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## MEMORANDUM

Date: September 13, 2019  
From: Lindsay Masters, ARCH Executive Manager  
Kurt Triplett, ARCH Executive Board Chair  
To: ARCH Member City Councils  
Subject: ARCH 2020 Budget and Work Program

Please find attached for your review the 2020 ARCH Budget and Work Program which was approved by the ARCH Executive Board for recommendation on September 12, 2019. This memo outlines important changes from previous program years aimed at strengthening ARCH's core services, and pursuing future opportunities to increase the production and preservation of affordable housing in member communities.

### Background

In late 2018 through the first half of 2019, ARCH engaged in a deliberative process to evaluate organizational capacity to administer the growing number of member city affordable housing programs, particularly the long-term monitoring of units for compliance with program covenants. This effort involved a comprehensive review of policies and procedures within ARCH's Homeownership Program by a third party consultant, as well as a broad audit of homeownership units.

One major takeaway from this review was that **ARCH staffing has not kept up with the growth in programs it oversees**. ARCH has maintained roughly the same level of staffing (approximately 5.0 FTEs) since the early 2000s. During that time, the number of homeownership units monitored by ARCH grew from just over 100 to about 700 units. The number of rental units produced by local incentive programs grew from under 300 to roughly over 1,000 (with another 600 in the pipeline), while an additional 1,800 units were funded through the Housing Trust Fund. ARCH member cities continue to adopt more incentive programs to ensure that new developments contribute to affordability. In 2019 alone, Bothell, Kenmore and Woodinville all added new housing incentive programs.

The review also concluded with several key findings and recommendations for strengthening ARCH's Homeownership Program, which are described in the Program Assessment Summary prepared by Street Level Advisors in **Attachment 1**. Since the early 1990s, ARCH's program model was intended to provide slightly below market homeownership opportunities and operate with a low overhead. In the last decade, the value of ARCH units relative to the market grew dramatically, and the need for more active

monitoring has grown to ensure units are preserved and used for their intended purpose. On the whole, the Homeownership Program has achieved significant outcomes in providing affordable homeownership opportunities to income qualified households while preserving significant affordability relative to the broader housing market. However, without proper investment in staffing, the program will continue to experience compliance violations and erosion of affordability.

#### *Recommended Staffing Levels for Homeownership Program*

As noted by Street Level Advisors, staffing levels for ARCH's Homeownership Program fall well below peer programs and recommended best practices. The recommended staffing for the current program is between 2 and 4 full-time staff, with a ratio of no more than 350 units per FTE as the program continues to grow. Higher levels of staffing would be necessary for ARCH to implement more time-intensive recommendations such as reviewing and approving every buyer's financing. To help create a more sustainable staffing model, Street Level Advisors has also recommended that ARCH develop a plan for implementing new fees at the time of resale.

Based on this analysis, the ARCH Board approved steps to hire two additional staff, and advance options for resale fees that would support additional staffing over time. One new position will be dedicated entirely to administration of the Homeownership Program, bringing the overall program capacity up to 2.0 FTE. The second position will be responsible for compliance monitoring of rental housing covenants, providing additional capacity for contract and covenant development, and providing back-up support to the Homeownership Program. As ARCH incorporates new staff and grows the portfolio of homes in the program, the ARCH Board will continue to evaluate the needs of the organization to carry out critical functions on behalf of its members and the public.

#### Action Steps Completed to Date

ARCH's staff and Executive Board have taken a number of steps to strengthen ARCH's monitoring and program administration functions and begin implementing consultant recommendations, including:

- ARCH staff completed a light touch audit of every single unit in its Homeownership Program using publicly available data, which was reviewed and supplemented with additional data from ARCH's consultant. The audit identified three main types of issues (foreclosures, non-owner occupancy, and sales or transfers without proper notification).
- ARCH staff conducted follow-up investigations on over 50 units. These efforts resulted in determinations of compliance violations in 25 units, or 3.6% of the total portfolio.
- ARCH staff initiated work with legal counsel from each individual jurisdiction to help define cities' enforcement options. ARCH continues to assist each city to implement enforcement efforts as appropriate. In the majority of cases, homeowners are working cooperatively with ARCH to sell to new qualified buyers. As of September, 8 homes had been sold to new owners, and 3 are pending or listed for sale.

- In March through April, the ARCH Executive Board considered a range of options to create greater staff capacity to implement recommended changes to program policies and procedures. In early June, the Board approved a resolution to authorize the Executive Manager to utilize up to \$415,000 in one-time funds from ARCH reserves and City of Kirkland housing funds for recruitment of new limited-term employees and other methods to create immediate capacity.
- In late June, ARCH submitted hiring requests for two new positions to ARCH's Administering Agency (Bellevue). The positions were approved and advertised in July, and are currently in the selection process.
- In July, ARCH welcomed two interns to assist with administrative duties and special data projects that will help inform program design going forward.
- ARCH is currently in the process of soliciting consultant assistance to conduct analysis and prepare specific recommendations for ARCH's resale formula, and level of resale fees.

#### 2020 Administrative Budget

ARCH's 2020 Administrative Budget shown in **Attachment 2** incorporates ongoing support for the increases in capacity described above. Changes from the previous budget year include:

- Continuation of two new staff positions (conversion from LTEs to permanent FTEs)
- Renewal of internship positions to provide continued administrative support
- Software licensing fees for a new database system
- Reduction in WCIA premiums and increase in Bellevue in-kind insurance
- Modest consultant budget to support:
  - Database development
  - Website updates

The budget also reflects an updated allocation methodology to distribute budgeted expenses among members. The methodology allocates each cities' share on a per capita basis, with a minimum floor of \$2,000. King County's contribution is not on a per capita basis, but does reflect a proportionate increase from 2019. The county has agreed to revisit its contribution levels in the 2021-22 biennium.

