



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

**AB 6155
September 20, 2022
Regular Business**

AGENDA BILL INFORMATION

TITLE:	AB 6155: ARCH 2023 Work Plan and Budget 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 ARCH 2023 Work Plan and Administrative Budget.	

DEPARTMENT:	Community Planning and Development
STAFF:	Jeff Thomas, Interim CPD Director Alison Van Gorp, Deputy CPD Director
COUNCIL LIAISON:	n/a
EXHIBITS:	1. ARCH 2023 Work Plan and Budget
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 provide the City Council with an overview of A Regional Coalition for Housing’s (ARCH) 2023 budget and work plan. The [ARCH interlocal agreement](#) (ILA) requires each member jurisdiction to approve the budget and work plan each year.

- ARCH is an intergovernmental coalition of 15 cities and King County focused on affordable housing.
- The member jurisdictions collectively fund ARCH’s operations as well as the Housing Trust Fund.
- In 2023, ARCH’s work plan includes priorities such as assisting member jurisdictions with preparing housing needs assessments, developing updates to housing elements as a part of the required 2024 periodic update to compressive plans, and strategic planning.
- The 2023 ARCH budget totals \$1,874,248, of which Mercer Island is asked to contribute \$69,646. City staff estimate that the City’s 2024 ARCH budget contribution will be \$73,825.
- The City also contributes to the ARCH Housing Trust Fund each year to support development of affordable housing in East King County. Preliminary budget numbers for 2023-2024 include \$35,000 annually for the Housing Trust Fund, pending City Council’s review and approval.
- If the City Council approves the 2023 budget and work plan, the appropriate funds will be included in the City’s 2023-2024 Preliminary Biennial Budget.

BACKGROUND

ARCH was created in 1992 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 jurisdictions 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.

Mercer Island contributes annually to ARCH 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'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)(d)), as well as in sharing resources with regional partners in the provision and administration of affordable housing.

The ARCH Housing Trust Fund (HTF) enables the member jurisdictions to pool resources to directly fund affordable housing development and preservation projects. The HTF typically funds projects that 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. In addition, with the onset of work on the periodic update to the Comprehensive Plan earlier this year, ARCH staff have provided substantial support in terms of research and data analysis for the Housing Needs Assessment that will inform our update of the Housing Element. Over the next year, ARCH will continue to provide support in interpreting the results of the Housing Needs Assessment and developing updated goals and policies in the Housing Element.

ARCH Organizational Improvements

Consultant reports in 2019 and 2021, by Street Level Advisors and Cedar River Group respectively, have called attention to the need to grow ARCH staff capacity to continue to provide support and oversight as the portfolio of affordable units under ARCH's stewardship continues to grow and the needs of member jurisdictions expand. The ARCH Executive Board has taken a measured approach to responding to the consultant recommendations, adding staff capacity through a phased approach that balances the need for additional staff capacity with the member jurisdictions' budgetary realities. In response to the 2019 findings, in mid-2019 the ARCH staff was expanded by 2.0 FTEs to provide more capacity to oversee ARCH's large portfolio of rental and homeownership units.

Likewise, in 2022 an additional 2.0 FTEs were added to support the planning activities and projects that member cities have undertaken and to address the increasing number and complexity of projects ARCH is participating in. Now, going into 2023, the ARCH Executive Board has recommended the addition of another 2.0 FTE to add positions that will ensure adequate capacity and support among the staff responsible for administering local housing programs, including the ARCH Homeownership Program, ARCH Rental Program and all local Incentive Programs.

With this measured approach in mind, the 2023 Work Program includes a strategic planning process intended to look at ARCH's longer-term trajectory in terms of continued growth and staff capacity needs, including an evaluation of member jurisdictions needs around policy and planning support.

Planning for Upcoming GMA Affordable Housing Targets

In addition to the regular work that ARCH staff do to create and steward affordable housing and provide policy and planning support to member jurisdictions, in 2023 and 2024 it is anticipated there will be a greater need for member jurisdiction support related to the required GMA periodic update to comprehensive plans as well as the new requirements related to affordable housing arising from legislation passed in the 2021 legislative session ([HB 1220](#)). To address this need, the ARCH Executive Board authorized use of ARCH reserves to hire an on-call consultant to provide additional capacity and technical expertise. ARCH staff and member jurisdiction staff have begun discussion of a collaborative, sub-regional approach to achieving the affordability targets now required under GMA. This work will continue through 2023 and beyond.

