



MEMO TO: Members of the City Council

FROM: Mayor John Marchione

DATE: December 3, 2019

SUBJECT: **Approval of the Affordable Housing and 2020 Work Program and Budget for A Regional Coalition for Housing (ARCH)**

I. RECOMMENDED ACTION

Approve the ARCH 2020 work program and budget. Staff recommends this action as it meets the City's housing goals as well as the City Council's 2019 Community Strategic Plan and conforms to the recommendations of the ARCH Executive Board, of which Redmond is a member.

II. DEPARTMENT CONTACTS

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III. DESCRIPTION/BACKGROUND

Each year, the City of Redmond reviews the ARCH annual budget and work program. Pursuant to the ARCH Interlocal Agreement of 1993 as amended in 2010, the work program and budget are required to be approved by each of the 16 member councils that are a party to the Interlocal Agreement. ARCH's budget and staffing levels have remained relatively consistent for the past 20 years. This year's budget includes additional funding needed to provide appropriate oversight and monitoring of the ARCH housing portfolio in Redmond and the other partner jurisdictions.

Organizational Review and Findings

In late 2018 through June 2019, ARCH engaged a consultant to evaluate organizational capacity to administer the growing number of affordable housing programs in member jurisdictions and to monitor units for compliance with long-term affordability covenants. The work also involved a comprehensive review of policies and procedures within

ARCH's Homeownership Program since its inception and an audit of all homeownership units, due to issues that became widely publicized by the press last fall.

The comprehensive study by Street Level Advisors found that overall, "ARCH serves as a national model for the development of long-term affordable housing. Its legal contracts are solid, and the program protects the affordable status of homes for decades longer than similar programs in other communities." (See Street Level Advisors summary report, Attachment A). However, monitoring issues and recent violations led the consultant to conclude that ARCH staffing has not kept up with the growth in the programs that it oversees, as summarized below.

- Since the early 2000's, the number of homeownership units monitored by ARCH has increased from just over 100 to approximately 700.
- Rental units created by local programs grew from around 300 units to over 1,000 with another 600 units in the pipeline (200 of which are in the Redmond pipeline). Rental units in Redmond alone grew from approximately 60 to almost 700 during the same time period.
- Another 1,800 units have been funded through the ARCH Housing Trust Fund; approximately 900 of these units were built in Redmond.
- ARCH member cities continue to adopt incentive programs to ensure that new developments contribute to affordability. In 2019 alone, Bothell, Kenmore, and Woodinville all added new housing incentive programs.
- *During that same period, ARCH has maintained roughly the same staffing level of 5.0 FTEs.*

As noted in the consultant report, staffing levels for the ARCH Homeownership Program fall well below other comparable programs nationally and recommended best practices.

Proposed Programmatic and Staffing Changes

Based on this analysis, the ARCH Executive Board approved steps to hire two additional staff which will be largely focused on monitoring and enforcement. One new position would be dedicated entirely to administration of the Homeownership Program, with the second position responsible for compliance monitoring of rental units and contract development, increasing the overall program capacity by 2.0 FTEs. To help create a more sustainable staffing model, Street Level Advisors recommended that ARCH develop a plan for implementing new fees at the time of home resale.

ARCH staff and the Executive Board have taken the following steps to implement the consultant's recommendations:

- Completed an audit of every homeowner unit within the program for identification of foreclosure, non-owner occupancy or sales/transfers without proper notification;
- Conducted follow-up investigations on over 50 properties. This resulted in determinations of compliance violations in 25 properties or 3.6 percent of the total portfolio; and

- Worked with legal counsel from each jurisdiction to help define enforcement actions as appropriate.

In the majority of cases, homeowners are working cooperatively with ARCH to sell to new qualified buyers. As of September 8, half of the 25 units with identified compliance violations had either been sold, are pending sale or are listed for sale. In Redmond, eight potential violations were identified; six of them with positive resolutions and two that are pending.

In June, the Executive Board approved a resolution authorizing the ARCH Executive Manager and the City of Kirkland to utilize up to \$415,000 in one-time funds from ARCH reserves and City of Kirkland housing funds to recruit for new limited-term employees to create immediate capacity. Additionally, in July, ARCH hired two interns to assist with administrative duties and special data projects.

Impact to Redmond

The City of Redmond has been an early leader in requiring affordable units as part of new development in the region. Redmond also has one of the largest inclusionary programs in East King County requiring ARCH's administration, in homeowner units as well as the rental program and more recently, the Multifamily Property Tax Exemption Program.

