outlined above, all of these new resources (and more) will be needed., Based on what ARCH has learned administering the Housing Trust Fund, it will take

¹⁵

https://www.kingcounty.gov/~media/initiatives/affordablehousing/documents/report/RAH_Report_Final.ashx?la=en

¹⁶

https://www.kingcounty.gov/~media/initiatives/affordablehousing/documents/report/RAH_Report_Final.ashx?la=en

¹⁷ Source: Rent Café Market Trends, October 2020 (From HDC presentation)

¹⁸ <https://www.kingcounty.gov/~media/initiatives/affordablehousing/documents/Meetings/rah-posters-FINAL-PRINT.ashx?>

¹⁹ <https://www.kingcounty.gov/~media/initiatives/affordablehousing/documents/Meetings/CAI-RAH-Deck1031.ashx?la=en>

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dedicated and skilled staff with capacity to help ensure these new resources best meet the ever-growing affordable housing needs.

ARCH Accomplishments

The ARCH collaborative structure was created in 1992, with four initial members. Since that time ARCH has grown to include 16 member jurisdictions. Its staff conduct work in six broad areas:



- Affordable housing investment using the ARCH Housing Trust Fund
- Policy and Planning support for member jurisdictions
- Incentive Program Administration for cities that have adopted affordable housing incentives
- Stewardship of affordable housing units created via new development, rehabilitation
- Outreach and education to member cities and the public
- Program Administration

The following provides a brief summary of ARCH's major accomplishments to date.

Affordable Housing Investment

Units Created Using the ARCH Housing Trust Fund

Between 1993 – 2020 the Trust Fund was used to create 5,166 units of affordable housing. The majority of those units were for families (nearly 3500 units), but housing was also created for homeless, seniors and special needs populations. Projects funded with the Trust Fund are located in 10 ARCH-member cities. ARCH staff work with municipal officials, developers and other funders to create these units.

ARCH Funds Raised and Other Sources Leveraged

ARCH members have raised nearly \$80 million for the Housing Trust Fund since its inception. That includes financial contributions from members, land donated and fee waivers for affordable housing projects. Those ARCH funds are used to leverage a variety of other sources to build or preserve affordable units, including:

- Low Income Housing Tax Credits (\$310 million)
- Tax Exempt Bonds (\$244 million)
- State of Washington Funds (\$61 million)
- King County Funds (\$80 million)

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- Other Funding (\$186 million)

In total ARCH has leveraged more than \$880 million in other funding sources for affordable housing projects in East King County cities. In other words, for every \$1 dollar contributed by ARCH, more than \$10 is leveraged from other sources for creation of affordable units.

Policy and Planning Support

ARCH staff provide support as requested by member jurisdictions. The level of support varies from member to member. In some cases, the support may include research on best practices, data analysis, financial modeling, and technical advice. For other members it may include drafting policies or code/regulatory proposals. ARCH staff have worked on more than 50 policies, plans, code amendments, or regulations for member cities, geared toward creating more affordable housing units in those local communities.

Between 2015 – 2020 seven cities asked for assistance from ARCH in creating housing elements for their comprehensive plans, and/or local housing action strategies. In addition, three more cities will soon be developing housing action strategies that will utilize some level of assistance from ARCH staff.

Incentive Program Administration

Cities may offer a variety of land use incentives to help reduce the cost of housing development, and in return a developer commits to providing a certain number of units at affordable rates. Incentives could include offering increased height or density in return for including affordable units in a development, zoning that allows for smaller lot sizes, smaller unit sizes, use of alternative housing types, or waiving or reducing permit/impact fees. ARCH staff work with local cities to create the incentive programs.

In addition, ARCH staff have provided technical support and assistance to cities that adopt the Multi-Family Property Tax Exemption (MFTE) program as allowed by state law. Developers can receive a tax exemption in exchange for creation of income- and rent-restricted units. This has become an important tool for many developers building affordable housing.

Between 1992 – 2021 more than 2800 affordable units have been created or are in development. Ten (10) ARCH-member cities now offer different types of incentive programs for developers. Historically incentives have been used by ARCH member cities to create units for moderate income households making 80 – 120% of Area Median Income (AMI). More than half of all incentive units created or in development (1515) are for households making 80% of AMI. In more recent years cities have begun to use the incentives to create units for lower income households, those making between 50 – 70% of AMI.

Stewardship of Affordable Units

There are now nearly 8,000 income- or rent-restricted units created through the Housing Trust Fund and the various incentive programs across ARCH-member jurisdictions. Roughly 7,000 of these are rental units and 1,000 are homeownership units. Once developers commit to creating

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affordable units, ARCH staff ensure the creation of those units and monitor and report on the continued affordability of those units over time.