ISSUE/DISCUSSION

ARCH 2023 BUDGET AND WORK PROGRAM

Administrative Budget

Each year, the ARCH Executive Board develops and approves a work program and administrative budget that is advanced to member councils for approval (Exhibit 1). The administrative budget supports the staffing and other costs associated with implementing the 2023 work program (summarized below).

The 2023 ARCH Administrative Budget continues the phased expansion of staffing capacity that began in 2019. The 2023 budget totals \$1,874,248 which is a 26% increase over the 2022 budget (see Exhibit 1, page 9). This increase is largely related to a 2.0 FTE increase in staffing described above. Each ARCH member pays a share of the administrative budget and member contributions have increased accordingly in this budget. The member contributions are divided into two categories. The “base” contributions represent the share of the base operating budget that each member contributes, based on population. The “additional” contributions are paid by members that utilize ARCH services to support the operation and monitoring of a local affordable housing incentive program, based on the number of housing units currently in the program. Mercer Island currently has 13 units in the affordable housing incentive program (located in the Hadley Apartments). Since our portfolio is currently small, our contribution here is at the minimum level.

In 2023, Mercer Island’s share of the base operating budget is \$66,496. In addition, Mercer Island’s share of the additional dues to support the housing incentive program is \$3,150. Thus, the total Mercer Island contribution to the 2023 ARCH operating budget is \$69,646, or 3.7% of the total budget. This represents a 26% increase over the 2022 budget contribution.

Housing Trust Fund (HTF) Budget

In addition to providing administrative support to ARCH, the City also contributes to the HTF to directly support the creation of affordable housing. These contributions play an important role in helping to meet the rapidly growing demand for affordable housing in 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 both 2021 and 2022. Funds contributed to the HTF are held in a centralized account at the City of Bellevue and earn interest. In 2021, the HTF provided \$5 million to 3 affordable housing projects in East King County.

Work Program

The ARCH Work Program (see Exhibit 1, page 11) was adopted in June 2022 by the ARCH Executive Board and includes the following priorities for 2023:

- **Provide a housing needs analysis** for all member cities in support of Comprehensive Plan Updates
- Support analysis to show how Comprehensive Plans can **accommodate the range of housing needs** required in the Growth Management Act and Countywide Planning Policies
- **Report on measurable goals** for production and preservation of affordable housing in the ARCH region
- Facilitate and advance proposals for **dedicated revenue sources** for affordable housing in East King County
- Continue to **expand ARCH's capacity** to accomplish its broader mission
- Develop **compliance tools** to meet evolving program needs, and continue to provide excellent **stewardship** of affordable housing assets
- Develop and implement policies to **reduce cost burden** in affordable housing
- Seek opportunities to **advance projects and programs with high potential impact** and facilitate projects in the pipeline with available resources
- Develop a **strategic planning process** to guide the ARCH coalition into the future

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, preservation of at-risk affordable housing and investing in predevelopment analysis of potential projects.

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, including development agreements, multi-family tax exemption (MFTE) programs, inclusionary requirements and voluntary density bonus programs Long-term monitoring and oversight of rental and homeownership housing, including enforcement of affordability requirements, resale restrictions and owner-occupancy requirements. This includes continued implementation of recommendations from the 2019 consultant assessment.

IV. EDUCATION AND OUTREACH

Hosting public events, providing information to the public and engaging communities in understanding and supporting affordable housing efforts. Providing assistance to community members seeking affordable housing, including maintaining a list of interested households and advertising available housing opportunities to the list. Identifying underserved communities and working to increase access to affordable housing for these communities.

V. ADMINISTRATION

Maintaining cost effective administration of ARCH's programs and services. In 2021 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 also includes capacity to assist member city staff with local planning efforts, which is outlined in Attachment A (Exhibit 1, page 14). In 2023, ARCH will support Mercer Island by:

- Assisting staff with understanding and synthesizing the Housing Needs Analysis findings with housing-related requirements under the Countywide Planning Policies and the Growth Management Act.
- Providing input and assistance in the development of updated housing goals and policies for the City's Comprehensive Plan periodic update.

NEXT STEPS

The City's 2023-2024 Preliminary Biennial Budget is currently under development. In the preliminary budget, staff have allocated the following placeholders for the ARCH administrative and housing trust fund budgets:

- \$69,646 for 2023 and \$73,825 for 2024 for the ARCH Administrative Budget (The 2024 contribution assumes a 6% inflationary increase over the 2023 contribution).
- \$35,000 annually for the ARCH Housing Trust Fund for 2023 and 2024.

The preliminary budget will be published at the end of September. City Councilmembers may propose amendments to this budget as a part of the deliberation process this fall.

RECOMMENDED ACTION

Approve the ARCH 2023 Work Plan and Budget.