The budget includes a new section on contingent income and expenses that reflects the potential for ARCH to provide additional services if new fee revenue is realized. Specifically, up to \$150,000 in fee revenue is estimated from resale transactions and other fees (though it is likely that actual revenue will fall under this level). As noted above, this revenue would help support additional staff support over time.

#### 2020 Work Program

ARCH's 2020 Work Program shown in **Attachment 3** reflects a stronger set of core services planned through the above increases in capacity. A description of the responsibilities of new staff is included on page 6, Stewardship of Affordable Housing Assets.

In addition to strengthening core services, the Work Program includes the following items aimed at laying the groundwork for greater production of affordable housing:

- Develop measurable goals for production and preservation of affordable housing across ARCH member communities
- Partner with transit agencies and other stakeholders to create a plan for implementation of equitable transit-oriented development on the Eastside
- Continue work on a long-term funding strategy for the ARCH Trust Fund
- Explore a shared legislative agenda to advance housing priorities at the state level
- Develop an inventory of promising public and nonprofit property
- Explore outreach and partnerships to promote ADU development

In concert with the activities above, the ARCH Executive Board will also undertake an organizational assessment to further evaluate ARCH's capacity to accomplish its stated mission. Following the thorough evaluation of monitoring functions in 2019, this broader evaluation will examine all areas of the ARCH Work Program, as well as ARCH's organizational structure and governance model. This will ultimately inform the Board's recommendations for the 2021 ARCH Budget and Work Program, as well as any needed revisions to the ARCH Interlocal Agreement, which is scheduled for renewal in 2020.

#### Housing Trust Fund Parity Goals / HB 1406

Each year, ARCH members are encouraged to contribute on a voluntary basis toward the ARCH Trust Fund, which helps to finance local affordable housing projects through loans and grants. Over time, ARCH cities developed a formula to create goals for local investment based on cities' population, projected employment and housing. A set of updated parity goals are provided in **Attachment 4**.

While these goals incorporate inflationary adjustments from historic investment levels, it is clear that the need for affordable housing has vastly outpaced the capacity of existing resources. ARCH encourages cities to pursue all opportunities to maximize housing investment. Earlier this year, ARCH provided a recommendation memo urging all members to adopt a resolution to implement the local sales tax authorized under HB 1406. If all ARCH cities were to implement this tax, our communities would benefit from roughly \$28 million more in local investment over the next 20 years, with no increase in taxes experienced by consumers. As each ARCH member city considers its 2020 budget, ARCH urges that these resources be authorized and made available for allocation as expeditiously as possible.

#### Conclusion

Now more than ever, it is critical to preserve and create new affordable housing in our community. The 2020 Budget and Work Program reflects ARCH's commitment to maintaining existing affordable housing assets, while working actively with member cities to pursue opportunities to dramatically expand access to affordable housing options in East King County.

**Attachments:**

1. Program Assessment Summary, June 2019, Street Level Advisors
2. 2020 ARCH Administrative Budget
3. 2020 ARCH Work Program
4. Housing Trust Fund Parity Goals



## **Program Assessment Summary**

### **ARCH – A Regional Coalition for Housing**

**June 11, 2019**

#### Introduction

ARCH engaged Street Level Advisors to assess the organization's ongoing stewardship of its Homeownership Program, which provides affordable ownership opportunities to people with low to moderate incomes while seeking to retain affordability by limiting resale prices for future buyers. This model is known as "shared equity homeownership." Shared Equity programs require a delicate balancing act between the dual goals of helping today's owners and preserving affordability for future buyers.

To conduct the assessment, Street Level Advisor worked with staff to identify problems including foreclosures, unauthorized rentals and unauthorized sales. We compiled data on the affordable pricing and current resale formula values for each home in ARCH's portfolio in order to understand the organization's performance in maintaining long-term affordability. We also administered a comprehensive assessment tool developed by Grounded Solutions Network based on identified best practices for affordable homeownership programs.

This report summarizes key findings and recommendations for specific changes in policies or administrative procedures which ARCH could make to strengthen the program.

## **A. Key Findings**

### **1. The program is serving households in the target income range.**

The roughly 700 units in the program were designed to target households at a range of incomes from 50% to 120% AMI, with the vast majority targeted at 80 to 120% AMI. For the sample of buyers we tested, the median household income was 70.9% of local AMI adjusted for household size.

In addition, buyer incomes are well below the income eligibility limits - 94% of buyers had incomes below the income limit for their unit, and the median buyer's income (as a percentage of local AMI, adjusted for household size) was 18.9 percentage points less than the limit. ARCH allows owners who are unable to sell their homes within 60 days to sell to households above the unit's income limit.

However, of the 29% of sales that occurred after the 60-day period, most homes were sold to buyers who were nonetheless income qualified. Overall, 7.2% of the resales we studied involved sales to 'over-income' buyers.

**2. A significant share of ARCH homes have not remained affordable to the same income levels over time.**

The program has utilized a variety of resale formulas over time and across different jurisdictions. These formulas have performed differently in preserving affordability, but a significant 67% are now affordable to a higher income group than they were at initial sale.

