



DATE: August 5, 2019

TO: Mayor Chelminiak and City Councilmembers

FROM: Mary Kate Berens, Deputy City Manager, 452-4616  
*City Manager's Office*

SUBJECT: ARCH Board Activities -- Update

At the City Council's November 19, 2018 Study Session about the City's budget, I provided a very brief description of work that was being directed by the ARCH Board in response to concerns raised last year regarding possible violations of affordability covenants in ownership units in Bellevue and other cities.

Since that time, as the City Manager's delegate to the ARCH Board, I have represented the City at ARCH Board meetings. In December, the Board approved a review of ARCH's practices and procedures related to administering these ownership units. The third-party consultant, Street Level Advisors, issued a final report on June 11, 2019. The [final report](#) is available for public review on the ARCH website.

The report includes a thorough description of the characteristics of the homeownership program, and the changes in value of units and in the real estate market in this region since the program began. It notes that the program and many of the strong features of the affordable covenant, including the long period of time over which affordability is required, has succeeded in keeping a large number of units affordable, even in the face of significant increases in real estate values and home prices in this region. The report contains detailed reviews of performance of the program, both in preserving affordability of the units, in serving those with incomes below median income, and in discounting units below market rate.

The report also notes that over time, while the value of the portfolio has grown, and the equity of the units have grown, we have not commensurately grown our monitoring capability, either with staff, or with technology to help us manage the portfolio. The report includes best practices and comparisons with other programs, and sample policies and forms.

The full list of recommendations is listed in the report, and includes:

- Increasing staff;
- Strengthening enforcement through monitoring and consistency and coordination across jurisdictions;

- Strengthening requirements of the program and of owners to ensure knowledge and understanding of ownership restrictions; and
- Improving systems, including investment in portfolio management tools.

At its June meeting the ARCH Board authorized use of uncommitted operating reserves in the approved ARCH budget of up to \$100,000 (leaving the operating reserves above the required levels). Funds will be used to hire temporary staff or consultants (or a combination of the two) to begin building the enforcement program as recommended in the report. In addition, the City of Kirkland authorized expenditures of a portion of its housing trust fund dollars towards implementation as well, in an amount up to \$415,000, through December 2020. Use of Kirkland's funds will be directed by Lindsay Masters, as Executive Manager, in consultation with Board Chair Kurt Triplett, to implement the recommendations of the report. The Board will receive a report on expenditures and implementation monthly.

In addition, the Board continues to review the ARCH work program and long-term program needs. While this review is underway, we believe that the temporary staffing authorized in June represents the minimum long-term staffing increase needed to ensure that we can build and sustain the more robust monitoring and compliance program that is called for today. The impacts on the ARCH budget are being reviewed by the Board. A budget recommendation will come to the member Councils later this year and will be discussed in Bellevue as part of your mid-biennial budget process.

The Board continues to emphasize the importance of this work to improve practices and ensure that these valuable affordable housing units are serving the populations they are intended to serve. Please feel free to contact me with any questions or concerns.