Outreach and Education

ARCH staff regularly provide information, education, and updates for elected and appointed officials in member jurisdictions. Staff provide updates about ARCH activities, state and federal program/funding opportunities, information about local and Eastside affordable housing needs, goals and strategies, and generally serve as a resource for City Councils, Planning Commissions, city staff, and local residents interested in affordable housing issues.

Administration

ARCH has done a great deal to share resources across jurisdictions, create consistency in practices and procedures, and create efficient processes. Their work includes:

- Creating a single point of contact for all developers interested in creating affordable units in eastside communities, which greatly increases efficiencies for developers
- Using standard guidelines for income verification for all ARCH-funded projects, across all cities
- Create and use common rent/income/pricing guidelines for all ARCH-funded projects
- Serve as a central portal for homebuyers looking for affordable homes
- Create a centralized affordable housing data base that all member jurisdictions can use
- Conduct routine project audits

Summary of Interviews with ARCH Staff, Members, and Stakeholders



In February and March 2021 ten interviews with ARCH members and outside stakeholders were conducted, along with a group discussion with ARCH staff. The following provides a summary of the discussion about ARCH staff capacity and how ARCH staff are meeting the needs of member jurisdictions.

Overall Assessment

- **There was widespread agreement that ARCH is generally doing well at administering existing programs** (with some known staffing gaps), but that staff seem to be fully utilized.
- **The organization doesn't currently have capacity at the staff or board level to become a driver for more proactive strategies** (increasing funding, advocating for new policies, expanding partnerships, etc.), or to expand its services to new members/geographic areas.
- **There was a sense from outside stakeholders that ARCH should be scaling up its activities** to meet the dramatic growth and need for affordable housing in east King County. It was not clear that member cities feel the same way.

Trust Fund Program Opportunities and Challenges

- **ARCH has been highly successful in administering and leveraging local funds** with minimal staff resources (1 staff position).
- **The trust fund's large portfolio requires active monitoring** to collect loan repayments and restructure agreements as projects age program, as it now encompasses over 100 contracts and tens of millions of dollars in funding – and growing. Other public funder agencies have shifted to creating dedicated asset management staff.
- **Significant opportunities lie ahead** as ARCH members have begun to increase their level of investment and adopt new funding sources, plus new TOD opportunities and other special projects.

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Work on Policy/Planning/Regulatory Recommendations

- **Planning activity has been steadily increasing in recent years**, even as ARCH role in policy/planning work varies from year to year and city to city, and a lack of clarity in ARCH's ongoing role makes it difficult to plan for needed capacity/skillsets.
 - Between 1992 – 2014 ARCH staff supported approximately 1.5 housing strategy plans, housing comp plan elements or code amendments per year for member cities.
 - Between 2015 – 2020 ARCH staff completed 8.0 strategies, plans or code amendments per year.
- **ARCH hired one Planner in 2002 and has added no additional planning capacity since.**
- **Some member cities are doing their own work on affordable housing policies or plans**, and ARCH staff have a sense this may be because the members don't believe ARCH has the capacity to complete high priority policy development in a timely manner.
- **ARCH's primary planner is also responsible for administering city incentive programs** (preparing developer agreements and covenants for MFTE, inclusionary and bonus programs). This increasingly competes with ARCH's role in supporting new policy/program development.
- **The upcoming work will place greater demands on the planning staff capacity for ARCH**, including on TOD, station area planning, and comp plan revisions.

Additional Staff-Identified Capacity Shortages

- **Proactive policy development, planning, research and best practices work would require more staff** capacity, to the extent ARCH members would like staff to be more involved.
- **Conducting regular Housing 101 and educational/outreach work is not being done regularly** with members and communities to create and sustain deeper understanding about affordable housing issues and the work ARCH does.
- **Making affordable housing accessible to diverse communities would require additional capacity** for marketing and outreach. This was a recent addition to ARCH's work program, but no new staff capacity was created for this work.

Internal Organizational Capacities

- **The recent addition of 2 FTEs has provided the level of staffing needed to meet current obligations for compliance and monitoring for the Homeownership and Rental programs.**

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- **However, new units are being added quickly**, and the organization needs to be mindful of the metrics recommended in 2019 about the number of units per FTE.
- **ARCH staff is getting good utilization from interns, but it is an uncertain source of labor** that comes with the internalized cost of replacing and training. They could be using consultants to meet some of the capacity gaps but there are not resources to hire consultants.
- **ARCH can no longer use some homegrown excel sheet to track 1000s of units.** There is a need to update, but there are not the time, staff or funding resources to do so.

Adding a New ARCH Member

- **Staff believe that adding a new city as an ARCH member would require additional staff capacity in the areas where shortages already exist** (policy, planning and regulatory work, as well as trust fund project-related work).

Interviews with Eastside Developers for ARCH Capacity Assessment - Spring 2021

As part of the process, seven developers were interviewed – they were deliberately chosen to cover a variety of perspectives – smaller and larger, nonprofit vs. for profit, those that had received ARCH funding vs. those that had not yet. Below are some of the highlights from the conversations.