Overall, the typical home has lost 7.4 percentage points of affordability. Of the program's 3 most common resale formulas (REI, REI/HUD, and Flat Quarterly), the hybrid REI/HUD formula preserved affordability the best, and the REI formula performed the worst. Even so, the REI/HUD formula has still resulted in affordability losses in nearly all conditions other than the peak of the housing bubble.

We expect that this gradual erosion of affordability will lead to a steady increase in the number of homes that remain unsold after 60 days and ultimately sell to buyers who are above ARCH's income limits

**3. The public share of equity in ARCH homes ("Value in Trust") has grown substantially over time**

The typical ARCH home was initially sold at a restricted price approximately \$130,000 less than market value, but now has a current formula price that is \$330,000 less than market value. Taken together the difference between affordable prices and market values totals \$274 million. This is the value that ARCH is entrusted to steward.

For most homes (74.2%), the discount relative to market value that the current formula price provides is now larger than it was at initial sale. This means that although the program's resale formulas are allowing a steady erosion of affordability overall, they have nonetheless consistently deepened the homes' market discounts – just not enough to preserve affordability perfectly.

**4. ARCH's Homeownership Program has provided meaningful opportunities for homeowners to build equity.**

The most common resale formulas found in the program have allowed homeowners to build significant wealth and benefit from a significant portion of their homes' market appreciation. The typical ARCH home's current maximum formula price is approximately \$123,000 more than its initial affordable price.

In total, the program's restricted prices have appreciated by \$94 million. We estimate that for a typical unit, a homeowner who had owned since the unit was placed in ARCH's portfolio would have gained \$65,000 at resale (appreciation minus closing costs and downpayment). This results in a typical rate of return on homeowner's investment of 13.86% annually – nearly double what owners would have earned by investing in the S&P 500.

**5. Compliance violations such as subleasing and unauthorized sales represent a small minority of the units in the program.**

As of May 2019, ARCH has identified 51 homes (7% of the portfolio) that merited further review for possible compliance violations, either due to mail being forwarded to a different address, an apparent change of ownership, or other reason. Of these, 24 were determined to be in violation (3.5%), 16 were determined to be in compliance, and 11 were still under review. Violations were



categorized as unauthorized sales (1.3%), non-owner occupancy (1.7%), and unauthorized quit claim deed transfers (0.4%).

**6. Foreclosures have created meaningful losses in the program, particularly following the economic recession, but have not been a frequent occurrence in recent years.**

A total of 43 ARCH properties have experienced a foreclosure (5.8% of the portfolio). Of these, 20 happened without any formal notification to ARCH, and in most cases where ARCH was notified, ARCH was unable to preserve the resale covenants on these homes. This was largely due to ARCH not having the resources readily available for the purpose of purchasing units at risk of foreclosure.

**7. ARCH is implementing industry best practices in many areas, but in other areas falls short of the goal of preserving long term affordability. Staffing levels lag significantly behind other successful programs.**

ARCH's covenant and other legal documents are state of the art, incorporating many thoughtful and strong protections for the public interest in ARCH homes. But ARCH has been operating with less staff than is necessary to successfully preserve affordability and monitor compliance for such a large portfolio of homes. ARCH has less than one full time staffer dedicated to the program. This means that ARCH has had to take a relatively "hands off" approach to stewardship. Based on a comprehensive review of current practices and procedures, ARCH is currently implementing just over half of the 70 industry best practices covered by the assessment tool.

## **B. Recommendations**

We found many areas where ARCH is implementing proven best practices but we also identified additional steps which ARCH could take to strengthen the homeownership program and greatly improve the likelihood that units would remain affordable over the long term. We made 35 detailed recommendations covering topics including business planning, marketing and buyer selection, initial pricing, resale pricing, mortgage financing, monitoring and enforcement. We have highlighted below the recommendations that seem most impactful.

### Expand Staffing

- Add two or three additional full time staff positions including at least one person focused exclusively on the homeownership program.
- In order to help cover the cost of new staffing, develop a plan for implementing new fees at the time of resale to be charged to selling homeowners and/or to new buyers.

### Strengthen Enforcement

- Convene a working group of attorneys from partner cities to coordinate short-term enforcement actions and to plan for changes to the legal structure to enable more effective enforcement in the future.



- Adopt a monitoring schedule and an enforcement plan outlining the intended steps that staff should take in the event of each common type of violation.
- Develop a comprehensive program manual (including mission statement) and have it reviewed and approved by the ARCH Board of Directors. Update it periodically – at least every 5 years.

#### Strengthen Requirements:

- Consider adopting a new resale formula which will better maintain affordability of homes at resale. If possible, update existing homes to the new formula whenever they turnover.
- Develop a strategy for “rebalancing” the pricing limits for units with resale prices that have risen to the point where they are considerably out of reach for their targeted income group.
- Switch to imposing income limits based on applicant household size rather than the size of the unit. Review other buyer eligibility criteria and consider adopting an asset limit and first time buyer requirement.
- Adopt a policy limiting buyers to approved mortgage product types. Consider creating a list of approved or preferred lenders.
- Work with ARCH’s attorneys to develop an approach that allows member cities to record new covenants at each resale, resetting the 30-year affordability period each time.
- Evaluate the feasibility of requiring buyers to participate in a program orientation session with ARCH staff.

#### Improve Systems

- Purchase HomeKeeper data management software ([myHomeKeeper.org](http://myHomeKeeper.org)) to more efficiently manage program data and track outcomes.
- Create a standard application form for homebuyers in order to capture basic data about each applicant.

