



# BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 5757  
October 6, 2020  
Regular Business

## AGENDA BILL INFORMATION

<b>TITLE:</b>	AB 5757: ARCH 2021 Work Plan and Budget	<input checked="" type="checkbox"/> Discussion Only
<b>RECOMMENDED ACTION:</b>	Discuss the ARCH 2021 Work Plan and Administrative Budget and the 2021-2022 Contributions to the ARCH Housing Trust Fund.	<input type="checkbox"/> Action Needed: <input type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution

<b>DEPARTMENT:</b>	Community Planning and Development
<b>STAFF:</b>	Alison Van Gorp, Deputy Director
<b>COUNCIL LIAISON:</b>	n/a
<b>EXHIBITS:</b>	1. ARCH 2020 Budget and Work Program Memo
<b>CITY COUNCIL PRIORITY:</b>	n/a

<b>AMOUNT OF EXPENDITURE</b>	\$ n/a
<b>AMOUNT BUDGETED</b>	\$ n/a
<b>APPROPRIATION REQUIRED</b>	\$ n/a

## SUMMARY

The purpose of this agenda bill is to provide the City Council with an overview of A Regional Coalition for Housing's (ARCH) 2021 budget and work plan. The [ARCH interlocal agreement](#) (ILA) requires each member city to approve the budget and work plan each year. In addition, this agenda bill provides a preview of the 2021-2022 proposed budget for ARCH, giving the City Council an opportunity to review and discuss the administrative budget as well as the City's contribution to the Housing Trust Fund (HTF) in advance of the larger city budget review.

## BACKGROUND

ARCH was created in 1993 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 cities are part of a joint and cooperative undertaking 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 annually.

Like other local government members, 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 city'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 population (RCW 36.70A.070(2)), 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.

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 Town Center. In addition, when Mercer Island begins to update the Comprehensive Plan (scheduled to begin in 2022), ARCH staff will provide support in terms of research, data analysis, and policy development related to updating the Housing Element.

The [ARCH Annual Report](#) provides an overview of ARCH's work and accomplishments in 2019.

## **ARCH ORGANIZATIONAL IMPROVEMENTS**

Exhibit 1 includes an update (see pages 6-7) outlining the actions ARCH has taken to implement recommendations identified in a 2019 consultant evaluation. Chief among these actions was expanding the ARCH staff by 2.0 FTEs in mid-2019, which has provided more capacity to oversee ARCH's large portfolio of rental and homeownership units. In addition, more than a dozen actions have been taken across the Rental and Homeownership Programs to improve documentation, policies and procedures, data collection and training (further detail is provided in Exhibit 1).

## **ARCH 2021 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 city councils for approval. The administrative budget supports the staffing and other costs associated with implementing the 2021 work program (summarized below).

The 2021 ARCH Administrative Budget (see Exhibit 1) totals \$1,155,261, which is essentially no increase over the 2020 budget. There is one modest increase in revenue (\$45,064), from a new administrative fee that has been added to transactions in the Homeownership Program to help cover the cost of operating the program. Member city contributions have been held flat at 2020 levels. Each ARCH member city pays a share of the administrative budget, based on population. In 2021, Mercer Island's share of the operating budget is \$50,222 or 4.3% of the total ARCH budget.

### 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 rapidly growing demand for affordable housing in East King County.

In 2019, HTF applications totaled \$19 million and ARCH was able to fund \$5 million based on available funds from 2018-2019. In the 2019-2020 Biennium, the City budgeted \$100,000 (\$50,000 per year) to contribute to the HTF. The 2020 contribution was later reduced from \$50,000 to \$33,768 and the difference was

reallocated to the Rental Assistance program operated by Youth and Family Services, to mitigate the local economic impacts of the COVID-19 Pandemic.

