



**BUSINESS OF THE CITY COUNCIL
CITY OF MERCER ISLAND**

**AB 6552
October 15, 2024
Regular Business**

AGENDA BILL INFORMATION

TITLE:	AB 6552: ARCH 2025 Work Program and Budget Approval	<input type="checkbox"/> Discussion Only <input checked="" type="checkbox"/> Action Needed: <input checked="" type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution
RECOMMENDED ACTION:	Approve the ARCH 2025-2026 Work Plan and Administrative Budget, including Mercer Island’s 2025 contributions of \$95,259 in 2025 and \$98,405 in 2026.	

DEPARTMENT:	Community Planning and Development
STAFF:	Jeff Thomas, Community Planning and Development Director Alison Van Gorp, Deputy Director
COUNCIL LIAISON:	n/a
EXHIBITS:	1. ARCH 2025 Work Plan and Budget
CITY COUNCIL PRIORITY:	n/a

AMOUNT OF EXPENDITURE	\$ n/a
AMOUNT BUDGETED	\$ n/a
APPROPRIATION REQUIRED	\$ n/a

EXECUTIVE SUMMARY

The purpose of this agenda bill is to seek approval from the City Council on the A Regional Coalition for Housing’s (ARCH) 2025 Administrative Budget and work plan.

- ARCH is an intergovernmental coalition of 15 cities and King County focused on affordable housing, of which the City of Mercer Island is a member.
- The [ARCH interlocal agreement](#) (ILA) requires each member jurisdiction to approve the Administrative budget and work plan each year.
- The member jurisdictions collectively fund ARCH’s operations as well as the Housing Trust Fund.
- In 2025-2026, ARCH’s work plan includes priorities such as working to secure dedicated revenue sources for affordable housing and supporting member jurisdictions with compliance with state mandates such as HB 1110 and HB 1337.
- The ARCH Administrative budget totals \$2,720,754 for 2025 and \$2,827,690 for 2026, of which Mercer Island is asked to contribute \$95,259 and \$98,405, respectively.
- These funds are included in the City’s Preliminary 2025-2026 Biennial Budget. The preliminary budget also includes a \$35,000 annual contribution to the Housing Trust Fund in 2025 and 2026.

BACKGROUND

ARCH was created in 1992 by an Interlocal Agreement. Member jurisdictions include Beaux Arts Village, Bellevue, Bothell, Clyde Hill, Hunts Point, Issaquah, Kenmore, King County, Kirkland, Medina, Mercer Island, Newcastle, Redmond, Sammamish, Woodinville, and Yarrow Point.

By participating in ARCH, member jurisdictions are part of a joint effort to collectively plan for and provide affordable housing in East King County communities. Under the terms of the ARCH Interlocal Agreement, each member city must approve the ARCH Administrative Budget and Work Program.

Mercer Island contributes annually to ARCH to provide administrative support for the organization's housing activities. The coordinated approach used by ARCH provides for an efficient use of resources in fulfilling each member's obligations under the Washington State Growth Management Act (GMA) to make adequate provisions for the existing and projected housing needs of all economic segments of the community ([RCW 36.70A.070\(2\)\(d\)](#)), as well as in sharing resources with regional partners in the provision and administration of affordable housing.

The ARCH Housing Trust Fund (HTF) enables the member jurisdictions to pool resources to directly fund affordable housing development and preservation projects. The HTF typically funds projects that create housing that is affordable for households earning 60% area median income or less. In the Seattle-Bellevue, WA HUD Metro FMR Area, the median family income for a four-member household in 2024 is \$147,400.

Direct Support to Mercer Island

Mercer Island also receives direct support from ARCH staff in implementing affordable housing policies and programs locally, including monitoring of the affordable units created through the incentive program in the Town Center. In addition, ARCH staff have provided support with technical and policy considerations for the Comprehensive Plan Housing Element and compliance with HB 1220. In the coming months, ARCH staff will provide further support as the City begins work on compliance with HB 1110 and HB 1337.

ARCH Organizational Improvements

Consultant reports in 2019 and 2021, by Street Level Advisors and Cedar River Group respectively, called attention to the need to grow ARCH staff capacity to continue to provide support and oversight as the portfolio of affordable units under ARCH's stewardship continues to grow and the needs of member jurisdictions expand. The ARCH Executive Board has taken a measured approach to responding to the consultant recommendations, adding staff capacity through a phased approach that balances the need for additional staff capacity with the member jurisdictions' fiscal needs.

Earlier this year, the ARCH Executive Board adopted a Strategic Plan designed to "Build More Affordable Housing Faster." The 2025-2026 Budget and Work Program was crafted with the intent to move the Strategic Plan into action, elevating new strategies, building organizational capacity to implement those strategies, and carrying forward existing core commitments as summarized in the "Work Program" section below.

ISSUE/DISCUSSION

ARCH 2024 BUDGET AND WORK PROGRAM

Administrative Budget

Each year, the ARCH Executive Board develops and approves a work program and Administrative Budget that is advanced to member councils for approval. Going forward, the ARCH Executive Board is recommending moving to a biennial budget approval process, and thus the recommended work program and budget covers both 2025 and 2026 (Exhibit 1). The Administrative Budget supports the staffing and other costs associated with implementing the 2025-2026 work program (summarized below).

