



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

**AB 6223
February 7, 2023
Regular Business**

AGENDA BILL INFORMATION

TITLE:	AB 6223: ARCH Housing Trust Fund Project Approval	<input type="checkbox"/> Discussion Only <input checked="" type="checkbox"/> Action Needed: <input checked="" type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution
RECOMMENDED ACTION:	Approve the use of \$127,600 from the City's contributions to the ARCH Housing Trust Fund.	

DEPARTMENT:	Community Planning and Development
STAFF:	Jeff Thomas, Director Alison Van Gorp, Deputy Director
COUNCIL LIAISON:	n/a
EXHIBITS:	1. Fall 2022 Housing Trust Fund Recommendation
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 appropriate funds from the ARCH Housing Trust Fund (HTF) to six projects recommended by the ARCH Executive Board.

- Mercer Island is a member of ARCH (A Regional Coalition for Housing) and like the other local government members, Mercer Island contributes annually to ARCH to provide operational support for the organization and capital support for affordable housing projects (via the HTF).
- The ARCH Executive Board recommends that Mercer Island support the six housing projects listed below, drawing on \$127,600 from the City's contributions to the ARCH HTF. City Council approval is required to allocate these funds:
 - Ardea - TWG/Imagine Housing (\$25,200)
 - Bellevue Homes – Habitat for Humanity (\$10,800)
 - Kenmore Supportive Housing – Plymouth Housing (\$59,100)
 - Kirkland Heights – King County Housing Authority (\$16,000)
 - Scattered Homes – Alpha Supportive Living (\$7,200)
 - Spring District 120th Street TOD – BRIDGE (\$6,300)

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.

ARCH HOUSING TRUST FUND

The ARCH Housing Trust Fund (HTF) was created by ARCH member cities in 1993 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% of the area median income or less. Over the last thirty years, ARCH has supported over 5,300 units of affordable housing and shelter beds. Funds invested in the HTF have been leveraged over 10:1, bringing in \$1 billion in other investments to East King County.

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 \$96,000 in 2018, \$50,000 in 2019, \$33,768 in 2020, and \$35,000 in each year since 2021. Funds contributed to the HTF are held in a centralized account at the City of Bellevue and earn interest. Mercer Island's annual contributions, plus loan repayments and interest earned, are held in reserve until allocated to specific projects. The balance of Mercer Island's portion of HTF account was not available at the time of publication but will be provided at the February 7 City Council meeting.

Affordable housing projects are identified for HTF funding via a competitive process each fall. ARCH staff, member city liaisons, the ARCH Community Advisory Board and the ARCH Executive Board review and recommend projects for grants or loans from the HTF. Allocation of funds from Mercer Island's portion of the HTF to specific projects must be approved by the City Council, per the terms of the [ARCH Interlocal Agreement](#).

ISSUE/DISCUSSION

2022 HTF FUNDING RECOMMENDATIONS

The 2022 ARCH HTF funding round was the largest ever, with eight applications for projects including 819 units of affordable housing and 26 emergency shelter beds. While it was not possible to fully fund all these

