



ARCH EXECUTIVE BOARD AGENDA

November 9, 2023

Bellevue City Hall, Room 1E-110

<https://kirklandwa-gov.zoom.us/j/96905200722>

9:00 a.m. – 10:30 a.m.

- 1) Call to Order
- 2) Approval of the Agenda
- 3) Approval of the October 2023 Meeting Minutes
- 4) Public Comment
- 5) Reports / Action Items
 - a) Affordable Housing Rent Limit Policy Recommendation
 - b) North Bend MOA for ARCH Services
 - c) Q3 2023 Report
 - d) Affordable Housing Incentives Model Presentation
 - Rick Jacobus (Street Level Advisors), Matt Fairris (BAE Urban Economics), Andrea Newton (Urban Land Institute)
- 6) Other Business
 - a) Verbal Updates
 - Strategic Planning Workshop reminder
 - Upcoming agenda items:
 1. Board Chair/Vice Chair elections
 2. 2023 Trust Fund Recommendations
- 7) Adjournment

ITEM 3: Approval of the October 2023 Meeting Minutes

Approval of the October Executive Board Meeting minutes

Attachments

- A. Summary Minutes to Executive Board Meeting (October 12, 2023)

A REGIONAL COALITION FOR HOUSING (ARCH)

Summary Minutes to Executive Board Meeting

Date October 12, 2023
9:00am

Hybrid Meeting

Board Members Present:

Carol Helland, City of Redmond, Director of Planning and Community Development
Diane Carlson, City of Bellevue, Deputy City Manager
David Pyle, City of Sammamish, Director of Community Development
Jim Lopez, City of Kirkland, Deputy City Manager
Maia Knox, City of Clyde Hill, Assistant City Manager
Dean Rohla, City of Clyde Hill, City Administrator
Alison Van Gorp, City of Mercer Island, Director of Development Services
Simon Foster, King County, Director of Housing
Scott Pingel, City of Newcastle, City Manager
Mark Hofman, City of Newcastle, Community Development Director
Jared Hill, City of Woodinville, Intergovernmental Affairs Coordinator
Jason Greenspan, City of Bothell, Community Development Director

Board Members Absent:

Steve Burns, City of Medina, City Manager
Wally Bobkiewicz, City of Issaquah, City Administrator
Debbie Bent, City of Kenmore, Community Development Director

Others Present:

Lindsay Masters, ARCH, Executive Director
Raquel Rodriguez, ARCH, Program Coordinator
Diana Heilman, ARCH, Senior Administrative Assistant
Adam Matza, ARCH, Rental Program Officer
Yelias Bender, ARCH, Senior Program Officer
Nicole Palczewski, ARCH, Housing Program Intern
Patrick Tippy, ARCH, Affordable Housing Program Manager
Jodi Alberts, Bellevue Chamber of Commerce, Vice President of Government Affairs
Linda Abe, City of Bellevue, Affordable Planning Housing Manager
Tambi Cork, City of Kenmore, Housing and Human Services Manager
Michael Katterman, City of Bellevue, Director, Community Development
Caroline MacLeod
Mike Stanger, ARCH, Senior Planner
Elsa Kings, ARCH, Senior Planner
Jen Davis Hayes, City of Issaquah, Economic Development Manager

1. CALL TO ORDER

Mr. Pyle called the meeting to order at 9:01 am.

2. APPROVAL OF THE AGENDA

Mr. Pyle asked for changes to the agenda of October 12, 2023. No changes were made.

A motion was made by Ms. Helland to approve the agenda. Mr. Pingel seconded the motion. Approved 10-0.

3. APPROVAL OF THE MINUTES

Mr. Pyle asked for changes to the meeting minutes for September 14, 2023. No changes were made. *A motion was made by Mr. Pingel to approve the September 14, 2023, meeting minutes. Ms. Carlson seconded the motion. Approved 10-0.*

4. PUBLIC COMMENT

At this point Mr. Pyle turned the meeting over to the Chair, Ms. Helland.

Mr. Katterman took this opportunity to recognize Ms. Masters for five years with ARCH as Executive Director.

