



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

**AB 6368
November 7, 2023
Consent Agenda**

AGENDA BILL INFORMATION

TITLE:	AB 6368: ARCH 2024 Work Program 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 2024 Work Plan and Administrative Budget, including Mercer Island’s 2024 contribution of \$76,611.	

DEPARTMENT:	Community Planning and Development
STAFF:	Jeff Tomas, Community Planning and Development Director Alison Van Gorp, Deputy Community Planning and Development Director
COUNCIL LIAISON:	n/a
EXHIBITS:	1. ARCH 2024 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 seek approval from the City Council on the A Regional Coalition for Housing’s (ARCH) 2024 Administrative Budget and work plan.

- ARCH is an intergovernmental coalition of 15 cities and King County focused on affordable housing, of which the City of Mercer Island is a member.
- The [ARCH interlocal agreement](#) (ILA) requires each member jurisdiction to approve the Administrative budget and work plan each year.
- The member jurisdictions collectively fund ARCH’s operations as well as the Housing Trust Fund.
- In 2024, ARCH’s work plan includes priorities such as working to secure dedicated revenue sources for affordable housing and supporting member jurisdictions with implementation of Comprehensive Plan updates and compliance with state mandates such as HB 1220 and HB 1110.
- The 2024 ARCH Administrative budget totals \$2,254,199, of which Mercer Island is asked to contribute \$76,611. This is about \$3,000 more than what was included in the City’s 2024 budget for ARCH Administration, the difference of which can be covered with budget savings in other areas.

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.

Direct Support to Mercer Island

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 the Town Center. In addition, with the onset of work on the periodic update to the Comprehensive Plan last year, ARCH staff have provided substantial support with technical and policy considerations for the Housing Element. Over the next year, ARCH will continue to provide support in developing updated goals and policies in the Housing Element. In addition, ARCH staff continue to collaborate with King County on how affordable housing units created through the ARCH HTF will be accounted for related to tracking each jurisdiction's progress in planning for and accommodating housing needs (as now required by GMA under HB 1220). This work will continue through 2024 and beyond. Finally, ARCH staff will provide further support as the City pivots to work on compliance with HB 1110 and HB 1337 in the latter part of 2024.

ARCH Organizational Improvements

Consultant reports in 2019 and 2021, by Street Level Advisors and Cedar River Group respectively, 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' fiscal needs. With this measured approach in mind, a strategic planning process was initiated in 2023 with the intention of looking 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. The strategic planning work will continue into 2024, with any additional organizational changes to be considered for 2025 and beyond.

ISSUE/DISCUSSION

ARCH 2024 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 2024 work program (summarized below).

The 2024 ARCH Administrative Budget totals \$2,254,199 which is a 20% increase over the 2023 budget (see Exhibit 1, page 5). The 2024 Administrative Budget maintains current staffing levels and allocates new funding for outside legal counsel to supplement the current capacity provided by the Bellevue City Attorney's Office. The City of Bellevue no longer has the capacity to provide all legal services for ARCH. As ARCH has grown, the volume of covenants and other legal documents needing review has increased. At the same time, the City of Bellevue has more demands internally for their City Attorney's office. This necessitates the addition of outside legal counsel to support some aspects of ARCH's legal needs.

Each ARCH member pays a share of the Administrative Budget. The member contributions are divided into two categories. The "base" contributions represent a share of the base operating budget determined by the population of each member jurisdiction. 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 the City's portfolio is currently small, the contribution is at the minimum level.

In 2024, Mercer Island's share of the base operating budget is \$73,246. In addition, Mercer Island's share of the additional dues to support the housing incentive program is \$3,365. Thus, the total Mercer Island contribution to the 2024 ARCH Administrative Budget is \$76,611, or 3.4% of the total budget. This represents a 10% increase over the City's 2023 contribution. This is about \$3,000 more than what was included in the City's 2024 budget for ARCH Administration, the difference of which will be covered with budget savings in other areas.

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 each year starting in 2021. Funds contributed to the HTF are held in a centralized account at the City of Bellevue and earn interest.

Work Program

The ARCH Work Program (see Exhibit 1, page 7) was adopted in June 2023 by the ARCH Executive Board and includes the following priorities for 2024:

- Implement actions and recommendations from ARCH's strategic planning process.
- Facilitate and advance proposals for dedicated revenue sources for affordable housing in East King County.
- Assist members to implement policies to reduce cost burden in affordable housing.

- Convene members to advance one or two strategic legislative priorities that impact local jurisdictions' ability to address affordable housing needs.
- Advance the development of high impact special projects, including transit-oriented development projects and other projects on public lands.
- Support members with implementation of Comp Plan updates and compliance with state mandates such as HB 1220 and HB 1110.
- Continue to provide excellent stewardship of affordable housing assets.

The ARCH Work Program includes five core areas of work:

- I. **Affordable Housing Investment:** managing the HTF program, including providing technical assistance to prospective applicant projects, coordinating with other public and private funders, and running the annual project selection process.
- II. **Housing Policy and Planning:** assisting member cities with housing policy and planning, including housing element updates and housing action 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.
- IV. **Education and Outreach:** providing information to the public and engaging communities in understanding and supporting affordable housing efforts. Providing assistance to community members seeking affordable housing and working to increase access to affordable housing for underserved communities.
- V. **Administration:** maintaining cost effective administration of ARCH's programs and services. In 2024, this will also include implementation of recommendations from the strategic planning effort described above.

Local Planning Assistance

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 2024, ARCH will support Mercer Island with the following:

- Assist the City with synthesizing the Housing Needs Analysis findings with housing-related requirements under the Countywide Planning Policies and the Growth Management Act to develop updated housing goals and policies for the City's comprehensive plan periodic update.
- Provide input and assistance in drafting updated development regulations related to implementation of housing diversity and affordability provisions in HB 1220 and HB 1110.

NEXT STEPS

With the City Council's approval of the 2024 ARCH work plan and Administrative Budget, adequate funds will be included in the mid-biennial update to the City's 2023-2024 budget, including \$76,611 for the 2024 Administrative Budget. The City's 2023-2024 budget also includes a \$35,000 contribution to the Housing Trust Fund in 2024.

RECOMMENDED ACTION

Approve the ARCH 2024 Work Plan and Administrative Budget, including Mercer Island's contribution of \$76,611.