



A Regional Coalition for Housing

Celebrating 30 years of bringing cities together to house East King County

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September 20, 2023

Dear ARCH Members,

Last year, we launched a process to identify potential revenue sources to address the growing need for funding to develop affordable housing. This effort was built on the decades of collaboration among ARCH member cities to pool and leverage local resources through the ARCH Trust Fund, now a proven strategy for all communities to contribute toward affordable housing on the Eastside. As a result of that process, several ARCH members worked together to advocate for a new local option Real Estate Excise Tax (REET). While this measure was not adopted in 2023, the state legislature continues to take dramatic steps aimed at addressing the affordable housing crisis in Washington, and as ARCH members we have an important opportunity to help advocate for needed solutions.

Recommended Legislative Priorities for 2024

Building on our previous work, the ARCH Board provided direction this year to expand our focus to two strategic legislative priorities. This includes a continued focus on revenue, as well a new focus on anticipated state mandates to facilitate transit-oriented development (TOD). Both of these issues are expected to be major topics in the upcoming legislative session, and both have profound implications for our members' ability to support affordable housing.

In August, staff and lobbyists from ARCH member jurisdictions joined together for an in-depth workshop to discuss these topics and provide feedback on potential legislative priorities. Their feedback was shared with the ARCH Executive Board, which approved the following language for members to consider including in your legislative agendas:

- **Funding for Affordable Housing:** [CITY] supports new and flexible funding options for local jurisdictions that address the need for affordable housing, such as a local option Real Estate Excise Tax (REET). Such options should be progressively structured to best meet the needs of low and moderate income households.
- **Affordable Housing Near Fixed Route Transit:** Affordable housing should be required in future planning for growth near fixed route transit. [CITY] supports setting affordability goals for transit-oriented development, and providing local flexibility and planning resources to help communities achieve those goals.

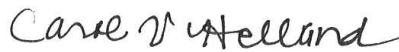
ARCH MEMBERS

BEAUX ARTS VILLAGE ♦ BELLEVUE ♦ BOTHELL ♦ CLYDE HILL ♦ HUNTS POINT ♦
ISSAQUAH ♦ KENMORE ♦ KIRKLAND ♦ MEDINA ♦ MERCER ISLAND ♦ NEWCASTLE ♦ REDMOND ♦
SAMMAMISH ♦ WOODINVILLE ♦ YARROW POINT ♦ KING COUNTY

Additional context for this language and the breadth of the discussion is provided in the attached summary from our Legislative Workshop. Of particular note, while many details around a potential TOD bill are still to be determined, members noted their agreement on identifying Light Rail and Bus Rapid Transit as the appropriate areas for focusing TOD efforts.

We are excited to see the continued collaboration of our members on legislative issues, and look forward to helping to amplify a unified voice to advocate for local tools and resources to tackling housing affordability. Thank you for your partnership and commitment to affordable housing.

Sincerely,



Carol V. Helland

ARCH Executive Board Chair



Lindsay Masters

ARCH Executive Director

Attachments:

1. ARCH 2023 Legislative Workshop Summary

ARCH 2023 Legislative Workshop Summary

August 10, 2023

Overall Themes

- Affordable housing continues to be one of the top priorities for most cities. Among those cities, there is a desire to act as a united coalition using “one voice” to advocate.
- While there are differences between large and small communities, these reinforce the need for a regional approach, and finding ways for all communities to contribute and share in the benefits of affordable housing.
- ARCH can play a key role in educating members on legislative issues, crafting common messages about affordable housing needs and opportunities, and encouraging coordinated advocacy among cities with common priorities.

Part 1: Affordable Housing Revenue / HB 1628

Key Takeaways

- REET is still the best housing revenue tool with the broadest consensus behind it, but there will be tough prospects for any new revenue measure in 2024 – this may warrant adapting to advocate simply to fund ARCH projects with state dollars.
- At the same time, we don’t want to lose the momentum created among cities that came out to support HB 1628, and ARCH can continue to help provide information and messaging on the importance of this tool, and facilitate coordinated advocacy with legislators.
- There are several options for how to tweak the legislation to address issues/concerns, including making the local option progressive, distinguishing multifamily/commercial projects, and creating a different state-local structure.

1. How do we address competing revenue goals? e.g., local revenue for public safety/other needs, state revenue for state-level housing programs, etc.

- Several cities do have other needs requiring additional revenue, such as parks, transportation, sewer infrastructure, and public safety. The varies by city, along with cities’ overall fiscal health – some jurisdictions are already experiencing or planning for big cuts, while others have been able to better absorb rising costs.
- Revenue solutions also vary by city. Some have had success in passing local levies for transportation, parks and general operations, but other local measures have failed. The 1% property tax lift is a priority for some jurisdictions, but not all. In some places the 1% cap doesn’t have as big of an impact or isn’t a limiting factor yet.

- For other jurisdictions adding a REET would be more impactful than eliminating the 1% cap – for these communities there is also interest in allowing more flexibility in the existing local REET to solve other fiscal issues while also increasing funding for affordable housing with a new REET.
- There are always going to be competing priorities, but affordable housing can be connected to many of those other issues (public safety, sustainability, displacement risk, etc.) – it should be considered a type of “social infrastructure” that is part of the standard services offered by cities.
- Timing is important in considering tax measures – next year may be a better time for gaining local support, but it will be much more difficult at the state level with state elections coming up.
- Without strong advocacy for local tools, the state REET is more likely to prevail in a state vs local tossup. Given the challenges for any new tax measure passing in 2024, we may need to support whatever has the greatest chance at passing or consider requests for earmarks.

