



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

**AB 5697
June 9, 2020
Regular Business**

AGENDA BILL INFORMATION

TITLE:	AB 5697: ARCH 2019 Housing Trust Fund Project Funding Approval	<input type="checkbox"/> Discussion Only
RECOMMENDED ACTION:	Review and approve ARCH 2019 Housing Trust Fund recommendation and allocate project funds	<input checked="" type="checkbox"/> Action Needed: <input checked="" type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution

DEPARTMENT:	Community Planning and Development
STAFF:	Alison Van Gorp, Deputy Director
COUNCIL LIAISON:	n/a
EXHIBITS:	1. ARCH Fall 2019 Housing Trust Fund Recommendations
CITY COUNCIL PRIORITY:	n/a

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

SUMMARY

The purpose of this agenda bill is to provide an overview of the six projects recommended by the ARCH Executive Board for funding from Mercer Island’s contributions to the ARCH Housing Trust Fund (HTF). Approval of funding for these projects will allocate funds contributed to the HTF in 2018 and 2019, totaling \$106,950.

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 serves as additional housing staff to each member city, and coordinates with member city staff in various housing-related projects, plans and services.

Like other local government members, Mercer Island contributes annually to ARCH in order 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 population (RCW 36.70A.070(2)), as well as sharing resources with regional partners in the provision and administration of affordable housing.

ARCH HOUSING TRUST FUND

The ARCH Housing Trust Fund (HTF) was created by ARCH member cities in 1993 as a way to directly assist the development and preservation of affordable housing in East King County. The HTF enables ARCH members to capitalize a joint housing development fund and directly control the use of their housing funds through ARCH's funding recommendation process. The HTF is the primary means by which ARCH members assist in creating and preserving housing opportunities for low- and moderate-income households. The HTF awards loans and grants to Eastside developments that include below-market rate housing. HTF projects typically create housing that is affordable for households earning 60% area median income or less. Between 1993 and 2018, ARCH invested over \$62 million to create 3,645 units of East King County housing for families, seniors, homeless, and persons with special needs.

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 \$64,000 in 2017, \$96,000 in 2018, \$50,000 in 2019 and is budgeted to contribute \$33,768 in 2020. Funds contributed to the HTF are held in a centralized account at the City of Bellevue and earn interest. Housing projects are identified for funding via a competitive process each fall. ARCH staff, member city liaisons, the ARCH Citizen's Advisory Board (CAB) and the ARCH Executive Board review and recommend projects for HTF funding. Allocation of HTF funds contributed by Mercer Island to specific projects must be approved by the City Council, per the terms of the [ARCH Interlocal Agreement](#).

2019 PROJECT FUNDING RECOMMENDATIONS

The 2019 ARCH HTF funding round had a record of nine applications representing requests for nearly \$20 million in local funds. Typically, the ARCH members invest \$1.5 to \$2 million of HTF funds in projects each year. However, no funds were invested in projects in 2018, and the Executive Board is recommending allocation of funds from both the 2018 and 2019 Trust Fund contributions, Community Development Block Grant (CDGB) funding, and interest and revenue accrued in cities' accounts. Even with higher than typical available funding, the Executive Board had to make some difficult choices as to which projects to fund.

The ARCH Executive Board, in concurrence with the ARCH CAB, is recommending a total funding allocation of \$5,001,000 for six new projects and one supplemental award to a previously funded project. These recommendations advance projects that meet urgent local priorities, including the expansion of year-round emergency shelter on the Eastside, construction of permanent housing with services for homeless families, workforce housing for low and moderate income wage earners, affordable senior housing and special needs housing. Details on the Executive Board's rationale for recommending each project is included in Exhibit 1.

The ARCH Executive Board recommends that Mercer Island support the six projects listed at the top of the next page, with funds for the Imagine Housing project coming from the Northeast subregion of King County's CDGB allocation and the other 5 projects drawing on up to \$106,950 from the City's contributions to the ARCH Housing Trust Fund:

- Imagine Housing Samma Senior Apartments (CDGB Funds)
- Congregations for the Homeless East King County Men’s Permanent Shelter (\$13,120)
- Inland Group Polaris at Eastgate Apartments (\$15,090)
- Inland Group/Horizon Housing Alliance Together Center Redevelopment (\$72,150)
- Community Homes Shared Living 1 (\$2,640)
- Community Homes Adult Family Home 8 (\$3,950)

The 2019 balance in the Mercer Island HTF account was \$228,033. Of this amount \$65,944 is committed to previously funded projects that are now in development. If the \$106,950 for the recommended projects listed above is approved, \$55,139 will remain in Mercer Island’s HTF account. These funds will be held in an interest-bearing account, and together with the 2020 contribution (plus interest earned and any loan repayments) will be available to award to new projects in the Fall 2020 funding round. The ARCH Executive Board recommended holding \$2 million of the funds available in the 2019 funding round in reserve for a transit-oriented development project in Bellevue; thus a significant portion of Mercer Island’s remaining balance will be recommended for funding allocation as a part of the 2020 funding round.

Exhibit 1 is the ARCH Fall 2019 Housing Trust Fund Recommendations memo, detailing the projects recommended for funding by the ARCH Executive Board, and the following supporting documents:

1. Attachment 1: Recommended Projects and Funding Sources provides a funding chart showing how proposed ARCH funding is distributed among ARCH cities (page 21).
2. Attachment 2: Economic Summaries of Recommended Projects provides economic summaries of the recommended projects showing sources of funding and project expenses (pages 22-28).
3. Attachment 3: Past Projects Funded Through the ARCH Trust Fund provides a summary of ARCH projects funded from 1993-2018 (pages 29-30).

RECOMMENDATION

Approve the use of \$106,950 from the City’s contributions to the ARCH Housing Trust Fund as recommended by the ARCH Executive Board and authorize execution of any related agreements and documents.