Jodie Alberts from the Bellevue Chamber requested to make comment on the Rental Limit Policy. She said that the policies outlined in the recommendations would add further cost to projects by increasing the cost of compliance. She said that new multifamily construction is down due to rising interest rates and rents flattening, and asked that jurisdictions focus on policies that keep the development pipeline open. The rent increases that occurred during the pandemic are unlikely to be seen again, with current rent increases already not keeping pace with operational costs. Between the policies, the 3 to 6% soft cap is preferred of the options. It must include rent reset for new tenants. She asked that ARCH provide more info on the shift to CPI and requested a floor of 10% below AMI based rents instead of 25%. She expressed hope that there would be continued dialogue with industry so housing supply and affordability goals can be met.

5. REPORTS / ACTION ITEMS

5a) HUD Grant Application and Support Letter

Ms. Helland introduced the item and turned the discussion over to Ms. Masters.

Ms. Masters referred to the presentation made to the Board in September and recapped the Board's support to work with King County on the grant application. She said as of yesterday a public review draft of the \$10 million proposal was made available and is out for public comment. There will be a public hearing. Input from ARCH was included in the proposal, which includes a proposed \$2.9 million subgrant to ARCH.

Ms. Masters said ARCH was looking for the Board's direction on gathering signatures for a support letter from the jurisdictions. The letter was drafted as a single letter for all the cities because there was concern about the page count, but they found out the support letters will not count in the page limit.

Ms. Helland noted that Ms. Masters had distributed the information to the Board by email on October 11. The support letter template was attached. She asked if there was support for each jurisdiction going through their own process to get signatures on the support letter. Ms. Masters asked that the support letters be sent to Ms. Heilman.

Ms. Helland called for a motion on having each jurisdiction obtain signature for their own support letter to be provided to ARCH for the HUD grant packet to be coordinated by Ms. Heilman. The motion was made by Mr. Pingel and seconded by Mr. Pyle. Approved 10-0.

5b) Affordable Housing Rent Limit Policy Recommendations

Ms. Helland drew the Board's attention to a draft memorandum provided to them to outline the issues. No action will be called for today. The Board will be asked for direction for ARCH staff to consider in preparation for action at a future meeting. Ms. Helland turned to Ms. Masters for a presentation on the Rent Limit Policy Recommendations.

Ms. Masters reflected that there had been a year of process and conversation to come up with the best set of recommendations. She requested that after the presentation the Board provide input and questions.

Ms. Helland said that besides the rent impacts there is an urgency to address this issue due to code conflict for her jurisdiction as well as some others.

Ms. Masters walked through a presentation detailing the process involved in reviewing code, engaging with numerous stakeholders, convening a work group to refine options and collecting public comment on a narrowed down set of options. She reviewed the code issues, which include an outdated reference in most members' affordable housing definitions. She shared a chart demonstrating that the AMI is not a stable and predictable indicator and not an ideal source to peg housing costs. She reviewed the Board's goals and objectives for the policy and described the stakeholder engagement process, including the initial policy options:

- 1) Status Quo Option
- 2) HUD Section 8 Limits
- 3) Tenant-based 3% cap
- 4) Building-based 4.5% cap
- 5) Program-wide 2% floor and 5% cap
- 6) Tenant income-based rents

In November and December of 2022, the Board provided direction to narrow down to the 2nd through 5th options. There was input from nonprofit organizations that their issues and concerns are a significantly different set of issues than the private developments have. Per the Board's direction, ARCH then formed a workgroup of diverse stakeholders to see if they could develop a preferred option.

Through the winter and summer of 2023 ARCH convened and facilitated workgroup discussions. The result was a preliminary agreement for a tenant-based cap. It was more difficult to get a consensus on what was the right cap, with developers indicating 3% was too low. Data regarding cost burden, inflation, and growth in incomes was considered, including trends in Social Security. It was observed that HUD AMI growth has outpaced all the other factors. Social Security has lagged behind inflation. It is hard to predict where inflation is going but the 3 to 6 percent range is trying to accommodate some long-term trends in inflation.

Some members of the workgroup proposed a graduated or soft cap that would take each resident's rent, compare it to where the HUD AMI based rent goes in that year and calculate a cap based on the difference between those two factors. This would create assurances for owners regarding banked capacity but make rent increases less predictable for tenants. ARCH's primary concern was the administrative complexity, especially in light of turnover in property management staff.

