

CITY COUNCIL AGENDA TOPIC

Resolution approving revisions to the House Key Plus ARCH (East King County) Down Payment Assistance Program, authorizing execution of related agreements, and ratifying prior actions taken in support of said program, all as recommended by the Executive Board for A Regional Coalition for Housing (ARCH).

Bianca Siegl, Office of Housing Director
Sabrina Velarde, Housing Stability Program Coordinator
City Manager's Office

Lindsay Masters, Executive Director
Susie Levy, Planning Manager
A Regional Coalition for Housing (ARCH)

EXECUTIVE SUMMARY**ACTION**

This Resolution will approve revisions to the House Key Plus ARCH Down Payment Assistance Program, as recommended by the ARCH Executive Board, to increase the maximum down payment assistance amount available, reduce the minimum contribution amount, increase the income eligibility limit, lower the applicable interest rate, change the name of the program, and consolidate and streamline administrative responsibilities with ARCH as opposed to the individual ARCH member cities and towns. No additional funding is proposed at this time.

RECOMMENDATION

Move to adopt Resolution No. 10617

BACKGROUND/ANALYSIS

A Regional Coalition for Housing (ARCH) is a partnership of King County and East King County cities to provide affordable housing throughout the region. The House Key Plus ARCH East King County Downpayment Assistance Program (DPA) was first established in 2005 by certain ARCH member cities and towns, including Bellevue, the Washington State Housing Finance Commission (WSHFC), and King County. The program is administered through WSHFC and provides up to \$30,000 in downpayment assistance for qualified homebuyers purchasing in East King County. Based on early successes, the program was recapitalized by all the contributing partners in 2007 and 2012 (Attachment A(1)).

Adoption of this resolution will authorize revisions to the terms and conditions applicable to the House Key Plus ARCH East King County DPA, execution of related agreements, and ratify prior actions taken in support of said program, all as recommended by the Executive Board for A Regional Coalition for Housing (ARCH).

As of December 2025, the program held \$1,201,147 in available program funds. While the program

continued to originate loans in recent years, the pace of loan activity has slowed significantly as home prices have outpaced buyers' incomes. The current program, as previously authorized, and proposed changes are summarized below:

Program Eligibility

- First-time homebuyer (has not owned a home during the past 3 years).
- Household income at or below 80% of area median income (AMI).
- Home will be the buyer's principal residence.
- Home must be within the ARCH member jurisdictions.
- Additional requirements for loans funded with federal HOME funds.

Down Payment Assistance Terms

- Second mortgages of up to \$30,000 per home.
- There are no monthly payments on the second mortgage. The loan is due when the buyer sells, refinances, moves out or pays off the first mortgage.
- 4% deferred simple interest to be paid when the borrower pays off the loan.
- The loan can be in place for up to 30 years before it must be paid back.
- Borrower(s) must contribute at least 2% of the purchase price from their own funds.

Administration

The program is administered by the Washington State Housing Finance Commission (WSHFC) through its existing community of lenders. WSHFC provides training to lenders and includes the program in its regular marketing and outreach. Each participating city/town is also expected to be involved in various administrative functions – such as receiving reports and notices, consenting to modification of loan documents, etc. – despite the program's intent to engage and work primarily through ARCH Staff, with assistance from the Administering Agency (currently, the City of Bellevue). Additionally, the current agreement limits the ability of new or existing contributing ARCH members to provide additional funding without executing an amendment.

Current usage

To date, the program has served 81 homebuyers. When first established, the program was well matched to buyers' needs, but as home prices have increased dramatically in the last 20 years, the amount of assistance has become insufficient to bridge the gap between eligible households' income and market rate home prices.

Proposed Program Changes

WSHFC, King County and ARCH have collaborated throughout the last year to review the DPA program and develop recommendations to strengthen and extend its impact. Below is a summary of recommendations approved by the ARCH Executive Board in December 2025. These recommendations are intended to better meet the needs of eligible buyers in the current marketplace, align with the ARCH Homeownership Program, and result in faster utilization of program funds.

Current Program	Proposed Change
\$30,000 max DPA	Increase max DPA to \$75,000. For borrowers at or below 80% AMI, the maximum DPA would be \$75,000. For borrowers between 80%-100% AMI, the maximum DPA would be \$50,000. Increasing the assistance would make the program more desirable and better bridge the gap for lower income buyers in East King County.
2% minimum contribution required for borrowers	Reduce required minimum contribution for borrowers to 1%. This change would reduce a hurdle to otherwise qualified buyers.
80% AMI eligibility requirement	Allow eligibility up to 100% AMI. This would increase the program's reach and support moderate income households, including potential ARCH homebuyers. The current program income limit is based on federal HOME funding requirements. WSHFC's maximum income limit is 100% AMI.
Simple interest at 4%	Lower the interest rate from 4% to 1%. Currently, 4% is the highest interest rate among any DPA program WSHFC offers, with most others at 0% or 1%. For homes with resale restrictions, 1% simple interest poses less risk to the borrower.
Program name: House Key Plus ARCH (East King County) Downpayment Assistance Program	Change the program name to the "East King County Down Payment Assistance Program." This change will help to distinguish the DPA Program from the ARCH Homeownership Program, as there is confusion in the marketplace between the two programs.

In addition to the above recommendations, the ARCH Executive Board recommends that DPA partners (ARCH, WSHFC and King County) establish a Third Amended and Restated Agreement that will clarify and consolidate administrative responsibilities in ARCH and ARCH's Administering Agency (City of Bellevue). This consolidation of administrative functions will, among other things, authorize:

1. ARCH to provide additional funding to recapitalize the program without requiring further amendments, if any increased funding is approved by the legislative bodies of the individual member cities and towns;
2. ARCH to receive all notices, records, or reports on behalf of member;
3. ARCH to perform all program analysis, coordination, and administrative tasks on behalf of members; and
4. the ARCH Administering Agency (City of Bellevue) to execute all contracts, agreements, and other legal documents necessary to administer the program, including documents related to past contributions and loan originations, consistent with the ARCH interlocal agreement.

Program Update Rationale:

The ARCH Executive Board supported these recommendations for the following reasons:

- Funds have been underutilized and updating the program would better meet the needs of eligible buyers.

- The DPA has demonstrated success but requires updates to continue to be a valuable tool for low- and moderate-income buyers looking to purchase in East King County.
- The changes will better align the DPA program with ARCH's Affordable Homeownership Program, which provides some of the only affordable entry points to homeownership in East King County.
- The changes will clarify and simplify administrative responsibilities to ARCH and the administering agency (City of Bellevue).
- No additional funding is required at this time.

POLICY & FISCAL IMPACTS

Policy Impact

Supporting efforts to increase opportunities for affordable homeownership aligns with the Comprehensive Plan, specifically:

- HO-4. Lower barriers and encourage homeownership opportunities at all income levels, especially for populations that have historically been denied access to property ownership.
- HO-9. Provide additional support to historically underserved communities and marginalized communities to connect them to housing and home ownership opportunities.

Fiscal Impact

There is no fiscal impact associated with these changes.

OPTIONS

1. Resolution approving revisions to the House Key Plus ARCH (East King County) Down Payment Assistance Program, authorizing execution of related agreements, and ratifying prior actions taken in support of said program, all as recommended by the Executive Board for A Regional Coalition for Housing (ARCH).
2. Do not adopt the Resolution and provide alternative direction to staff.

ATTACHMENTS

- A. ARCH Executive Board Down Payment Assistance Recommendations
Proposed Resolution No. 10617

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N/A