City	Owner Units	Renter Units	Total
Bellevue	71	309	380
Issaquah	280	105	385
Kenmore		56	56
King County	240	482	722
Kirkland	33	138	171
Mercer Island		13	13
Newcastle	6	46	52
Redmond	88	585	673*
Sammamish	7	48	55
Woodinville	20		20
Total	745	1,782	2,527

*200 additional units are in the pipeline.

The total ARCH administrative budget for 2020 is \$1,110,097 (Attachment B). This represents an increase of 53 percent from the 2019 budget of \$724,221. The proposed 2020 ARCH budget anticipates Redmond's contribution would be \$123,104 which represents a 57 percent increase over the 2019 budget of \$78,584. This increase was not anticipated as part of Redmond's 2019-2020 biennial budget; however, the additional \$44,520 requested for 2020 allows the identified compliance and monitoring needs to be effectively addressed. Staff has confirmed with the Finance Department that the requested budget increase can be provided for through salary and benefits savings available in the Planning and Community Development department budget. Additional review and consideration of

future ARCH administrative budgets and ongoing staffing needs will occur during the City's next Budgeting by Priorities process.

As noted above, Redmond's affordable unit count is high with relatively low administrative costs compared to other ARCH member jurisdictions of similar size. This provides a good return on the City's investment in affordable housing by maintaining the units through ARCH's compliance and monitoring activities.

The ARCH 2020 administrative budget, provided in Attachment B, also includes a line item breakdown of operating expenses, along with a comparison to 2019 figures, and a summary of cash and in-kind contributions by each ARCH member jurisdiction.

ARCH Work Program for 2020

The ARCH Executive Board reviewed and approved the 2020 Work Program and Administrative Budget at its September 12, 2019, meeting. In 2020, ARCH will advance 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 Transit Oriented Development Plan);
- Continue to support proposals for dedicated funding sources for affordable housing; and
- Evaluate options for expanding ARCH's capacity to accomplish its broader mission.

In addition, ARCH has identified new work program activities in 2020 to support inter-local and regional planning activities:

- Working with member staff and the ARCH Executive Board, Sound Transit and King County Housing staff to develop measurable goals for production and preservation of affordable housing across ARCH member communities.
- 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.
- Participation in regional and countywide planning activities such as the King County GMPC/Affordable Housing Committee/Housing Inter-Jurisdictional Team (HIJT); and, The All Home/Eastside Homeless Advisory Committee (EHAC).

As well as providing ongoing assistance to the City in managing affordable housing programs and administering the Housing Trust Fund, examples of 2020 work program activities that are specific to Redmond include:

- 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 Community Strategic Plan; and
- 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.

IV. PREVIOUS DISCUSSIONS HELD

November 4, 2019 – Parks and Human Services Committee of the Whole
November 12, 2019 – City Council Study Session

V. IMPACT

A. Service/Delivery:

The 2020 ARCH work program is consistent with the City's goals and policies for promoting affordable housing, as described in the Comprehensive Plan and City Council's 2019 Strategic Plan for Housing. ARCH will help Redmond achieve its housing goals. By working together with other jurisdictions, Redmond's housing efforts are more cost-effective and better coordinated.

B. Fiscal Note:

Approval of the ARCH budget for 2020 would implement the City's commitment, in the 2019-2020 biennial budget, to support the programmatic improvements proposed by ARCH. Staff has identified sources to provide for the increased administrative costs in 2020; additional review and consideration of future ARCH administrative budgets and ongoing staffing needs will occur during the City's next Budgeting by Priorities process.

VI. ALTERNATIVES TO STAFF RECOMMENDATION

Staff recommends this action because it meets the City's housing goals and conforms to the recommendations of the ARCH Executive Board, of which Redmond is a member.

VII. TIME CONSTRAINTS

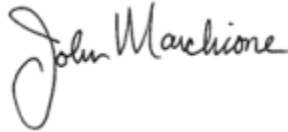
Approval of the ARCH work program and budget by all ARCH member jurisdictions is a prerequisite to ARCH receiving operating funds for 2020. Due to the difficulty of coordinating multiple approval processes, the approval of the ARCH work program and budget by each member council is necessary as early as possible.

VIII. LIST OF ATTACHMENTS

- A: Street Level Advisors summary report
- B: ARCH 2020 Budget
- C: ARCH 2020 Work Program
- D: Memo from Lindsay Masters



Erika Vandenbrande, Director of Planning and Community Development



Approved for Agenda _____
John Marchione, Mayor