

# ARCH Operations Update & Administrative Budget and Work Plan



AB 5626 | November 19, 2019

# Agenda

1. ARCH update on program operations and the Homeownership Program
2. Overview of ARCH 2020 Budget and Work Plan

# ARCH Update

- News reports beginning in October 2018 identified compliance concerns in the ARCH Homeownership Program
- ARCH audited the ~700 units in the program, identified 3 types of compliance issues
  - Foreclosures
  - Non-owner occupancy
  - Sales or transfers without proper notification
- ARCH conducted follow-up investigations on 50+ units
- Identified compliance violations in 25 units (3.6% of the total portfolio)

# ARCH Update

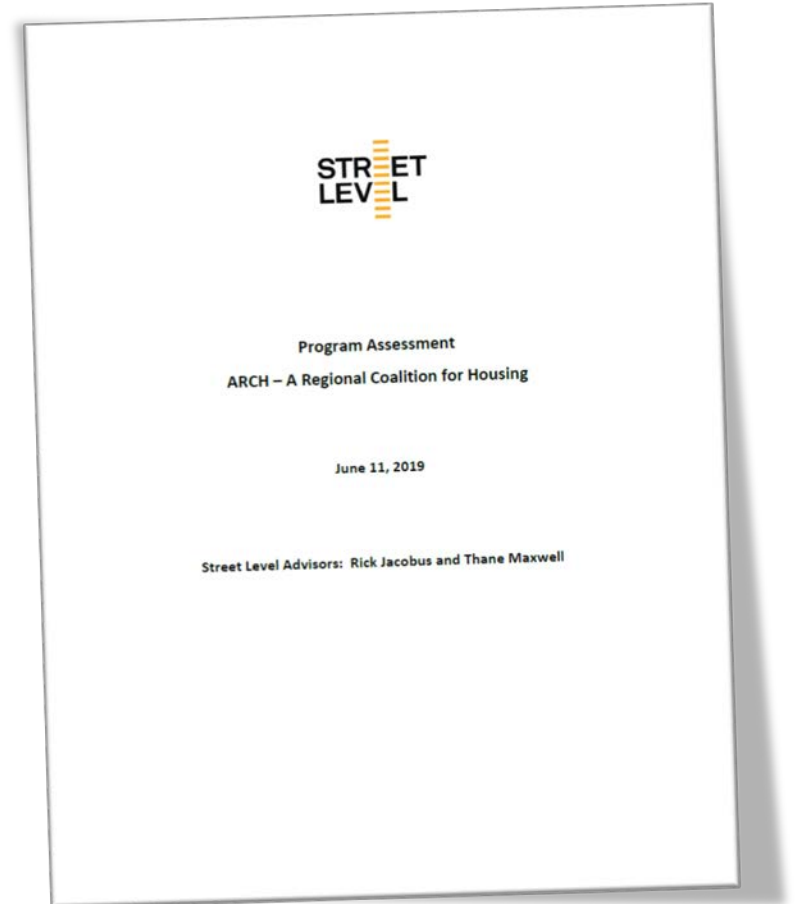
## Consultant Report

- In February 2019 ARCH hired Street Level Advisors
- Additional support for audit of ownership units
  - Analyzed data on current status of ARCH homes to identify compliance issues
- Program assessment of Homeownership Program:
  - Compiled data on affordable pricing and current resale formula values for each home to understand ARCH's performance in maintaining affordability and growing equity for homeowners
  - Administered assessment of industry best practices for affordable homeownership programs
  - Summarized key findings and recommended changes in policies and procedures to strengthen the Homeownership Program

