



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

**AB 5978
November 9, 2021
Consent Agenda**

AGENDA BILL INFORMATION

TITLE:	AB 5978: ARCH 2022 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 2022 Work Plan and Administrative Budget.	

DEPARTMENT:	Community Planning and Development
STAFF:	Jeff Thomas, Interim Director Alison Van Gorp, Deputy Director
COUNCIL LIAISON:	n/a
EXHIBITS:	1. Memo from Cedar River Group 2. ARCH 2022 Budget and Work Program Memo
CITY COUNCIL PRIORITY:	n/a

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

SUMMARY

11/05/21 Update - Revision to Exhibit #2
 ARCH submitted a revision to Exhibit 2 after the City Council packet was published. The City Council packet has been amended to reflect this revision. Changes to Exhibit 2 include removal of the mention of MFTE from the table on page 5 (Mercer Island repealed the MFTE program in 2020) and a correction to the description of ARCH services to be provided to Mercer Island in Attachment A (page 11).

The purpose of this agenda bill is to provide the City Council with an overview of A Regional Coalition for Housing’s (ARCH) 2022 budget and work plan. The [ARCH interlocal agreement](#) (ILA) requires each member to approve the budget and work plan each year.

BACKGROUND

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 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.

Like other local government members, 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 population (RCW 36.70A.070(2)), 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, when Mercer Island begins to update the Comprehensive Plan (scheduled to begin in 2022), ARCH staff will provide support in terms of research, data analysis, and policy development related to updating the Housing Element.

ARCH ORGANIZATIONAL IMPROVEMENTS

Exhibit 1 is a consultant report from the Cedar River Group analyzing ARCH staff capacity and recommending options for continuing to provide support and oversight as the portfolio of affordable units under ARCH's stewardship continues to grow. This report builds on the recommendations of the 2019 consultant report from Street Level Advisors. In response to these 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. The Cedar River Group analysis has found that ARCH staff capacity has not kept pace with the growth in the number of planning activities and projects that member cities have undertaken with ARCH staff support. In addition, the projects funded by the HTF have grown in complexity and opportunities for this work continue to expand (further detail is provided in Exhibit 1). Based on the findings of the Cedar River Group analysis, the ARCH Executive Board has recommended adding staff capacity through a phased approach that balances members' needs and fiscal challenges. Their recommendation is to add two new positions in 2022 and another in 2023.

ARCH 2022 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 2, beginning on page 5). The administrative budget supports the staffing and other costs associated with implementing the 2022 work program (summarized below).

The 2022 ARCH Administrative Budget (see Exhibit 2) totals \$1,490,462, which is a 29% increase over the 2021 budget. This increase is largely related to a 2.0 FTE increase in staffing. An administrative fee added last year to transactions in the Homeownership Program and is projected to generate \$150,000 in 2022, enough to fund the staff position that oversees monitoring of units in the program. Member contributions have increased modestly in this budget. Each ARCH member pays a share of the administrative budget. This year, the member contributions have been divided into two categories. The "base" contributions represent the share of the base operating budget that each member contributes, based on population. New this year are "additional" contributions for 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 only 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 2022, Mercer Island's share of the base operating budget is \$52,264. In addition, Mercer Island's share of the additional dues to support the housing incentive program is \$3,000. Thus, the Mercer Island contribution to the 2022 ARCH operating budget is \$55,265, or 3.7% of the total budget. This represents a 10% increase over the 2021 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 \$64,000 in 2017, \$96,000 in 2018, \$50,000 in 2019, \$33,768 in 2020 and is budgeted to contribute \$35,000 in 2021 and again in 2022. Funds contributed to the HTF are held in a centralized account at the City of Bellevue and earn interest. In 2020, the HTF provided \$5 million to 3 affordable housing projects in East King County.

Work Program

The ARCH Work Program (see Exhibit 2, beginning on page 7) was adopted in June 2021 by the ARCH Executive Board and includes the following priorities for 2022:

- **Provide a housing needs analysis** for all member cities in support of Comprehensive Plan Updates
- Report on **measurable goals for production and preservation of affordable housing** in the ARCH region
- Continue to **support proposals for dedicated revenue sources** for affordable housing
- **Expand ARCH's capacity** to accomplish its broader mission
- Continue to **provide excellent stewardship** of affordable housing assets, and develop new compliance tools to meet evolving program, property and tenant needs
- Seek opportunities to **advance projects and programs with high potential impact** and facilitate projects in the pipeline to the greatest extent possible
- Develop a **strategic planning process** to guide the ARCH coalition into 2023 and beyond

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. In 2022, ARCH will assist city staff with the planned Housing Needs Assessment.

NEXT STEPS

The current biennial budget included the City’s \$51,729 contribution for the ARCH work program in fiscal year 2022. If the Council moves to approve the 2022 ARCH work plan and budget, staff will include the additional \$3,536 expense during the mid-biennial budget amendments, scheduled for adoption during the December 7, 2021, City Council meeting.

RECOMMENDED ACTION

1. Approve the ARCH 2022 Work Plan and Budget and direct the City Manager to include the revised total of \$55,265 for the 2022 ARCH Administrative Budget in the Mid-Biennial Budget Adjustment.