Developers Interviewed:

- **Len Brennan** (Shelter Resources)
- **Allen Dauterman** (Imagine Housing)
- **Kim Faust** (Main St. Property Group)
- **John Fisher** (Inland Group)
- **Kim Loveall Price** (DASH)
- **Emily Thompson** (GMD Development)
- **Kevin Wallace** (Wallace Properties)



1. What has been your past experience with ARCH and how would you describe that experience? What was best about working with ARCH? What was most challenging? If you have not worked with ARCH, why not?

- **ARCH is seen by many as a good partner:** *“They will strategize with developers;”* *“Under the new leadership the work on compliance is easier and more collaborative”*
- **But there is some concern about flexibility/responsiveness:** *“Process is cumbersome because of the number of councils they have to report to.”* *“The more flexible ARCH can be the better the chances of getting to their end goal.”*
- **ARCH’s limited resources limit their impact:** *“Their leadership is good, but there is not enough resource available for new development or rehab.”* *“The amount of money that ARCH has available is not enough to make a big difference in each project.”*
- **Some express concern that ARCH is doing less advocacy for Eastside than in the past:** *“Don’t think ARCH acts as much of an advocate as in the past;”*

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- **Some developers want ARCH to be more of a partner:** *“For affordable housing, has to be a collaboration between ARCH and developers.” “Need to be more of an advocate, understanding and supportive of developers.”*

2. In your experience, how does working with ARCH compare to working with other sources of funding for affordable housing? For those working with ARCH on affordable housing incentive programs, how does that work compare with other locations or jurisdictions?

- **Compared to other partners, ARCH is seen as comparatively easy:** *“They are the best of the three (between county, state and ARCH).”; “Conditions in contracts very easy compared to other funders.”;*
- **Developers appreciate their insight:** *“Good feedback quickly on your project,” “They are reasonable and they work in partnership.”*
- **ARCH is helpful navigating cities:** *“Staff typically take the lead in working with local governments. That is helpful – so the developer doesn’t have to work with each individual city.”*

3. Stepping back and thinking regionally - what would you describe as the most important accomplishments for ARCH?

- **Developers value the creation of the coalition and focus on the issue:** *“Getting cities to work together to solve affordable housing was a good one.” “ARCH has done a good job raising visibility with cities on affordable housing.”*
- **ARCH is also an important advocate to cities:** *“They have also helped with advocacy... talking with Mayors and Council members to create support for and action around affordable housing.”*
- **ARCH is a valuable finance partner:** *“They have helped provide small amounts of gap financing for 9% projects that have lower income targeting.”*

4. What do you think of as ARCH’s most important role in helping developers build affordable housing: funder of affordable units, technical assistance on understanding local regulations and ordinances, helping find additional funding, helping find tenants, providing ongoing monitoring?

- **Developers value the funding, especially as an initial money that brings other dollars:** *“As the first funder to commit money they showed local commitment that was important with other funders.” “ARCH is effective at leveraging other funds and bringing other funders along.”*
- **Some smaller developers value their technical assistance:** *“The technical assistance in understanding local development regulations and ordinances.”*

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5. What are the primary obstacles to constructing affordable housing in East King County cities?

- **There simply needs to be more dedicated funding:** *“More resources are needed, particularly in the 4% pool of projects.” “There is not enough availability of state and local resources to make projects happen.”*
- **Several developers pointed to costs – particularly of land, but also of permitting:** *“The cost of land is out of reach;” “Permitting is starting to get bad; 1 year process is a bit of overkill.”*
- **There is interest in cities streamlining permitting and easing zoning:** *“All cities have extraordinarily expensive: permitting; regulations; etc. “ARCH could find a way to make zoning/rezoning more achievable and predictable.”*
- **Several also mentioned need to ease parking requirements:** *“Parking ratio reductions would help.” “Parking regulations are an obstacle in some jurisdictions.”*
- **There is also interest in a more unified voice/approach from the Eastside cities:** *“Each city has its own agenda, own strategy.” “What are cities going to do collaboratively?”*
- **There are concerns that requirements and funding for low-income are making middle-income housing unaffordable:** *“Need to kick-in money for nonprofits to produce less than 60% AMI housing, but don’t make it not viable to produce middle income housing to pay for it.” “Putting the full burden on developers is not fair.”*
- **There are few “competitive sites”:** *“If you are not competitive you won’t get a resource allocation from the state.... sites score well that have access to services and transit, but there are minimal transit corridors on the Eastside compared to Seattle.”*

6. What could ARCH do more of, less or, or do differently – either for developers or for member cities – to support the building of more affordable housing on the Eastside? Any other final thoughts?

