



BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 7013
October 20, 2026
Consent Agenda

AGENDA BILL INFORMATION

TITLE:	AB 7013: Approval of the 2027-2028 ARCH Administrative Budget and Work Program	☐ Discussion Only ☒ Action Needed: ☒ Motion ☐ Ordinance ☐ Resolution
RECOMMENDED ACTION:	Approve the 2027-2028 ARCH Administrative Budget and Work Program, including Mercer Island's contributions of \$103,925 in 2027 and \$109,334 in 2028	

DEPARTMENT:	Community Planning and Development
STAFF:	Jeff Thomas, Director Alison Van Gorp, Deputy Director
COUNCIL LIAISON:	n/a
EXHIBITS:	1. ARCH Memo Re: ARCH 2027-28 Budget and Work Program 2. ARCH Memo Re: Trust Fund parity Goals, Funding for Affordable Housing and Credit for Investments through ARCH
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) 2027-2028 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.
- The ARCH Administrative budget totals \$3,022,407 for 2027 and \$3,179,284 for 2028, of which Mercer Island is asked to contribute \$103,925 and \$109,334, respectively (Exhibit 1).
- In 2027-2028, ARCH's work plan includes priorities such as working to secure dedicated revenue sources for affordable housing and continuing to expand the pipeline of affordable housing projects in East King County (Exhibit 1).

- ARCH staff have prepared updated “parity goals” that represent a recommended range for contributions to the Housing Trust Fund (Exhibit 2). Mercer Island’s parity goals range from \$54,623 to \$114,137.
- The City’s preliminary 2027-2028 Biennial Budget includes \$103,925 in 2027 and \$109,334 in 2028 for the ARCH Administrative Budget. The preliminary budget also includes a \$35,000 annual contribution to the Housing Trust Fund in 2027 and 2028.

BACKGROUND

ARCH was established in 1993 by an [Interlocal Agreement](#) to create and preserve affordable housing throughout the greater East King County community. 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. ARCH staff serve as additional housing staff to each member city and coordinate with member city staff in various housing-related projects, plans and services.

Like other local government members, Mercer Island contributes annually to ARCH to provide administrative support for the organization’s housing activities and capital support for the creation and preservation of affordable housing. 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 community (RCW 36.70A.070(2)), as well as 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% of the area median income or less. In the Seattle-Bellevue, WA HUD Metro FMR Area, the median family income for a four-member household in 2026 is \$164,400.

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 affordable housing requirement 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 State legislative mandates, including HB 1220, HB 1110, and HB 1337.

ISSUE/DISCUSSION

ARCH 2027-2028 ADMINISTRATIVE BUDGET AND WORK PROGRAM

Administrative Budget

The ARCH Executive Board develops and approves a biennial Administrative Budget and Work Program that is advanced to member councils for approval. The 2027-2028 Administrative Budget and Work program was approved by the ARCH Executive Board in June 2026 (Exhibit 1). The Administrative Budget supports the staffing and other costs associated with implementing the 2027-2028 work program (summarized below). Per the direction of the Executive Board, the Administrative Budget maintains existing staffing levels.

The ARCH Administrative Budget totals \$3,022,407 for 2027 and \$3,179,284 for 2028. The 2027 budget represents a 6.9% increase over the 2026 budget, and the 2028 budget is a 5.2% increase over 2027 (see Exhibit 1, page 3). This increase is driven primarily by cost-of-living adjustments, increasing benefit costs, and other operating expenses tied to inflationary pressures. There was also a significant increase related to the cost of in-kind services for insurance and information technology support.

Each ARCH member pays a share of the Administrative Budget. The member contributions are calculated based on a proportionate share of the base operating budget determined by the population of each member jurisdiction, plus a share of the monitoring and stewardship costs for the rental housing program based on the number of housing units currently in the program. Mercer Island currently has 28 units in the affordable housing incentive program.