# ARCH Update

## Consultant Report

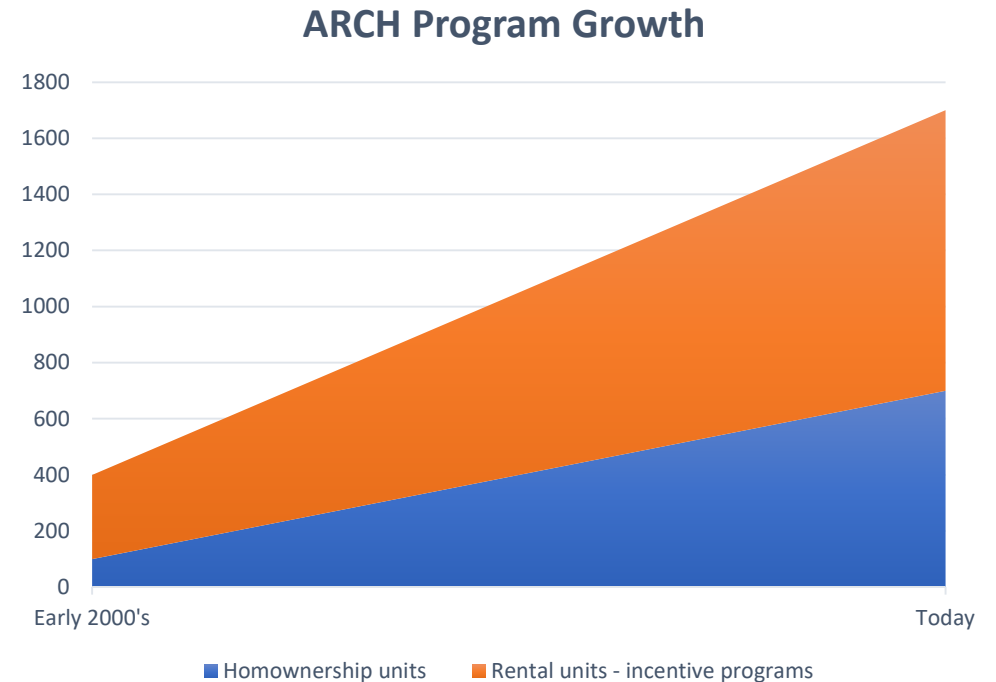
- Program Assessment released in June 2019
- Key findings:
  - The program has succeeded in providing affordable homeownership opportunities while also preserving significant affordability over time
  - Some affordability has been lost due to rising home prices and the intricacies of resale formulas; some units have also been lost due to foreclosure
  - Compliance violations represent a small % of units; ARCH is already implementing more than half of the industry best practices
  - The program has grown substantially and there is now a need for additional capacity and more active monitoring and enforcement



# ARCH Update

## Consultant Report

- Bottom Line: Staffing levels have not kept pace with program growth
  - Housing units quadrupled
  - Staffing level unchanged (5 FTE)
- More staffing is needed to avoid additional compliance violations and to ensure the growing number of units are preserved and used for their intended purpose



# ARCH Update

## **ARCH Action Steps**

- Enforcement - working with individual jurisdictions' legal counsels
  - Majority of homeowners selling to new qualified buyers
- Increasing staff capacity by 2 FTE
  - 1 to support homeownership program, 1 to support rental housing program
  - Adds capacity for monitoring and enforcement, as well as supporting long-term affordability preservation
- Hiring consultant to recommend changes to the ARCH resale formula and level of resale fees
- Convening a working group of attorneys to improve legal documents to better position jurisdictions to ensure program objectives are met

**Questions on the consultant report?**



# ARCH Administrative Budget & Work Plan

## **Administrative Budget**

- Total 2020 administrative budget = \$1,110,097
- 53% increase over 2019 budget
  - Make permanent 2 new staff positions to provide additional capacity to administer the Homeownership Program and monitor compliance with rental housing covenants
- Increase Mercer Island's contribution to \$50,222
  - Error in AB 5627 – budgeted amount should be \$30,990
  - Requires increase of \$16,232

# ARCH Administrative Budget & Work Plan

## **Housing Trust Fund**

- Mercer Island budgeted \$50,000 contribution for 2020
- Fall 2019 Funding Round:
  - Project selection now underway
  - Approx. \$6M in available funds
  - Councils will approve recommended projects in first half of 2020
- HB 1406 will generate approximately \$36,000, some or all could be contributed to the Housing Trust Fund
  - This decision will come back to Council in Q1 2020

# ARCH Administrative Budget & Work Plan

## Work Plan

- 5 Priorities for 2020:
  1. Provide excellent stewardship of affordable housing assets
  2. Develop measurable goals for production and preservation of affordable housing in the ARCH region
  3. Advance an initiative with high potential for impact (i.e. Eastside Equitable TOD Plan)
  4. Continue to support proposals for dedicated revenue sources for affordable housing
  5. Evaluate options for expanding ARCH's capacity to accomplish its broader mission

# ARCH Administrative Budget & Work Plan

## Work Plan

- Core areas of work plan:
  - I. Affordable housing investment
  - II. Housing policy and planning
  - III. Housing program implementation
  - IV. Education and outreach
  - V. Administration
- Mercer Island specific work:
  - Oversight of existing affordable units
  - Policy/planning support :
    - Technical assistance/negotiating agreements with development projects seeking to include affordable housing
    - Review of the MFTE program and fee-in-lieu options
    - Housing Element/Housing Strategy Plan (2021)

# ARCH Administrative Budget & Work Plan

**Questions on the Budget or Work Plan?**

# Next Steps

- Tonight: approve ARCH 2020 administrative budget and work plan
- Q1 2020: if the budget is approved, staff will bring back a budget amendment related to the approximately \$17,000 in additional funds needed to support the ARCH budget. Staff will also bring an amendment related to appropriation of the HB 1406 revenue.