In 2019, the state legislature authorized a new sales tax credit to support affordable housing. This measure, known as HB 1406, authorizes jurisdictions to implement a sales tax of 0.0073% that is credited back from the state's portion of the sales tax revenue. The City Council authorized this tax in 2019 ([AB 5621](#)) and began collecting the additional tax revenue on January 1, 2020. The HB 1406 revenue is authorized for uses related to the construction or preservation of affordable housing and for the provision of rental assistance for low income households. Earlier in 2020, the Council made the decision to direct all of the HB 1406 revenue to support the Rental Assistance program. In the future, as needs change post-Pandemic, the City Council may consider reallocating some or all this revenue from the Rental Assistance program to the HTF.

The ARCH Executive Board has adopted "Parity Goals" to assist jurisdictions in identifying HTF contributions in a way that fosters equitable investment across the member jurisdictions. The Parity Goals represent a range of suggested contribution amounts that is calculated based on population and projected employment and housing in each jurisdiction. The goals are updated annually based on the Consumer Price Index (CPI). Each city's contribution to the HTF remains voluntary and at the discretion of the respective city council. Mercer Island's Parity Goal range for 2020 is \$18,146 to \$150,045.

#### Work Program

The ARCH Work Program (see Exhibit 1, beginning on page 28) was adopted in April 2020 by the ARCH Executive Board and includes the following priorities for 2020:

- Provide excellent stewardship of affordable housing assets
- Finalize and begin reporting on measurable goals for production and preservation of affordable housing across ARCH member communities
- Continue to support proposals for dedicated revenue sources for the Housing Trust Fund to expand production of affordable housing.
- Recommend options for expanding ARCH's capacity to accomplish its broader mission.
- Seek opportunities to advance projects and programs with high potential impact and facilitate projects in the pipeline to the greatest extent possible.
- Respond to emerging needs identified by local communities and member jurisdictions.

The ARCH Work Program includes five core areas of work, summarized below:

#### **I. AFFORDABLE HOUSING INVESTMENT**

Managing the HTF program, including providing technical assistance to prospective applicant projects and coordinating with other public and private funders. Special projects including transit-oriented development, utilization of surplus properties, supporting efforts to expand shelter capacity, preservation of at-risk affordable housing and investing in predevelopment analysis of potential projects.

#### **II. HOUSING POLICY AND PLANNING**

Assisting member cities with housing policy and planning, including Housing Element updates and Housing Strategy 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. This includes continued implementation of recommendations from the 2019 consultant assessment.

**IV. EDUCATION AND OUTREACH**

Hosting public events, providing information to the public and engaging communities in understanding and supporting affordable housing efforts. Providing assistance to community members seeking affordable housing, including maintaining a list of interested households and advertising available housing opportunities to the list. Identifying underserved communities and working to increase access to affordable housing for these communities.

**V. ADMINISTRATION**

Maintaining cost effective administration of ARCH’s programs and services. In 2021 this will also include an organizational assessment of ARCH’s structure, staffing and capital resources to assess options for expanding organizational capacity.

The ARCH Work Program was prepared in early 2020, including Attachment A, which summarizes the work ARCH plans to do to support each of the member cities. The Mercer Island section includes work items that have seen significant changes since the work plan was drafted. For example, there is a reference to reviewing the City’s MFTE program, which has since been repealed. City staff are coordinating with ARCH as our needs evolve and ARCH staff have flexibility to adapt to our needs. City staff also continue to coordinate with ARCH staff around items I., II., III., and IV. of the ARCH Work Program.

**NEXT STEPS**

The City Council will need to allocate funds for the ARCH administrative budget and the HTF contribution in the coming weeks as a part of the biennial budget process. The City Council is also required to approve the ARCH Work Plan and Administrative Budget per the terms of the ARCH ILA. This approval is tentatively scheduled for the November 17, 2020 City Council meeting.

**RECOMMENDATION**

1. Discuss the ARCH 2021 Work Plan and Administrative Budget.
2. Discuss the 2021-2022 contributions to the ARCH Housing Trust Fund.