In 2027, Mercer Island's share of the Administrative Budget is \$103,925 or 3.4% of ARCH's total operating budget. This represents a 5.6% increase over the City's 2026 contribution. For 2028, Mercer Island's contribution increases to \$109,334, an annual increase of 5.2%.

Work Program

The ARCH Work Program (see Exhibit 1, page 5) was adopted in June 2026 by the ARCH Executive Board and includes the following priorities for 2027-2028:

- Continue to expand the pipeline of affordable housing projects in East King County through partnerships and development of special projects, including projects on public, nonprofit and faith-owned land.
- Facilitate and advance proposals for dedicated revenue sources for affordable housing in East King County and ensure that countywide sources benefit ARCH communities.
- Implement education and engagement efforts with ARCH member stakeholders (including staff, planning commissioners, elected officials) and community members to increase affordable housing support, connections and leadership in the region.
- Convene coalition members to develop targeted legislative priorities related to funding for affordable housing, reducing barriers to affordable housing development, and supporting regional approaches to affordable housing.
- Complete implementation of select recommendations from ARCH's Governance Study to streamline decision-making, increase alignment and empower the coalition to advance ARCH's mission.
- Support preservation of existing affordable housing through policy and funding solutions.
- Manage continued growth in the ARCH Rental Program by evaluating ways to redistribute staff resources and streamline program implementation.

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.

Local Work Program

The ARCH Work Program also includes capacity to assist member city staff with administration of local affordable housing programs and planning efforts, which is outlined in Attachment A (Exhibit 1, page 17). In 2027-2028, ARCH will support Mercer Island with the following:

- Monitoring and stewardship of 28 affordable rental units (located in the Hadley and Lunara apartments)
- Administering affordable housing code requirements
- Administering HTF investments
- Evaluating affordable housing policies related to adoption of permanent regulations for middle housing and ADUs
- Supporting implementation of land use and MFTE incentives as required under HB 1491
- Supporting City investment of any fee in lieu funds and exploring other potential funding sources to support affordable housing
- Evaluating any surplus public property that is identified for potential affordable housing purposes
- Considering land use incentives for faith owned land if potential sites are identified

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.

Parity Goals

In 1998, ARCH members established the concept of voluntary Parity Goals to encourage proportional member contributions for affordable housing development. These goals were designed to establish regional funding targets that are distributed among members based on population and projected housing and job growth. These goals provide a way to engage members on annual contributions to the ARCH Trust Fund and encourage a variety of forms of voluntary contributions to affordable housing, including land donations and fee waivers. ARCH updates Parity Goals on an annual basis to account for inflation. Information on actual contributions to the HTF in 2026 by ARCH member jurisdictions as well as the Parity Goals for each jurisdiction are available in Exhibit 2. Mercer Island's Parity Goals range from \$54,623 to \$114,137.

HTF Contribution

The Parity Goals provide a suggested contribution range; however, Mercer Island's HTF contribution is completely voluntary, and the amount is set by the City Council as a part of the Biennial Budget. The City's contributions to the HTF come from the City's General Fund, designated to ARCH for the purpose of creating

affordable housing. Funds contributed to the HTF are held in a centralized account at the City of Bellevue and earn interest.

The City contributed \$96,000 in 2018, \$50,000 in 2019, \$33,768 in 2020, and \$35,000 each year since 2021. A \$35,000 annual contribution to the HTF has been included in the City's Preliminary 2027-2028 Biennial Budget. The City Council may discuss proposals to adjust this amount during the Operating Budget discussion scheduled for Regular Business at its October 20 meeting.

NEXT STEPS

The City's Preliminary 2027-2028 Biennial Budget includes \$103,925 for 2027 and \$109,334 in 2028 for ARCH's 2027-2028 administrative budget. City Council approval of the ARCH 2027-2028 Work Program and Administrative Budget would affirm these funding levels.

The City's Preliminary 2027-2028 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 2027-2028 Administrative Budget and Work Program, including Mercer Island's contributions of \$103,925 in 2027 and \$109,334 in 2028.