## 2020 ARCH Administrative Budget

Adopted by ARCH Executive Board

SEPTEMBER 12th, 2019

	Adopted 2019 Budget	2020 Recommended Budget	Difference	% Change
<b>I. TOTAL EXPENSES</b>	<b>\$ 724,400</b>	<b>\$ 1,110,097</b>	<b>\$ 385,697</b>	<b>53%</b>
<b>A. Personnel</b>	<b>\$ 655,417</b>	<b>\$ 968,399</b>	<b>\$ 312,981</b>	<b>48%</b>
Salaries	\$ 478,222	\$ 683,084	\$ 204,862	43%
Current Staff (5.0 FTE)	\$ 478,222	\$ 511,084	\$ 32,862	
(New) Program Administrator	\$ -	\$ 86,000	\$ 86,000	
(New) Associate Planner	\$ -	\$ 86,000	\$ 86,000	
Benefits	\$ 177,196	\$ 285,314	\$ 108,118	61%
Current Staff (5.0 FTE)	\$ 177,196	\$ 193,314	\$ 16,118	
(New) Program Administrator	\$ -	\$ 46,000	\$ 31,000	
(New) Associate Planner	\$ -	\$ 46,000	\$ 31,000	
<b>B. Operating</b>	<b>\$ 54,368</b>	<b>\$ 67,195</b>	<b>\$ 12,827</b>	<b>24%</b>
Rent & Utilities	\$ 24,294	\$ 24,780	\$ 486	
Telephone	\$ 4,375	\$ 4,586	\$ 211	
Travel/Training	\$ 2,000	\$ 2,600	\$ 600	
Auto Mileage	\$ 3,342	\$ 3,500	\$ 158	
Copier Costs	\$ 1,750	\$ 1,803	\$ 53	
Office Supplies	\$ 2,800	\$ 3,100	\$ 300	
Office Equipment Service	\$ 2,000	\$ 2,215	\$ 215	
Fax/Postage	\$ 825	\$ 1,500	\$ 675	
Periodical/Membership	\$ 3,992	\$ 4,112	\$ 120	
Misc. (events,etc.)	\$ 1,680	\$ 2,000	\$ 320	
Insurance	\$ 5,310	\$ -	\$ (5,310)	
Equipment Replacement	\$ 2,000	\$ 2,000	\$ -	
Furnishings			\$ -	
Database/software licensing		\$ 15,000		
<b>C. In-Kind Admin/Services</b>	<b>\$ 14,615</b>	<b>\$ 19,503</b>	<b>\$ 4,888</b>	<b>33%</b>
Insurance	\$ 5,000	\$ 9,660	\$ 4,660	
IT Services	\$ 9,615	\$ 9,843	\$ 228	
<b>D. Grants and Consultant Contracts</b>	<b>\$ -</b>	<b>\$ 55,000</b>	<b>\$ 55,000</b>	<b>N/A</b>
Consultant Contracts / Interns	\$ -	\$ 55,000	\$ -	
Special Grants	\$ -	\$ -	\$ -	

	Adopted 2019 Budget	2020 Recommended Budget	Difference	% Change
<b>II. TOTAL INCOME</b>	<b>\$ 724,221</b>	<b>\$ 1,110,097</b>	<b>\$ 385,876</b>	<b>53%</b>
<b>A. Member Contributions</b>	<b>\$ 720,021</b>	<b>\$ 1,103,897</b>	<b>\$ 383,876</b>	<b>53%</b>
Beaux Arts Village	\$ 1,750	\$ 2,000	\$ 250	14%
Bellevue	\$ 185,905	\$ 281,876	\$ 95,971	52%
Bothell	\$ 58,811	\$ 89,384	\$ 30,573	52%
Clyde Hill	\$ 4,193	\$ 6,551.43	\$ 2,358	56%
Hunts Point	\$ 1,750	\$ 2,000	\$ 250	14%
Issaquah	\$ 45,217	\$ 72,244	\$ 27,027	60%
Kenmore	\$ 29,793	\$ 44,921	\$ 15,128	51%
Kirkland	\$ 115,019	\$ 175,946	\$ 60,927	53%
Medina	\$ 4,221	\$ 6,523	\$ 2,302	55%
Mercer Island	\$ 33,327	\$ 50,222	\$ 16,895	51%
Newcastle	\$ 14,974	\$ 23,006	\$ 8,032	54%
Redmond	\$ 78,584	\$ 123,104	\$ 44,520	57%
Sammamish	\$ 80,784	\$ 127,494	\$ 46,710	58%
Woodinville	\$ 15,466	\$ 23,673	\$ 8,207	53%
Yarrow Point	\$ 1,750	\$ 2,401	\$ 651	37%
King County	\$ 48,477	\$ 75,000	\$ 26,523	55%
<b>Bellevue Detail</b>	<b>\$ 185,905</b>	<b>\$ 281,876</b>	<b>\$ 95,971</b>	
Cash Contributions	\$ 8,085	\$ 86,673	\$ 78,588	
In-Kind Contributions	<u>\$ 177,820</u>	<u>\$ 195,203</u>	<u>\$ 17,383</u>	
Personnel	\$ 163,205	\$ 175,700	\$ 12,495	
Insurance	\$ 5,000	\$ 9,660	\$ 4,660	
IT Services	\$ 9,615	\$ 9,843	\$ 228	
<b>B. Other Income</b>	<b>\$ 4,200</b>	<b>\$ 6,200</b>	<b>\$ 2,000</b>	
Administrative Fees	\$ 4,200	\$ 4,200	\$ -	
Interest Earned	\$ -	\$ 2,000	\$ 2,000	
<b>III. USE OF RESERVES</b>	<b>\$ 179</b>	<b>\$ -</b>	<b>\$ (179)</b>	