- **Some want more advocacy within cities for individual projects:** *“Advocating for projects, funding and expending.” Maybe ARCH could hire a planner to work with all cities to interface with cities to make sure projects are going through process efficiently. “ARCH could have a seat at the table on behalf of developers. Lots more they could do to help with zonings and site approvals.”*
- **And some want more advocacy across cities on policy:** *“Build the coalition and advocacy to the cities;” “Unify voices and policy”; “Can HDC provide some capacity to ARCH to do advocacy work?”*
- **A few expressed interest in ARCH using more private/public partnerships:** *“Why not take advantage of profit/nonprofit joint ventures, as for profits have experience, liquidity,*

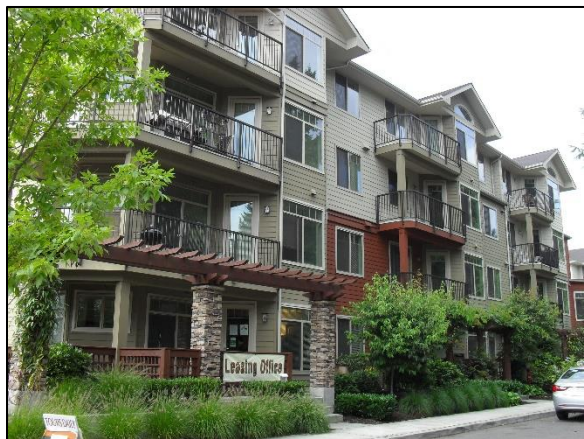
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can bring capital, etc.” “The tax credits were meant to be private/public partnerships...In WA there is a sense that private developers are not as good as nonprofits.”

- **A few had specific ideas:**

- *“ARCH could act as a clearinghouse for surplus properties across cities.”*
- *“Cities that are choosing to do parallel funding paths-- that makes no sense. Give ARCH more money to do more work. The beauty of ARCH is the single point of contact for East King County.”*
- *“The For Sale ARCH program is inequitable and needs to be fixed... [providing a giant benefit to one family, but nothing to others...]*

ARCH Work and Staffing Trends



One of the foundational principles behind ARCH is that member jurisdictions pool resources to build or preserve affordable units across the Eastside, and to create a shared staff resource with specialized expertise in affordable housing that provides support to all members. Many member cities rely on ARCH's expertise to help them analyze and develop projects, interact with developers, draft policies and regulations to promote the development of affordable housing, and monitor affordable units within cities that have been created as a result of city policies and

programs. The history of ARCH has been to apply resources efficiently and to increase the capacity of the organization incrementally as it has grown.

History and Background

ARCH began in 1992 with 4 initial member jurisdictions. Three years later there were 8 members, and by 2008 there were 16 members (which is today's membership). Over time the demands on staff have increased for several reasons:

- 1) As the number of ARCH members increased the requests for staff time and support also increased,
- 2) Both the growing ARCH Housing Trust Fund and new city affordable housing programs (e.g., MFTE and inclusionary zoning) have created an increasing portfolio of units with more work required to create, monitor and report on those units in the expanding portfolio,
- 3) Affordable housing has become a priority issue for many cities and interest in creating developer incentives or new land use policies that promotes affordable housing has increased dramatically, and
- 4) The need for affordable housing across King County and in Eastside cities has increased significantly as housing costs and demand for units have soared.

Growth in Program Activity

Growth of Housing Trust Fund

Since 1993 the number of projects funded by the Trust Fund has averaged 4 per year. Although annual funding (cash contributions and land donations) has fluctuated significantly from year to year, in general the funding provided by members to the Trust Fund has been relatively flat. The highest number of projects in any given year was 9. However, while the annual number of projects has been relatively constant, the projects funded by ARCH have become more complex,

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with higher loan amounts and use of multiple funding sources. Many of the projects require specialized staff expertise to analyze and evaluate project proposals.

Growth of Planning Activities

ARCH staff provide a variety of affordable housing planning activities for member jurisdictions, including development of local housing strategy plans, housing elements of comprehensive plans, code amendments, or regulatory proposals. In ARCH's first twenty years (1992 – 2011) ARCH staff completed 26 planning activities for member jurisdictions. In the past 9 years (2012 – 2020) ARCH staff have completed 56 projects for members. There has been a pronounced increase in activity since 2015. This has been due to several factors, including the increase in affordable housing needs across ARCH cities and the county, the heightened interest on the part of many jurisdictions to develop strategies that will address local affordable housing needs, and an increase in requests from member cities to assist in the creation of state-required housing elements in local comprehensive plans. It is anticipated that there will be a number of new requests for support as local comprehensive plans are updated between 2021 – 2024.

Growth in the Number of Affordable Units Monitored

In addition to creating affordable units through use of the Housing Trust Fund, ARCH member cities also use a variety of land use and policy incentives and requirements to create new units. When those units are created, the city's programs typically place a cap on the price of units to be sold or rented (to ensure affordability), and require that the income of renters or buyers cannot exceed certain limits (to make sure only households with limited incomes occupy those units). When the units are initially completed, and over time as they change hands, ARCH staff monitors those units to make sure that the pricing and owner/renter income restrictions are being met.