The ARCH Administrative Budget totals \$2,720,754 for 2025 and \$2,827,690 for 2026. The 2025 budget represents a 21% increase over the 2024 budget (see Exhibit 1, page 4). This increase is the result of two additional staff positions, a Communications/ Government Affairs Manager and a Local Planning/Special Projects Advisor. These positions will add capacity to take on an expanded work program including the following key programs:

- ARCH will facilitate targeted state and regional policy efforts that increase funding and reduce barriers that contribute to the cost of affordable housing development. This work will include convening and collaborating with ARCH members to identify legislative priorities and coordinate advocacy efforts as well as providing data, policy expertise and talking points to support these efforts.
- Engage elected officials through tours, educational workshops and briefings to build understanding and support for affordable housing, key policy and funding tools, and the role of ARCH and local jurisdictions in meeting the needs of low-income households.
- Consider changes to ARCH's legal and governance structure focused on streamlining decision-making, empowering the coalition to tackle major policy challenges, and increasing education and engagement of elected officials.

Each ARCH member pays a share of the Administrative Budget. The member contributions are divided into two categories. The "base" contributions represent a share of the base operating budget determined by the population of each member jurisdiction. The "additional" contributions are paid by members that utilize ARCH services to support the operation and monitoring of a local affordable housing incentive program, based on the number of housing units currently in the program. Mercer Island currently has 13 units in the affordable housing incentive program (located in the Hadley Apartments). Development of the Xing Hua project, currently under construction, will add an additional 15 units to the program. Since the City's portfolio is small, the contribution is at the minimum level.

In 2025, Mercer Island's share of the base operating budget is \$91,801. In addition, Mercer Island's share of the additional dues to support the housing incentive program is \$3,458. Thus, the total Mercer Island contribution to the 2025 ARCH Administrative Budget is \$95,259, or 3.5% of ARCH's total operating budget. This represents a 24.3% increase over the City's 2024 contribution. For 2026, these costs are expected to remain consistent with 2025, with a projected 3.3% inflationary increase to \$98,405 for the total Mercer Island contribution.

Housing Trust Fund (HTF) Budget

In addition to providing administrative support to ARCH, the City also contributes to the HTF to directly support the creation of affordable housing. These contributions play an important role in helping to meet the growing demand for affordable housing in East King County.

Mercer Island's contributions to the ARCH HTF come from the City's General Fund, designated to ARCH for the purpose of creating affordable housing. The City contributed \$96,000 in 2018, \$50,000 in 2019, \$33,768 in 2020, and \$35,000 each year starting in 2021. Funds contributed to the HTF are held in a centralized account

at the City of Bellevue and earn interest. A \$35,000 annual contribution to the HTF has been included in the City's Preliminary 2025-2026 Biennial Budget.

Work Program

The ARCH Work Program (see Exhibit 1, page 6) was adopted in June 2024 by the ARCH Executive Board and includes the following priorities for 2025-2026:

- Implement annual engagement efforts with ARCH member stakeholders (including staff, planning commissioners and elected officials) to increase knowledge and understanding of affordable housing in the region
- Convene ARCH coalition members to develop targeted legislative priorities related to funding for affordable housing and/or reducing barriers to affordable housing development
- Facilitate and advance proposals for dedicated revenue sources for affordable housing in East King County
- Complete a study of ARCH's legal and governance structure to facilitate changes that streamline processes and better advance ARCH's mission
- Assist members to implement policies to reduce cost burden in affordable housing
- Pursue partnerships and advance the development of high impact special projects, including transit oriented development projects and other projects on public lands

The ARCH Work Program includes five core areas of work:

- I. **Affordable Housing Investment:** managing the HTF program, including providing technical assistance to prospective applicant projects, coordinating with other public and private funders, and running the annual project selection process.
- II. **Housing Policy and Planning:** assisting member cities with housing policy and planning, including housing element updates and housing action plans, as well as coordinating inter-local, regional, and state planning and legislative activities.
- III. **Housing Program Implementation:** administering local housing incentive and inclusionary programs, including development agreements, multi-family tax exemption (MFTE) programs, inclusionary requirements and voluntary density bonus programs, long-term monitoring and oversight of rental and homeownership housing, including enforcement of affordability requirements, resale restrictions and owner-occupancy requirements.
- IV. **Education and Outreach:** providing information and education to member jurisdiction elected officials, planning commissions, staff as well as the public. Engaging communities in understanding and supporting affordable housing efforts. Providing assistance to community members seeking affordable housing and working to increase access to affordable housing for underserved communities.
- V. **Administration:** maintaining cost effective administration of ARCH's programs and services. In 2024, this will also include implementation of recommendations from the strategic planning effort described above.

Local Planning Assistance

The ARCH Work Program also includes capacity to assist member city staff with local planning efforts, which is outlined in Attachment A (Exhibit 1, page 15). In 2025-2026, ARCH will support Mercer Island with the following:

- Assist the City with implementation of goals and policies in the 2024 Comprehensive Plan Housing Element, including updates to regulations and programs to work toward achieving the City's affordable housing targets.
- Provide technical assistance in developing policies and regulations required to implement new state legislation related to middle housing, ADUs and STEP housing.
- Provide technical assistance in evaluating the City's existing affordable housing incentives and considering additional or expanded incentives and requirement.

NEXT STEPS

The City's Preliminary 2025-2026 Biennial Budget includes \$95,259 for 2025 and \$98,405 in 2026 for ARCH's 2025-2026 administrative budget. City Council approval of the ARCH 2025-2026 Work Program and Administrative Budget will affirm these funding levels. The City's Preliminary 2025-2026 Biennial Budget also includes a \$35,000 annual contribution to the Housing Trust Fund. The City Council will consider and approve this funding as a part of the Biennial Budget process.

RECOMMENDED ACTION

Approve the ARCH 2025-2026 Work Program and Administrative Budget, including Mercer Island's contributions of \$95,259 in 2025 and \$98,405 in 2026.