#### IV. CONTINGENT INCOME AND EXPENSES

*Note: This section reflects potential opportunities for ARCH to provide additional services if new fee revenue is realized.*

##### A. Contingent Expenses

Staffing or Consultants	\$ -	\$ 150,000	\$ 150,000	N/A
Additional Services	\$ -	\$ 150,000	\$ 150,000	N/A

##### B. Contingent Revenue

Resale/Monitoring Fees	\$ -	\$ 150,000	\$ 150,000	N/A
Service Fees	\$ -	\$ 150,000	\$ 150,000	N/A

# ARCH WORK PROGRAM: 2020

## 2020 Priorities

In 2020, ARCH will elevate the following priorities in its Work Program:

- Provide excellent stewardship of affordable housing assets
- Develop measurable goals for production and preservation of affordable housing in the ARCH region
- Advance an initiative with high potential for impact (i.e., Eastside Equitable TOD Plan)
- Continue to support proposals for dedicated revenue sources for affordable housing
- Evaluate options for expanding ARCH's capacity to accomplish its broader mission

## I. AFFORDABLE HOUSING INVESTMENT

### A. ARCH Housing Trust Fund

Parity Goals. Develop updated goals for member investments through the ARCH HTF.

Annual Funding Round. Develop funding priorities and evaluation criteria for the annual funding round. Advertise available funds and manage a competitive process on behalf of member cities. Review funding applications and develop recommendations through the Citizen Advisory Board (CAB), with input from member staff. Develop final recommendations by the ARCH Executive Board and facilitate final funding allocations through member councils.

Public Funding Coordination. Work collaboratively with public funders at the State and local levels to promote shared affordable housing goals and equitable geographic distribution of resources. Review and provide input to other funders for Eastside projects that apply for County (HOF, RAHP, HOME, TOD etc.) and State (Tax Credit, State Housing Trust Fund) funds. Provide input to the King County Joint Recommendations Committee (JRC) on behalf of participating Eastside jurisdictions. Assist N/E consortium members with evaluating and making a recommendation to the County regarding CDBG allocations to affordable housing.

Private Funding Coordination. Work with private investors and lenders to maximize leverage of public investment into affordable housing. Negotiate maximum public benefits from investment of housing funds into private projects.

Project Pipeline Management. Work with member cities and project sponsors to develop a robust pipeline of projects to be funded over the next five years (see related work on Transit Center sites, below). Actively vet potential HTF projects, and lead funding policy and prioritization discussions with the ARCH Executive Board to facilitate planning and decision-making.

Contract Development and Monitoring. Prepare contract documents and distribute funds for awarded projects. Monitor funded projects including evaluating performance and tracking loan payments. Monitor for long term sustainability of previously funded projects.

Centralized Trust Fund Reporting. Work with Administering Agency (Bellevue) to maintain records and produce regular financial reports for the ARCH Trust Fund accounts.

## B. Special Projects

Transit-Oriented Development Sites. Assist cities with advancing and coordinating affordable housing projects near transit. Partner with Sound Transit, King County Metro and other public agencies to maximize opportunities on public property. Current opportunities include sites in Bel-Red, Overlake, Downtown Redmond, Issaquah, Kirkland, Bothell, and Kenmore.

Surplus Property/Underdeveloped Property. Assist with evaluation of public surplus or underutilized private property (e.g. faith community properties) for suitability of affordable housing. Provide technical assistance to property owners interested in supporting affordable housing. Develop an inventory of promising public and nonprofit property and begin to engage owners to gauge interest in disposition for housing.

Eastside Shelter Capacity. Support efforts by Eastside shelter providers, Eastside Human Services Forum, and member cities to implement an East King County sub-regional strategic approach to shelter and related services for homeless adults and families. Support the completion of construction of a permanent women and family shelter, and continue supporting efforts to construct a permanent year-round men's shelter.

Preservation of At Risk Affordable Housing. As needed, assist with responding to notices of sale of HUD assisted properties received by member cities, or other information indicating an impending loss of existing affordable housing. Work with member cities to facilitate acquisitions or other strategies to preserve existing housing where affordability is at risk of being lost.

## II. HOUSING POLICY AND PLANNING

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### A. Local Policy, Planning and Code Development

ARCH provides assistance directly to member cities on a range of local planning efforts. Local planning efforts with individual member cities may be found in *Attachment A*. These efforts may take different forms, such as:

- **Housing Element Updates.** Work with members to update comprehensive plan housing elements.
- **Housing Strategy Plans.** Assist members to prepare housing strategies to implement housing elements and create council work plans. Cities with recently completed strategy plans include Bellevue, Issaquah, Kenmore, Bothell, Kirkland, Redmond, and Sammamish.
- **Incentive Program Design.** Provide economic analysis and policy and program development support to design housing incentive programs, including land use, property tax, impact fee waivers and other incentives.
- **Land Use Code Amendments.** Assist city staff on land use and other code amendments in order to implement comprehensive plan policies.
- **Other Support.** Other areas in which ARCH could provide support to member cities include preservation of valuable community housing assets, assistance to households displaced by development activity, or negotiation of agreements for specific development proposals. ARCH views this as a valuable service to its members and will continue to accommodate such requests to the extent they do not jeopardize active work program items.

### B. Inter-Local / Eastside Planning Activities

Interlocal planning activities are coordinated by ARCH for the benefit of multiple members.