There has been a considerable increase in the number of incentive programs adopted by ARCH member cities. Ten cities now offer incentives to create more affordable housing. In ARCH's first 20 years there were 91 projects that were required to meet a city's local affordable housing incentive of requirement. In the past 9 years, there have been 111 projects. With each new project the total grows, and there are now more than 2800 units (owner occupied and rental) that ARCH staff monitors to insure they are in compliance with local requirements.

Regional Affordable Housing Need

As mentioned in the Landscape Analysis earlier in this report, across east King County cities 36% of renters and 29% of homeowners were considered either cost burdened (spending more than 30% of their household income on their housing costs) or severely cost burdened (spending more than 50% of their income on housing). Given the trends in increasing rents and home prices, these numbers are not likely to change soon.

Staff Capacity and Staffing Trends

When ARCH was created, 2.5 FTE were hired to provide support to the 4 member jurisdictions and to manage the Housing Trust Fund. As ARCH membership increased the number of FTE's

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increased to 5 FTE by 2008. Staff capacity remained at approximately 5 FTE between 2008 – 2019. In 2019 two FTE were added to address the needs of monitoring the rental and home ownership units. At the time, the number of rental and ownership units created by ARCH resulted in their staffing ratios (for the number of units each staff member had to track, monitor and report on) being far below the best practices standards established by other cities around the region and the country. The two additional FTE brought ARCH into compliance with those best practices standards.

What's Not Getting Done

In conversations with ARCH members, ARCH staff and after conducting a review of the annual ARCH workplan, a number of projects and tasks were identified that are not getting completed with the existing staff capacity. The following are some of the topics identified:

Housing Trust Fund

- Funding policy
 - Provide options to ARCH members and conduct analysis on those options for the potential creation of a dedicated funding source for Eastside cities.
 - Revisiting parity goals (work started in 2017-2018)
- Oversight of existing investments:
 - Be more proactive in monitoring project financial sustainability (cash flow, vacancy rates, maintenance needs) for developments created using ARCH funds
 - Loan monitoring (ensuring timely loan repayments)
- Conduct more proactive work and technical support to generate special projects (TOD, preservation, surplus property, faith community property, etc.)

Policy, Planning, Incentive Programs

- Work with cities that have adopted Housing Strategies/Housing Action Plans to implement more of the strategies identified
- Work with cities who have yet to create and adopt Housing Strategies/Housing Action Plans
- Work with ARCH members to establish Eastside housing production and preservation targets
- Do more work to coordinate across cities – sharing best practices, program evaluations
- Streamlining interface for developers who utilize incentive programs

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Rental Program Monitoring and Administration

- Work with member cities to establish a monitoring fee that would help defray the cost to monitor ARCH units
- Create new rules for parking charges for ARCH rental units
- Review ARCH Rental Covenant for needed updates
- Explore centralized application portal for all properties with ARCH rental units

Education, Outreach and Administrative Procedures

- Update ARCH bylaws
- Improve and enhance data bases used to monitor ARCH-funded units
- Improve the ARCH website, making it more interactive and useful for all users
- Conduct more Housing 101/outreach events with member cities
- Building partnerships to market new housing to households in need

Conclusions

Based on the interviews with ARCH members, staff and outside partners, and review of workload trends and the annual ARCH work plan, several conclusions were reached regarding ARCH staff capacity.

- The **existing staff are fully utilized** and have no additional capacity for growth. ARCH member cities are reluctant to ask ARCH staff to take on new projects because the staff are fully booked.
- Gaps have begun to emerge, and **elements of the work program are not being accomplished**. Some tasks have been on the work plan for several years because there is not the capacity to move the work forward.
- Trends suggest that **workload will continue to grow**. This applies to the continued growth of the Housing Trust Fund, and the continued demand for planning, research and data analysis services.
- **Deficiencies will grow** as new projects and units come online. As the number of Trust Fund units and incentive units are built, it will be difficult to update practices and policies that are already in need of improvement.
- **Additional staff are needed** to catch up to current demands and to absorb the expected near-term growth in work.

Staff Capacity Options

After conducting the analysis described in the earlier chapters, the ARCH board was presented with three options for different approaches to addressing staff capacity issues. Several conclusions and themes were highlighted to inform the deliberations about the staffing/budget options.



Funding Models

Two funding models were presented to the ARCH Board for consideration:

- Per capita allocation to all members, except King County (same as the existing model)
 - In addition, this model could add optional on-call consulting services paid based on actual services used
- Tiered membership:
 - Base membership: Would include administration of the Housing Trust Fund, program administration/monitoring, and outreach activities, all allocated on a per capita basis
 - Optional tier for policy/planning services, and/or or incentive program support provided by ARCH staff that would only be paid by those cities expecting to utilize those services.