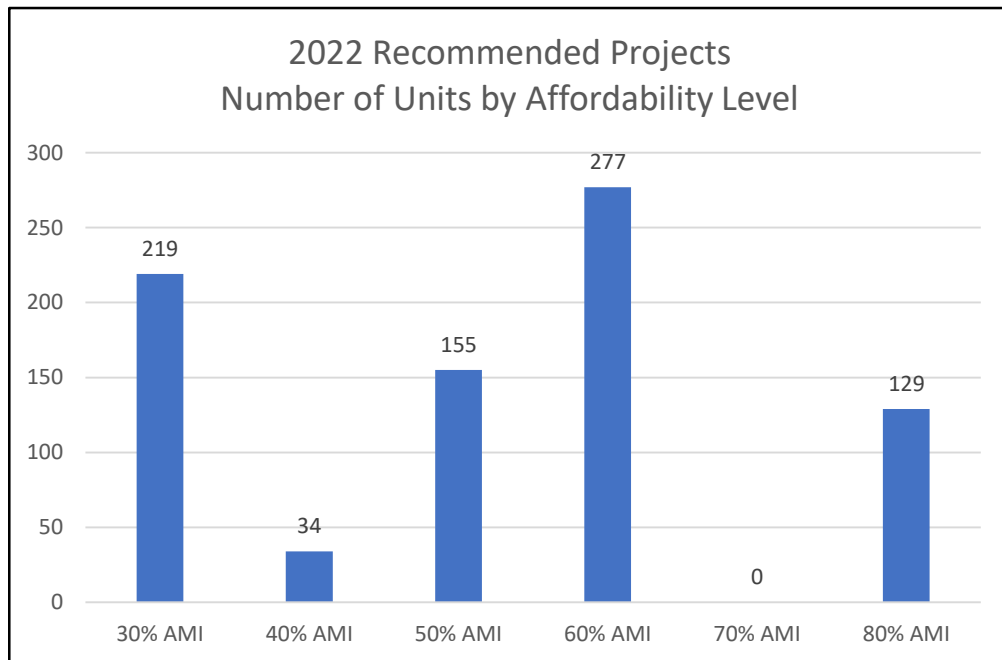
requests, the ARCH Executive Board, in concurrence with the ARCH Community Advisory Board (CAB), is recommending a total funding allocation of \$7,645,900 for seven projects. Details of the Executive Board’s rationale for recommending each project is included in Exhibit 1.

The ARCH Executive Board recommends that Mercer Island support six of the seven recommended projects drawing on \$127,600 from the City’s contributions to the ARCH Housing Trust Fund, as shown below:

- Ardea - TWG/Imagine Housing (\$25,200)
- Bellevue Homes – Habitat for Humanity (\$10,800)
- Kenmore Supportive Housing – Plymouth Housing (\$59,100)
- Kirkland Heights – King County Housing Authority (\$16,000)
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- Spring District 120th Street TOD – BRIDGE (\$6,300)

Note that the seventh project recommended for funding (Totem Six-Plex), is only recommended to receive \$50,000 in technical assistance funding at this time; it is not necessary to draw on funds from Mercer Island’s contributions to the HTF to provide the recommended funds.

The seven recommended projects will provide a range of affordable housing options throughout East King County, including very low-, low- and moderate-income units. The number of total units at each affordability level in the recommended projects is shown in the graph below. The recommended projects meet diverse needs throughout the region, including supportive housing for formerly homeless seniors, veterans and people with disabilities, homeownership housing that helps families build equity, preservation of existing affordable housing for large families, affordable senior independent living, transit-oriented development for families and individuals and affordable housing for individuals with intellectual and developmental disabilities.



The ARCH contributions to the recommended projects are just a small share of the funding and financing that it takes to construct/acquire these affordable housing units. Each ARCH HTF dollar is leveraged 40 to 1 with

funds from other sources, including federal tax credits and tax-exempt bonds, State of Washington and King County funding, among other sources.

Exhibit 1 is the ARCH Fall 2022 Housing Trust Fund Recommendations memo, detailing the projects recommended for funding by the ARCH Executive Board, including the following supporting documents:

1. Attachment 1: Recommended Projects and Funding Sources provides a chart showing how proposed ARCH funding is distributed among ARCH cities (page 19).
2. Attachment 2: Economic Summaries of Recommended Projects provides economic summaries of the recommended projects showing sources of funding and project expenses (pages 20-26).

NEXT STEPS

If the \$127,600 for the recommended projects listed above is approved by the City Council, the funds will be drawn from Mercer Island's portion of HTF account. Approval of the Housing Trust Fund project funding will conclude this matter. Later this year, the City Council will need to approve ARCH's 2024 work plan and budget.

RECOMMENDED ACTION

Approve the use of \$127,600 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.