ARCH Regional Affordable Housing Goals and Reporting. Work with member staff and the ARCH Executive Board to develop measurable goals for production and preservation of affordable housing across ARCH member communities. Explore working with King County to utilize dashboards created for the GMPC Affordable Housing Committee.

Eastside Equitable Transit-Oriented Development Plan. Partner with transit agencies and other stakeholders to create a plan for implementation of equitable transit-oriented development on the Eastside. The plan will aim to define shared policy goals and strategies, establish numerical goals for affordable unit production, identify specific site opportunities/affordable housing pipeline, and include commitments by partner agencies to utilize available tools and resources.

Long-Term Funding/Dedicated Revenue Strategy. Continue work on a long-term funding strategy for the ARCH Trust Fund. Facilitate conversations with member cities on identifying and exploring dedicated sources of revenue for affordable housing at the local and regional level (e.g., REET, property tax levy, 0.1% sales tax, etc.). Provide relevant data and develop options for joint or individual revenue approaches across ARCH member cities and determine any shared state legislative priorities to authorize local options for funding.

Eastside Housing Data Analysis. On an annual basis, ARCH provides housing and demographic data as available. This information is available to members for planning efforts and will be incorporated into ARCH education fliers and an updated Housing 101 report.

Housing Diversity/Accessory Dwelling Units (ADUs). Continue to support a diversity of housing options among member cities:

- Accessory Dwelling Units (ADUs): Explore outreach and other ways to promote ADU development (e.g., improve online resources, provide connections to financing options). Explore partnership with eCityGov Alliance to increase accessibility of ADU permitting (e.g., update tip sheets and create streamlined portal through MyBuildingPermit.com).

## C. State Legislative Activities

The ARCH Executive Board will discuss and explore shared legislative priorities for advancing affordable housing in the region. ARCH staff will track relevant state (and, where feasible, federal) legislation. As needed, staff will report to the Executive Board and members, and coordinate with relevant organizations (e.g. AWC, SCA, WLIHA, HDC) to advance shared legislative priorities.

## D. Regional/Countywide Planning Activities

ARCH participates in regional planning efforts to advance Eastside priorities and ensure that perspectives of communities in East King County are voiced in regional housing and homelessness planning.

King County GMPC Affordable Housing Committee / Housing Inter-Jurisdictional Team (HIJT). Support efforts to advance the five-year action plan developed by the Regional Affordable Housing Task Force in 2018. ARCH will help staff the HIJT, which provides support to the Growth Management Planning Council's Affordable Housing Committee (AHC). In addition, ARCH will facilitate discussions as needed with members and the Executive Board to consider actions recommended in the five-year plan.

All Home/ Eastside Homeless Advisory Committee (EHAC). Collaborate with All Home, EHAC and other relevant organizations and initiatives to advance shared work on homelessness. Coordinate allocation of resources, and work on specific initiatives (e.g., coordinated entry and assessment for all populations).

Explore Collaboration with Cities in North and East King County. As requested, engage cities interested in supporting affordable housing in north and east King County that are not currently members of ARCH. Explore collaboration that provides benefits for additional cities and current ARCH member cities.



### III. HOUSING PROGRAM IMPLEMENTATION

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#### A. Administration of Housing Incentive and Inclusionary Programs

ARCH partners with member cities to administer local housing incentive and inclusionary programs, including mandatory inclusionary, voluntary density bonus, multifamily tax exemption (MFTE) and other programs. Specific programs administered by ARCH include:

<b>Jurisdiction</b>	<b>Incentive/Inclusionary Programs</b>
Bellevue	Voluntary density bonuses, MFTE, impact fee waivers.
Bothell	Inclusionary housing.
Issaquah	Development agreements, voluntary and inclusionary programs, impact and permit fee waivers.
Kenmore	Voluntary density bonuses, MFTE, impact fee waivers.
Kirkland	Inclusionary program, MFTE.
Mercer Island	Voluntary density bonus, MFTE.
Newcastle	Inclusionary program, impact fee waivers.
Redmond	Inclusionary program, MFTE.
Sammamish	Inclusionary and voluntary density bonuses, impact fee waivers.
Woodinville	MFTE.
King County	Development agreements.

ARCH roles and responsibilities will typically include:

- Communicate with developers/applicants and city staff to establish applicability of codes and policies to proposed developments
- Review and approve proposed affordable housing (unit count, location/distribution, bedroom mix, and quality)
- Review and recommend approval of MFTE applications.
- Review and recommend approval of alternative compliance proposals
  - For fee in lieu projects, provide invoices and receipts for developer payments
- Develop contracts and covenants containing affordable housing requirements
- Ensure implementation of affordable housing requirements during sale/lease-up
- Register MFTE certificates with County Assessor and file annual MFTE reports with state Commerce.
- On-going compliance monitoring (see Stewardship, below).

[MyBuildingPermit.com](https://mybuildingpermit.com). Explore feasibility of using MyBuildingPermit.com to take in, review, and process projects (covenants) using land use and/or MFTE programs.

## B. Stewardship of Affordable Housing Assets

ARCH provides long-term oversight of affordable housing created through city policies and investment to ensure stewardship of these critical public assets for residents, owners and the broader community.

Monitoring Affordable Rental Housing. Enforce ongoing compliance with affordability requirements in rental housing projects created through direct assistance (e.g. Trust Fund allocation, land donations) from member jurisdictions, and through incentive and inclusionary programs. For Trust Fund projects, monitor project income and expenses to determine cash flow payments, and conduct long-term sustainability monitoring of projects and owners. Proactively problem-solve financial and/or organizational challenges in partnership with project owners and other funders.