Other Revenue Factors

In addition to the two funding models, there are other revenue sources that were identified for consideration by the board.

Fee Revenue

- Current fee revenue collected by ARCH will cover the cost of at least 1.0 FTE
- Cash reserves up to \$150k as of YE2020, will continue growing as fees accumulate
- Additional revenue could be generated as cities work toward authorizing ARCH to collect administrative fees from rental projects
- Offering fee for services to other cities not currently ARCH members (as is currently being done with the City of Duvall) may be an opportunity in the future, but is not an immediate factor.

King County Revenue

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- King County has expressed interest in increasing dues from \$75,000 up to \$125,000.

Staffing/Budget Options

Three staffing options were identified to add new staff capacity to ARCH. The first option would add 1 FTE, the second option 2 FTE, and the third option 3 FTE. In preliminary conversations the Board indicated that doing nothing, not adding any new capacity, was not an option they wanted to consider.

Option 1 – Baseline budget, 1 FTE covered by fees

- Member dues continue to pay for existing staff positions (increase in combined dues no more than 4% increase)
- City member dues are distributed on per capita basis; King County dues remain close to \$75k
- Use fee revenue to add 1.0 FTE:
 - Incentive Program Administrator – This new position would be responsible for working with developers and preparing agreements for projects using land use/tax incentives
- Could use available reserve funds to hire temporary staff position or other support for loan monitoring
- Evaluate areas of the work program that can be reduced in the future

Option 2 – Address Immediate Gaps (Add 2 FTE, 1 with fees, 1 with dues – from some or all members)

- Base member dues continue to pay for existing staffing levels
 - King County dues increase to \$125k
- Fee revenue pays for Homeownership staffing, frees up base member dues to add 1 FTE:
 - Trust Fund Program Officer – This new position would be responsible for managing the ARCH loan portfolio, and would enable ARCH to absorb an increase in transactional work (could include assisting Bellevue with allocation of additional funds).
- Additional services above the base membership could be paid by cities that use ARCH for incentive program administration, or by all cities:
 - Incentive Programs Administrator – This new position would be responsible for working with developers and preparing agreements for projects using land use/tax incentives

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- Explore shared contract for on-call consulting services on policy/planning, financial analysis and modeling, special project management and other services.

Options 3 – Plan for Growth (Add 3 FTE, 2 from dues, 1 from fee revenue)

- Base member dues pay for 1 additional FTE:
 - 1 FTE: Trust Fund Program Officer (described in Option 2)
- 1 FTE paid by dues above base member dues – paid by cities actively using ARCH for incentive program administration:
 - 2 FTE: Incentive Program Administrator (described in Options 1 and 2)
- Fee revenue pays for 1 FTE
 - 3 FTE: Housing Programs/Special Projects Manager – This new position would oversee stewardship and monitoring activities, take on special policy/project work
- Explore shared contract for on-call consulting services on policy/planning, financial analysis and modeling, special project management and other services.

Conclusions and Recommendation

Overall Assessment



Member cities clearly value ARCH for the range of services provided: technical and policy support, units created from the pooled resources, addressing the monitoring and reporting requirements on affordable units, and for serving as a single voice and resources on the issue of affordable housing in the eastside. However, given the depth of the affordable housing need in most eastside communities, there is demand among ARCH members for creating more affordable units and for additional technical

assistance and support in creating affordable housing policies and programs.

The level of ARCH support needed or desired varies among member cities and generally depends on two factors:

- The size of the city and their ability to devote internal staff resources to affordable housing issues, and
- The level of commitment on the part of a city's elected leadership to aggressively pursue affordable housing strategies.

It is also important to note that when asked if there is work ARCH staff are doing that could be eliminated in order to create additional capacity, there were no suggestions from members for work that ARCH should do less of or drop entirely.

ARCH Work Plan Needs

Based on the interviews with member cities, and discussions with the ARCH Board, the following themes emerged regarding ARCH's annual work plan, and the needs and interests of members.

- All ARCH cities will rely on some level of ARCH staff for support with Comp Plan Updates (at a minimum - housing needs data, some would benefit from housing element review or drafting). Some had questions/concerns about the impact of HB 1220, and interest in ARCH capacity to assist with new requirements.
- All cities are interested in ARCH tracking data on an ongoing basis to comply with Countywide Planning Policies (CPP) reporting requirements.
- Several cities are counting on ARCH support to implement actions from their housing strategy (Bellevue, Bothell, Kenmore, Kirkland, Issaquah, Redmond)

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- Several cities would like help to facilitate TOD projects or other special projects in their jurisdiction, such as finding faith-owned properties for new development.
- Many cities described a distinct set of skills/knowledge that ARCH staff provide to members.
- Some cities had aspirational ideas about an expansion of ARCH's services/role:
 - Facilitating Eastside collaboration on homelessness policy/practice
 - Providing more technical assistance/support to faith-based communities for housing development
 - More proactive steps to encourage best practices on housing policies, for example on ADUs – outreach/marketing, financing, pilot programs, etc.
 - Stronger role in legislative advocacy
- Smaller jurisdictions with little to no planned growth will not use ARCH for planning services.
- There is interest among some members in shifting to a fee for service model when it comes to policy/planning work, and potentially other areas where workload is growing, such as incentive programs.
- King County is interested in investing more in ARCH capacity that will catalyze projects or policies toward the Regional Affordable Housing Task Force Action Plan goal of 44,000 units.