2. What ideas can we recommend to members for a more effective legislative strategy? (e.g., outreach to potential sponsors, other engagement with legislators – arrange meetings with affordable housing developers with sites waiting for funding, etc.)

- While REET is still the best revenue tool with the broadest consensus behind it, tough prospects in 2024 may require a longer-term view, or shifting to advocate for funding specific priority projects (ideally still through a coordinated approach).
- While nearly all Eastside legislators were supportive of HB 1628, we could do more to generate passion and enthusiasm, especially in legislators with seniority.
- City elected officials have been more than willing to show up and meet with legislators – we could approach this collectively and show numerous cities are ready to go.
- Many ideas for messaging, in addition to highlighting the projects that are waiting for funding:
 - With a sustainable ongoing funding source for the region, cities can attract development rather than waiting for it to happen. Even in cities without immediate opportunities, reliable funding will allow us to plan for affordable housing over time.
 - Stimulating affordable development is even more critical in the immediate term as market rate development is showing signs of slowing.
 - Revenue tools are essential to support state mandates to accommodate planned affordable housing numbers required under GMA.
 - Housing should be viewed as part of essential local infrastructure.
- It’s important to have a unified agenda as ARCH jurisdictions so we support each other’s message. No jurisdiction wants to step out first and be the only supporter. Cities for whom affordable housing is not a top priority can still help by staying neutral.

3. What feedback do staff have on the draft language prepared for legislative agendas?

- General support for the language drafted – short and to the point. Some councils may still want to wordsmith, but the core message would remain the same.

- Specifying REET is important and takes it from goal to action.
- Members have varying views on highlighting the importance of REET being progressive. For some it's very important; would at least like to have it as an optional feature.
- A modified REET structure that mirrors HB 1406 sales tax (where the state collects the funds but local jurisdictions can take action to receive a credit for a portion) could neutralize the threat of local opposition campaigns.
- Some are interested in distinguishing single family and multifamily, and extending the 2-year exemption for commercial that was added to HB 1628. Opposition from commercial/multifamily developers may be impactful in some cities, especially with commercial properties struggling.
- Having every policy detail ironed out is less important than the overall message about why we need to solve the problem and that we have a coalition working together to solve it. Details on the bill may not come out till December or even January.

4. What other work do we need to do to keep councilmembers supportive of a local REET/revenue options for housing?

- General consensus that ARCH plays a critical role in providing information and education, especially for smaller jurisdictions.
- During education efforts, show slides of revenue needs with affordable housing development applications. At the same time, the information shouldn't overwhelm councils and make the goal(s) seem unattainable.
- Start education in time for legislative session, be prepared to have ARCH staff show up at council meetings and start at the beginning; what is ARCH, deliver education, and then needs analysis, etc. Also may need to counter misinformation about REET driving up the cost of housing.
- Should emphasize to councils that they are part of an eastside coalition and it is important to stay committed to a regional approach.

Part 2: Transit-Oriented Development (TOD)

Key Themes

- Despite many concerns about the concept and potential implementation of a TOD bill, if it's going to happen, it can also be an opportunity to advance some decisions around growth/affordability that may not otherwise be possible at the local level in the near future.
- There is a strong and clear consensus among ARCH members that affordable housing outcomes must be central to any TOD bill, with flexibility to adapt the legislation to differing local conditions.
- Jurisdictions also need more planning resources to implement state mandates in a way that will actually result in greater affordable housing outcomes.

1. If the state enacts a TOD bill, what should be our preferred position on how affordability fits in?

- ARCH members should advocate strongly for affordable housing outcomes as central to the bill, with flexibility built in – State should focus on the “what” instead of the “how”. There is support among some an explicit affordability mandate, if there is flexibility with implementation.
- Specific goals/funding should be aligned with affordability levels set out by HB 1220/GMA.
- Some support advocating that commercial developments benefiting from upzones also contribute to affordable housing, i.e., through explicitly authorizing fee in lieu / linkage fees from commercial development.
- Legislators should consider adding stronger measures to preclude upzones that cause displacement.
- Smaller jurisdictions without transit areas may need to be neutral or not involved.

2. Should there be a statewide standard or should there be more local flexibility on affordability? If flexible, should there be a minimum baseline, and what are the right dials to turn?

- While affordability should be a required outcome, there is no obvious baseline for a specific affordability standard, given the differing programs already in place across jurisdictions and the outstanding questions about how/where the upzones will apply.
- Flexibility will be key:
 - State could offer a menu of options that cities can choose from based on local considerations (e.g., 20% at 80% AMI, 10% at 60% AMI, etc.)
 - Programs should be able to offer fee in lieu options along with on-site performance
 - The commercial fee component should be optional for the jurisdiction – it may not be viable in some cities.
- More state support/resources for planning should come with new mandates.

3. How should affordable housing requirements in the bill work with existing local inclusionary/incentive programs? (doubled up or stacked, by project or zone-wide)

- Adding a state-mandated affordability program on top of local programs is an extremely complex proposition. Some of our existing programs have taken decades to create, and a poorly designed state mandate could undermine what is working well.
- Some have different opinions on whether the state’s program should be additive. To create a simple and coherent regulatory framework could require unwinding and supplanting existing programs, which should only be done with extreme care and study to “get it right” and make sure the net result actually yields more affordable housing.
- We should be cautious about adopting something that appears fast/simple but actually complicates development by adding on more layers of regulations that don’t work well together.
- At a minimum, if the state doesn’t take an additive approach, TOD legislation must not remove opportunities for cities to secure value out of upzones for affordable housing.