Dedicate new staff to developing a more robust program of monitoring and enforcement, including developing procedures for on-site file audits, standard remedies for non-compliance, and training and technical assistance for property managers. In addition, work with cities to implement fee structures that build more sustainable monitoring efforts, and develop formal MOUs with other funders to govern shared monitoring responsibilities. To the extent feasible, establish working relationship with other public organizations that can help assess how well properties are maintained and operated (e.g. code compliance, police, and schools).

ARCH Homeownership Program. Provide effective administration to ensure ongoing compliance with affordability and other requirements in ARCH ownership housing, including enforcement of resale restrictions, buyer income requirements, and owner occupancy requirements. In addition, work with cities to address non-compliance.

Dedicate new staff to continue implementing changes to monitoring policies and procedures recommended in the 2019 Program Assessment from Street Level Advisors, including but not limited to:

- Convene member planning and legal staff to implement revisions to boilerplate legal documents, in consultation with key stakeholders.
- Institute regular monitoring schedule to verify owner occupancy
- Develop fee revenue policies to improve sustainability of program administration
- Develop strategies to preserve homes at risk of foreclosure
- Continue to evaluate staff capacity to maintain oversight as the number of ARCH homes continues to grow.

In addition, develop a strategic direction for the program that preserves long-term affordability and meets other important public policy objectives.

Program Database Development. Continue to transition ARCH to new database systems to better manage existing and to be collected program data and support other critical functions, including creation of program reports, project compliance monitoring, communication with program participants, and other functions.

## IV. EDUCATION AND OUTREACH

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### A. Housing 101/Education Efforts

Housing 101. Develop educational tools and conduct or support events to inform councils, member staff and the broader community of current housing conditions, and of successful housing programs. Build connections with community groups, faith communities, developers, nonprofits and others interested in housing issues. Plan and conduct a Housing 101 event to occur no later than the end of 2020.

Private Sector Engagement. Support efforts by ARCH member cities to engage employers and private sector entities in discussions around the need for more affordable housing and identifying options for public-private partnerships.

Share media coverage on topics related to affordable housing in East King County, including work done by cities/ARCH.

### B. Information for the Public

ARCH Website. Update on a regular basis information on the ARCH website, including information related to senior housing opportunities. Maintain the ARCH web site and update the community outreach portion by incorporating information from Housing 101 East King County, as well as updated annual information, and links to other sites with relevant housing information (e.g. All Home, HDC). Add information to the website on ARCH member affordable incentive programs and fair housing.

Assist Community Members Seeking Affordable Housing. Maintain lists of affordable housing in East King County (rental and ownership) and make that information available to people looking for affordable housing. Continue to maintain a list of households interested in affordable ownership and rental housing and advertise newly available housing opportunities.

Work with other community organizations and public agencies to develop appropriate referrals for different types of inquiries received by ARCH (e.g., rapid re-housing, eviction prevention, landlord tenant issues, building code violations, fair housing complaints, etc.).

### C. Equitable Access to Affordable Housing in East King County

Collect data on existing programs to determine potential gaps in access by different populations, such as communities of color, immigrant and refugee communities, homeless individuals and families, and workers in EKC commuting from other communities. Pursue strategies to increase access to affordable housing in EKC by underserved communities. Develop outreach and marketing efforts to maximize awareness of affordable housing opportunities in East King County, and build partnerships with diverse community organizations.

## V. ADMINISTRATION

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### A. Administrative Procedures

Maintain administrative procedures that efficiently and transparently provide services to both members of ARCH and community organizations utilizing programs administered through ARCH. Activities include:

- Prepare the Annual Budget and Work Program and ensure equitable allocation of administrative costs among ARCH members.
- Prepare quarterly budget performance and work program progress reports, Trust Fund monitoring reports, and monitor expenses to stay within budget.
- Manage the ARCH Citizen Advisory Board, including recruiting and maintaining membership that includes broad geographic representation and a wide range of housing and community perspectives.
- Staff the Executive Board.
- Work with Administering Agency to streamline financial systems.
- Renew the ARCH Interlocal Agreement.

### B. Organizational Assessment and Planning

The ARCH Executive Board will continue to evaluate ARCH's organizational capacity to accomplish its Work Program and broader mission. The Board will review ARCH's organizational structure, staffing resources, capital resources and other foundational aspects of the organization to determine any gaps, and assess options for expanding organizational capacity. The assessment will result in recommendations for the following year's work program and budget, and a decision to renew or recommend revisions to the ARCH Interlocal Agreement.

*Attachment A*  
*Local Planning Efforts by City*

ARCH staff plan to assist members' staff, planning commissions, and elected councils in the following areas:

**Bellevue**

Implementing Bellevue's Affordable Housing Strategy, including:

- Increasing development potential on suitable land owned by public agencies, faith-based groups, and non-profits housing entities.
- Reviewing parking requirements and other code changes to encourage micro-apartments around light rail stations.
- Updating Wilburton and East Main neighborhood plans, including affordable housing density incentives.
- Developing funding strategy for affordable housing on suitable public lands in proximity to transit hubs including 130th TOD parcels and TOD parcels at the OMFE.

**Bothell**

Implementing its Housing Strategy Plan.

Establishing an MFTE program.

Evaluating affordable housing provisions related to zoning and other code amendments and implementing those adopted.

Work related to affordable housing component of the city's LIFT program in their downtown areas. Includes assisting with any reporting requirements and potentially exploring additional opportunities for affordable housing on city owned properties in the downtown revitalization area.

