



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

**AB 5626
November 19, 2019
Study Session**

AGENDA BILL INFORMATION

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| TITLE: | AB 5626: Update on ARCH and ARCH 2020 Work Plan and Administrative Budget | <input checked="" type="checkbox"/> Discussion Only |
| RECOMMENDED ACTION: | Receive update | <input type="checkbox"/> Action Needed: <input type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution |

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

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

SUMMARY

This is a follow-up presentation to the September 17 Study Session, since staff was unable to present and update on ARCH ([AB 5608](#)) due to time constraints. This update includes ARCH’s actions in response to reports indicating that owners of affordable units stewarded under ARCH’s Homeownership program were not in compliance with ARCH rules, including an overview of the findings of the [consultant report](#). The Study Session on November 19 will provide the Council an opportunity to discuss the consultant report and receive information about the ARCH Executive Board’s recommended 2020 budget and work program.

ARCH 2020 Budget and Work Program

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 in order 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. Housing trust fund projects typically 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. Legislative work supported by ARCH is primarily targeted to result in housing that is affordable at 80% area median income or below. In addition, when Mercer Island begins the work to update the Comprehensive Plan (scheduled to begin in 2021), ARCH staff will provide support in terms of research, data analysis, and policy development related to updating the Housing Element.

When the 2019 budget and work program discussion occurred in May 2019 ([AB 5559](#)), there were inquiries around the provisions of the [ARCH interlocal agreement](#) (ILA) and what would be involved in withdrawing from ARCH. As a reminder, the ILA requires a minimum 1-year written notice for withdrawal. If Mercer Island were not participating as a member of ARCH, the City would have significant obligations that would need to be met internally, something that cannot currently be accommodated with existing resources.

Exhibit 1 includes a memo from Lindsay Masters, ARCH Executive Manager, and Kurt Triplett, ARCH Executive Board Chair. The memo outlines the key findings of the consultant report and action steps ARCH is undertaking to strengthen their operations. Chief among these actions is expanding their staff capacity by 2.0 FTEs. One new position will be dedicated entirely to administration of the Homeownership Program, bringing the overall program capacity up to 2.0 FTE. The second position will be responsible for compliance monitoring of rental housing covenants and providing back-up support to the Homeownership Program. The Executive Board approved this action over the summer and authorized the use of one-time funds and City of Kirkland's housing funds to enable hiring for these positions in 2019. For 2020, ARCH is asking each member city to increase its contribution to the administrative budget to cover the additional costs for these positions.

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 2020 work program, summarized in the next section.

The 2020 administrative budget (see Exhibit 1) totaled \$1,110,097, a 53% increase over 2019. This substantial increase in costs is largely due to the addition of two new staff positions, at a cost of \$264,000. Each ARCH member city pays a share of the administrative budget, based on population. In 2020, Mercer Island's share of the operating budget is \$50,222 or 4.5% of the total. The City budgeted \$33,000 for this expense, and a budget amendment will be required to allocate an additional \$16,895 if the City Council approves this budget and work program.

Housing Trust Fund Budget

In addition to providing administrative support to ARCH, the City budgeted \$100,000 in the 2019-2020 Biennium Budget to contribute to the ARCH Housing Trust Fund (HTF). After contributing to the HTF through the regular City budget process, the City Council must also review and approve allocation of these funds to specific projects as recommended by the ARCH Executive Board.

Several project applications were received in the Fall 2019 funding round and are currently under consideration by the ARCH Citizen Advisory Board and the Executive Board; funding will be allocated based on resource availability and quality of the proposals. Projects recommended for funding by the Executive Board

will be brought back for City Council review and approval in the first half of 2020. The ARCH member cities together typically invest \$1.5 to \$2 million annually in projects. However, no funds were invested in projects in 2018, so it is likely that a larger sum will be invested this year. The HTF currently has a balance of approximately \$6 million. 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.

Work Program

The ARCH Work Program (see exhibit 1) was adopted on September 12, 2019 by the ARCH Executive Board and includes the following priorities for 2020:

- Provide excellent stewardship of affordable housing assets
- Develop measurable goals for production and preservation of affordable housing in the ARCH region
- Advance an initiative with high potential for impact (i.e. Eastside Equitable TOD Plan)
- Continue to support proposals for dedicated revenue sources for affordable housing
- Evaluate options for expanding ARCH's capacity to accomplish its broader mission

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 and preservation of at-risk affordable housing.

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. Monitoring and oversight of rental and homeownership housing, including improvements to these systems.

IV. Education and Outreach

Hosting public events, providing information to the public and engaging communities in understanding and supporting affordable housing efforts.

V. Administration

Maintaining cost effective administration of ARCH's programs and services. In 2020 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 September of 2019 and includes a reference to supporting the City of Mercer Island in the adoption of a Housing Strategy Plan. The City originally anticipated requesting assistance from ARCH in preparing a Housing Strategy Plan, supported by grant monies associated with Washington State HB 1923. Following the City Council's direction on September 17, 2019, staff has notified ARCH that the City will not be proceeding with this item in 2020. City staff continues to coordinate with ARCH staff around items I., II., III., and IV. of the ARCH Work Program.

Next Steps

Agenda Bill 5627, on the Consent Calendar for the November 19 City Council meeting, will provide the opportunity for the Council to approve the ARCH 2020 budget and work program. If the budget and work program are approved, staff will bring a budget amendment back to Council in Q1 2020 to allocate additional funding to account for additional costs related to expanded staffing. Staff will also bring back the recommended projects for funding from the ARCH Housing Trust Fund for City Council approval in the first half of 2020.

RECOMMENDATION

Receive update.