Staff Capacity and Staffing Trends

Staff from member cities agreed that ARCH staff are fully utilized and have no additional capacity for growth. Members also identified gaps that have begun to emerge, and elements of the annual work program that are not being accomplished.

As described earlier in this report, while ARCH staffing capacity has been relatively flat, requests for ARCH staff services have increased. As the Trust Fund loan portfolio has grown, there is a need to increase staff capacity to actively monitor those loans and address the current backlog of loans that have not been actively monitored.

There has also been a significant increase in the requests for planning assistance from cities that want to adopt or amend policies, codes, and local housing programs. Currently, ARCH's planning assistance is provided by the same Senior Planner who also oversees member cities' incentive programs. ARCH will need additional planning/policy staff to continue overseeing the growing portfolio of members incentive programs while helping cities update local comprehensive plan housing elements, respond to the County's Countywide Planning Policies, and respond to the growth in requests for planning and policy assistance.

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Two new positions were added in 2019 to monitor the affordability of units created by the ARCH Trust Fund. Those positions increased the level of staffing to industry standards for the size of the portfolio and the number of units that need to be monitored for compliance with affordability requirements.

The growth of ARCH activities also suggests the need to create additional management capacity, to both oversee staff stewarding the growing portfolio of affordable housing created in the Homeownership and Rental Programs, and work on special initiatives – such as expanding marketing efforts to diverse populations or promoting partnerships to develop affordable housing with faith-based communities. The new capacity would both increase management oversight and free capacity for the Executive Director.

Revenue Opportunities

There is an opportunity to utilize some existing revenue sources to increase staff capacity. ARCH has been collecting fees from the homeownership program and now has a sustainable source of income. Those fee revenues would support 1 FTE. In addition, King County has expressed a willingness to increase its contribution to ARCH annual operations. This could be part of the revenues used to increase ARCH staff capacity.

Most cities are facing budget challenges, so even for the larger and mid-sized cities a phased approach to increasing staff capacity should be considered.

Executive Board Recommendations

Based on the review described above, and discussion with the ARCH Executive Board over several months, the Board recommended to their respective Councils the following actions to increase ARCH staff capacity.

Phased Approach to Adding New Staff Capacity

Balancing the different needs expressed by member cities, and the budget challenges facing many cities, ARCH should adopt a phased approach to increasing staffing.

In 2022, current member dues from all jurisdictions should be used to support the 2021 base staffing level, and an additional two new full time ARCH staff positions should be created:

- A Program Officer working on the Housing Trust fund – Paid for using increase in revenues from program fees. No dues increases needed to pay for this position.
- An Incentives Program Administrator – Paid for using a new tiered dues structure (see below)

In 2023 one additional position should be added:

- A Housing Programs, Special Projects Manager

The Board has not decided how to pay for the 2023 staff position. It will likely be some level of new dues, but no pre-commitment was made about how the dues will be allocated.

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Create a New Tiered Dues Structure Based on the Level of Program Activity

Revenues for the two new positions can come from several sources. One FTE (the Program Officer) can be paid for using fee revenues to pay for Homeownership staffing, which frees up base member dues to add 1 FTE. The second position, that would focus on the administration of local housing incentive programs, presents an opportunity for ARCH to implement a tiered dues structure, based on the number of projects each city has in their incentive program.

- Cities with active incentive programs (either more than 10 completed projects or 3+ projects in the pipeline) pay on a per capita basis (Bellevue, Issaquah, Kirkland, Redmond)
- Cities with less active programs (fewer than 10 completed projects, and less than 3 projects in the pipeline) pay a minimum contribution of \$3,000 (Kenmore, Newcastle, Sammamish, Mercer Island)
- Cities with adopted programs that do not yet have participating projects do not yet contribute additional dues (Bothell, Woodinville).
- Cities without incentive programs do not contribute additional dues (Beaux Arts, Clyde Hill, Hunts Point, Medina, Yarrow Point).

(See next page for graphic summary of Executive Board recommendations.)