Evaluating the updated state legislation regarding impact fee waivers for affordable housing and explore potential revisions to local regulations related to impact fee waivers for affordable housing.

Evaluating and implementing affordable housing strategies in its Canyon Park plan.

**Issaquah**

Preparing the annual Affordable Housing Report Card/Analysis.

Updating and consolidating Title 18 and Central Issaquah Development and Design Standards.

Evaluating and, as needed, implementing development standards and regulations related to the housing policies adopted in the Central Issaquah Plan and Central Issaquah Standards, including inclusionary zoning.

Evaluating and strategizing sequencing potential projects/opportunities such as those near transit facilities, including coordination with potentially utilizing the King County TOD funds.

Initial work on high priority strategies identified in the Housing Strategy Work Plan including:

- Improving marketing and the understanding of ADUs and the development process.
- Facilitating development of a TOD.
- Amending codes to increase allowed diverse housing types such as SROs and cottage housing.
- Supporting housing options and services to assist people experiencing housing insecurity and those with barriers to independent living.

Marketing and maximizing awareness of affordable housing opportunities in Issaquah.

### **Kenmore**

Implementing a high priority item identified in the Housing Strategy Plan.

Completing the Preservation of Affordable Housing/Mobile Home Park project started in 2018, including assistance with developing regulations to implement Council's policy direction on land use and other strategies.

Reviewing current code provisions and permitting process for Accessory Dwelling Units (ADUs).

Assisting with technical questions and negotiating agreements where affordable housing is proposed including the Transit Oriented District (TOD) overlay.

Reviewing and developing options and opportunities for partnerships to incorporate affordable housing into transit projects including the siting of parking structures in Kenmore for the Sound Transit ST3 proposal.

### **Kirkland**

Implementing programs to encourage construction of more ADUs.

Housing-related issues in on-going neighborhood plan updates.

Developing regulations to promote transit-oriented development (TOD) at the Kingsgate Park and Ride, including affordable housing.

Housing issues that come before Council Planning and Economic Development Committee and resulting initiatives.

Housing issues related to Station Area Plan (I-405/NE 85th Street).

Affordable housing preservation efforts and initiatives.

### **Mercer Island**

Reviewing the City's MFTE program and evaluating options for a fee-in-lieu alternative to land use requirements.

Updating the Housing Strategy Plan.

Reviewing components of residential development standards that are associated with housing stock diversity.

## **Newcastle**

Updating the Housing Strategy Plan.

Outreach efforts related to ADUs.

## **Redmond**

Implementing strategies to increase the level of affordability for new housing in Overlake and Southeast Redmond as part of the development of master plans and development agreements, including exploring ways to leverage other resources.

Promoting affordable housing and other programs available to Redmond residents and developers, e.g., Accessory Dwelling Units (ADUs).

Implementing other high priority items identified in the City Council's 2019 Strategic Plan.

Updating the Strategic Housing Plan and the Affordable Housing Strategies Work Plan of June 2016, such as encouraging public/private partnerships to promote the development of affordable housing in urban centers.

## **Sammamish**

Implementing the Housing Strategy Plan.

Finalizing resale requirements and other tasks related to the affordability provisions for site donated to Habitat.

Exploring impacts to and solutions for affordable housing related to code and policy updates during legislative review.

Promoting available housing assistance and affordable housing programs to Sammamish's workforce and residents.

## **Woodinville**

Updating the Housing Strategy Plan.

Reviewing and updating affordable housing and accessory dwelling unit programs and regulations.

Evaluating and developing incentives for affordable housing as provided for in the Downtown/Little Bear Creek Master Plan area.

Reviewing components of residential development standards that are associated with housing stock diversity.

## **King County**

Monitoring affordable housing in the Northridge/Blakely Ridge and Redmond Ridge Phase II affordable housing development agreements.



**ARCH Housing Trust Fund Parity Goals**  
(as of September 2019\*)

City	2019 General Fund Contributions	2019 CDBG	Low Goal	High Goal	Estimated HB 1406 Revenue**
Beaux Arts Village	\$0	-	\$53	\$1,816	494
Bellevue	\$412,000	-	\$681,807	\$1,054,164	591,847
Bothell	\$78,000	-	\$173,394	\$314,235	54,336
Clyde Hill	\$25,000	-	\$0	\$18,431	5,609
Hunts Point	\$2,500	-	\$0	\$2,542	1,246
Issaquah	\$153,000	-	\$170,941	\$348,067	125,467
Kenmore	\$40,000	-	\$53,297	\$179,420	19,752
Kirkland	\$415,000	\$128,012	\$343,916	\$528,052	195,134
Medina	\$12,340	-	\$0	\$19,642	9,103
Mercer Island	\$50,000	-	\$17,766	\$146,903	36,318
Newcastle	\$27,000	-	\$13,058	\$75,116	11,564
Redmond	\$500,000	\$123,308	\$296,200	\$613,357	255,488
Sammamish	\$100,000	-	\$31,978	\$384,176	52,235
Woodinville	\$50,000	-	\$56,589	\$151,633	57,205
Yarrow Point	\$1,750	-	\$0	\$6,446	2,280
N/E CDBG		\$113,302	N/A	N/A	N/A
Total	\$1,764,090	\$364,622	\$1,839,000	\$3,844,000	1,418,078
Total = \$2,128,172			Midpoint = \$2,841,500		

\*Goals are updated based on the most recent annual CPI figures.

\*\*Based on 2018 revenues. Actual tax authority will be established based on state fiscal year 2019 sales.