



BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 6864
February 3, 2026
Consent Agenda

AGENDA BILL INFORMATION

TITLE:	AB 6864: ARCH Housing Trust Fund Project Approvals (Resolution No. 1689)	<input type="checkbox"/> Discussion Only <input checked="" type="checkbox"/> Action Needed: <input checked="" type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input checked="" type="checkbox"/> Resolution
RECOMMENDED ACTION:	Approve Resolution No. 1689 addressing revisions to the terms and conditions applicable to the House Key Plus ARCH (East King County) Down Payment Assistance Program, authorizing execution of related agreements, and ratifying prior actions taken in support of said program, all as recommended by the Executive Board for A Regional Coalition for Housing.	

DEPARTMENT:	Community Planning and Development
STAFF:	Jeff Thomas, Community Planning and Development Director Alison Van Gorp, Deputy Director
COUNCIL LIAISON:	n/a
EXHIBITS:	1. House Key Plus ARCH East King County Downpayment Assistance Program Recommendation Memo 2. Resolution No. 1689
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 item is to approve a resolution addressing revisions to the terms and conditions applicable to the House Key Plus ARCH (East King County) Down Payment Assistance Program.

- The Down Payment Assistance Program was first established in 2005 by A Regional Coalition for Housing (ARCH), the Washington State Housing Finance Commission (WSHFC), and King County to provide low interest mortgage loans to first time homebuyers.
- Throughout the last year, WSHFC, King County, and ARCH have collaborated to review the Down Payment Assistance Program and develop recommendations to strengthen and extend its impact.
- The recommended updates are intended to better meet the needs of eligible buyers in the current marketplace, align with the ARCH Homeownership Program, and result in faster utilization of program funds. Approving Resolution No. 1689 would update the Down Payment Assistance Program to increase the size of loans, reduce interest rates and expand eligibility.

BACKGROUND

ARCH was established in 1993 by an [Interlocal Agreement](#) to create and preserve affordable housing throughout the greater East King County community. 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. Please refer to [AB 6859](#) for additional background information on ARCH.

HOUSE KEY PLUS ARCH EAST KING COUNTY DOWNPAYMENT ASSISTANCE PROGRAM

The House Key Plus ARCH East King County Downpayment Assistance Program was first established in 2005 by ARCH, the Washington State Housing Finance Commission (WSHFC), and King County. The program is intended to diminish obstacles low-income first-time homebuyers face when seeking homeownership through providing low interest mortgage loans. The program is administered through WSHFC and has provided up to \$30,000 in downpayment assistance for qualified first-time homebuyers purchasing in East King County. Based on early successes, the program was recapitalized by all the contributing partners in 2007 and 2012, as shown in Exhibit 1. The program, as previously authorized, is summarized below:

Program Eligibility

- Household income at or below 80% of AMI
- Home will be the buyer's principal residence
- Home must be within the ARCH member jurisdictions.
- Additional requirements for loans funded with federal HOME funds

Down Payment Assistance Terms

- Second mortgages of up to \$30,000 per home.
- There are no monthly payments on the second mortgage. The loan is due when the buyer sells, refinances, moves out or pays off the 1st mortgage.
- 4% deferred simple interest to be paid when the borrower pays off the loan.
- The loan can be in place for up to 30 years before it must be paid back.
- Borrower(s) must contribute at least 2% of the purchase price from their own funds

Administration

The program is administered by the Washington State Housing Finance Commission (WSHFC) through its existing community of lenders. WSHFC provides training to lenders and includes the program in its regular marketing and outreach.

Current Usage

To date, the program has served 81 homebuyers. When first established, the program was well matched to buyers' needs, but as home prices have increased dramatically in the last 20 years, the amount of assistance has become insufficient to bridge the gap between eligible households' income and market rate home prices. As of December 2025, there was \$1,201,147 in available program funds. While the program has continued to

originate loans in recent years, the pace of loan activity has slowed significantly as home prices have increased far faster than buyers' incomes.

ISSUE/DISCUSSION

PROPOSED PROGRAM CHANGES

WSHFC, King County and ARCH have collaborated throughout the last year to review the Down Payment Assistance Program and develop recommendations to strengthen and extend its impact. Below is a summary of recommendations approved by the ARCH Executive Board. These recommendations are anticipated to better meet the needs of eligible buyers in the current marketplace, align with the ARCH Homeownership Program, and result in faster utilization of program funds.

Current Program	Proposed Change
\$30,000 max downpayment assistance	Increase max downpayment assistance to \$75,000. For borrowers at or below 80% AMI, the maximum downpayment assistance would be \$75,000. For borrowers between 80%-100% AMI, the maximum downpayment assistance would be \$50,000. Increasing the assistance would make the program more desirable and better bridge the gap for lower income buyers in East King County.
2% minimum contribution required for borrowers	Reduce required minimum contribution for borrowers to 1%. This change would reduce a hurdle to otherwise qualified buyers.
80% AMI eligibility requirement	Allow eligibility up to 100% AMI. This would increase the program's reach and support moderate income households, including potential ARCH homebuyers. The current program income limit is based on federal HOME funding requirements. WSHFC's maximum income limit is 100% AMI.
Simple interest at 4%	Lower the interest rate from 4% to 1%. Currently, 4% is the highest interest rate among any downpayment assistance program WSHFC offers, with most others at 0% or 1%. For homes with resale restrictions, 1% simple interest poses less risk to the borrower.
Program Name: House Key Plus ARCH (East King County) Downpayment Assistance Program	Change the program name to the 'East King County Down Payment Assistance Program.' This change will help to distinguish the Down Payment Assistance Program from the ARCH Homeownership Program, as there is confusion in the marketplace between the two programs.

In addition to the above recommendations, the ARCH Executive Board recommends that Down Payment Assistance Program partners (ARCH, WSHFC and King County) establish a Third Amended and Restated Agreement that will clarify and consolidate administrative responsibilities in ARCH and ARCH's Administering Agency. ARCH would become the delegated authority for any related financial agreements associated with the Down Payment Assistance Program.

PROGRAM UPDATE RATIONALE

The ARCH Executive Board supported these recommendations for the following reasons:

- Funds have been underutilized and updating the program would better meet the needs of eligible buyers.

- The Down Payment Assistance Program has demonstrated success but requires updates to continue to be a valuable tool for low- and moderate-income buyers looking to purchase in East King County.
- The changes will better align the Down Payment Assistance Program with ARCH's Affordable Homeownership Program, which provides some of the only affordable entry points to homeownership in East King County.
- The changes will clarify and simplify administrative responsibilities to ARCH and the administering agency.
- No additional funding is required at this time.

NEXT STEPS

If Resolution No. 1689 is approved, ARCH will update the House Key Plus ARCH (East King County) Down Payment Assistance Program to reflect the changes outlined on page 3 of the resolution. No further action is needed related to this matter.

RECOMMENDED ACTION

Approved Resolution No. 1689 addressing revisions to the terms and conditions applicable to the House Key Plus ARCH (East King County) Down Payment Assistance Program, authorizing execution of related agreements, and ratifying prior actions taken in support of said program, all as recommended by the Executive Board for A Regional Coalition for Housing.