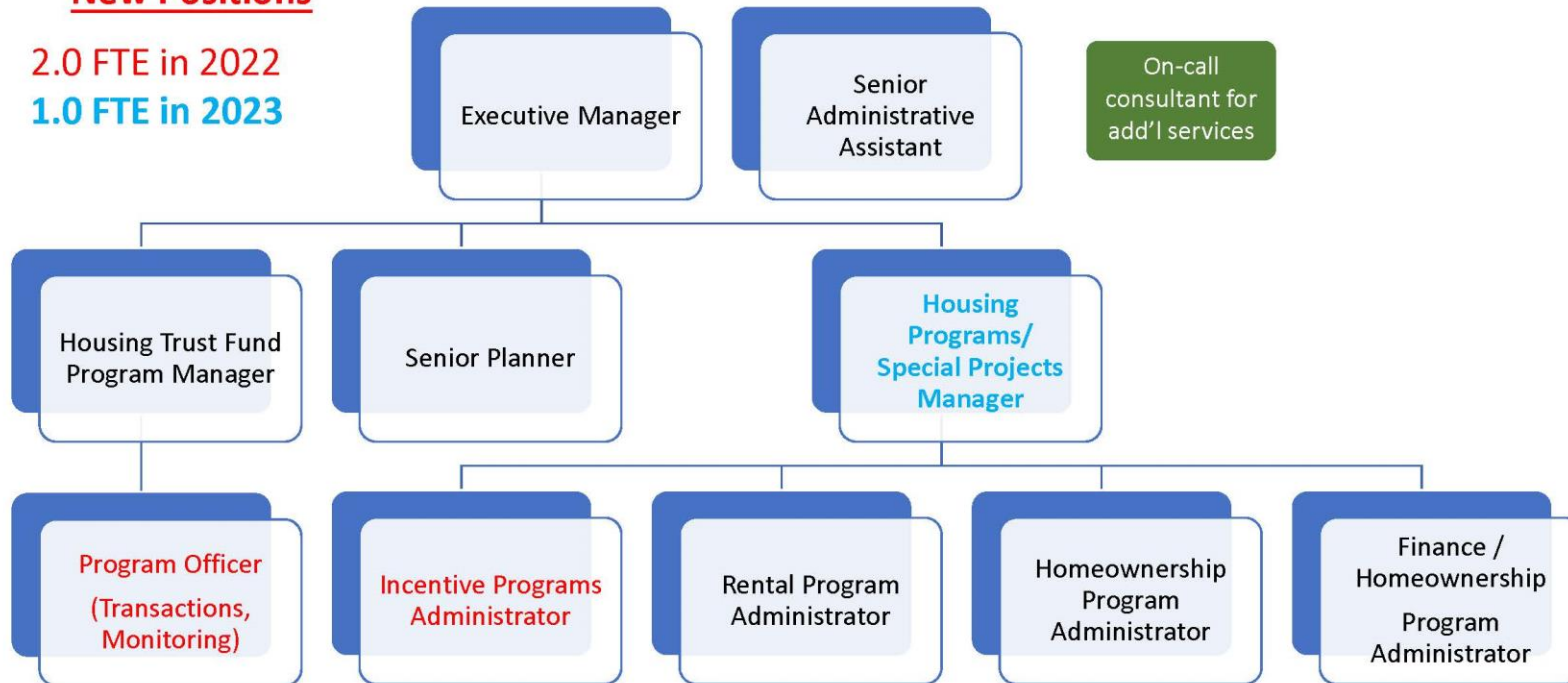
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Executive Board Recommendations: ARCH Proposed Staff Structure

Address Most Urgent Gaps and Plan for Growth in Next 3-5 Years

New Positions

2.0 FTE in 2022
1.0 FTE in 2023



Implications:

- * Absorbs significant growth from incentive programs, frees up some capacity for Comp Plan and housing strategy support.
- * Catches up to backlog of loan monitoring, creates some capacity to transact more loans.
- * Could add on-call consulting to support other services.
- * Create new tiered dues structure to pay for Incentive Programs Administrator
- * Plans for anticipated growth in member services and supports

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Conclusion

Based upon review of the ARCH workplan, discussion with cities about their near-term plans, and assessment of ARCH staff responsibilities and workload, the changes proposed by the ARCH Executive Board are essential actions to help ARCH staff capacity to catch-up with long-standing shortages in staffing and meet member's most pressing existing and near-term needs. The new capacity will be particularly helpful in administering the Trust Fund, helping cities in planning and policy work, and accommodating the growth in special projects.

Nevertheless, ARCH's work is likely to continue to grow, and the board was unable to identify any work that ARCH staff could eliminate. In addition, cities in north and east King County may consider requesting membership in ARCH. In the coming years additional capacity may be needed as the portfolio of projects increases in size and complexity, and the planning and policy work expands.

Finally, there are structural questions and tensions within the organization regarding the capacity, direction and services offered by ARCH that were not possible to address in this evaluation (such as the desire from external stakeholders for ARCH to be stronger advocates, or the disparate level of commitment to housing across member councils). Given these range of questions, ARCH's Executive Board committed to a strategic planning process in 2022 that can address these and other pressing issues outside the normal course of operations and budget cycles.