Based on the workgroup's findings, the Board directed staff to gather public comment on a subset of four options. ARCH conducted a robust outreach process to reach stakeholders not previously engaged in the process, including renters and people living in affordable housing. Comment was collected through an online survey, activities to promote interest and outreach with 36 different agencies. An event was held at The Together Center with about 30 attendees.

Ms. Masters presented the survey results from 246 unduplicated responses. Many of the people responding were seniors. The majority were renters, many of which were living in ARCH units. The survey revealed that rent increases were causing displacement, and seniors and those living on fixed incomes are severely impacted. Comments also indicated that rent increases were causing homelessness and an increased risk of homelessness, and that property owners should be able to protect the rents for affordable housing by making it up in the rent from market rate units.

The policies were ranked by the respondents. The 3% cap was the most popular. The second choice was the 5% cap, followed closely by the 3-6% cap. The 3-9% cap was the least popular.

Ms. Helland asked if there were developers responding to this survey. Ms. Masters said she did not believe there were developers but there were some commenters working in property and asset management. Among those respondents was a split preference between the 3% and the graduated cap.

Ms. Masters presented the draft recommendations which are found in the agenda packet. Ms. Carlson asked if they received input from developers on these recommendations. Ms. Masters said that developers said that there needed to be an offset to restrictions.

Ms. Masters opened the recommendations for discussion. She asked that the Board determine if revisions or modifications were needed before the final recommendation at the November meeting.

Ms. Carlson expressed appreciation to the ARCH staff for the information provided by all the outreach that was done by staff. She said Bellevue would want to evaluate the options in relationship with the existing 3% program. She asked how the Kirkland model which is based on Section 8 parameters is working? Ms. Masters said Kirkland only started that model in the last year, so no projects have come online using that model in Kirkland yet. Some other jurisdictions that use that model are public funding programs. There were still high increases using that model. There were some issues with how the HUD model tracks at different rates.

Ms. Carlson asked if regarding to the senior recommendation there should also be a consideration of the disabled population? Ms. Masters said there had been consideration of a population-specific policy per unit. She acknowledged they would like that as an outcome, but it creates uncertainty for the property owner. They would have difficulty planning because they don't know how many seniors or disabled tenants they would have.

Ms. Carlson asked if the senior policy recommendation was based on the fact that certain properties are targeted specifically to seniors? Ms. Masters answered yes. Ms. Helland observed that the 3% tenant based cap could be chosen as an opt-in for properties targeted to specific population groups.

Mr. Greenspan asked that since the graduated cap represented an unpredictable administrative complexity, what would the burden be on ARCH and the member cities? Ms. Masters said that the graduated cap is intended to respond to the input from developers who supported that option more than any other, but the recommendation simplifies the structure, which is considered a downside for developers, but a big plus for the property management. Admittedly it will have complications and require more time on ARCH's part, but it is balanced by the fact that it is supporting the feasibility of development. This will be explored further as the code language is developed to hear even more from the people implementing the policy.

Mr. Pyle asked for confirmation that the policy would apply to only new projects with affordable units subject to covenants setting rent limits. Would existing projects be optional and on a case-by-case basis? Ms. Masters said that is correct.

Mr. Pyle asked to clarify what the overall objective of this work is and asked what happens if members take different approaches. Ms. Masters said the goal is to create consistent policies, but it doesn't mean everyone has to decide to take the same approach. Each jurisdiction can make a local decision. ARCH did consult with city staff along the way to be sure no obvious alternative was missed, and the hope is there will not be further variations. We would like to see everyone move forward and adopt the recommendation, but if not we do not want to see individual cities come up with a different policy that ARCH would have to manage.

Mr. Pyle asked what would be expected of cities to bring their policies in alignment if this policy is passed? He pointed out that they would need to bring this into their comprehensive plans. Ms. Masters acknowledged that regulations would need to be updated to implement the policy as well as the comp plan, but she didn't think it would preclude implementing the policy if the city was too far in the process of developing their comp plan.

Mr. Pyle asked if ARCH could develop a model set of policies and regulations for integration into comprehensive plans that would govern the implementation of the policy with new affordable units? Ms. Helland thought the regulatory solution would be consistent with their comprehensive plan as it existed. She said if a community was following Vision 2050 and county wide planning policies then these generally would support any regulatory solution that ARCH would move forward. She said she had circulated the Affordable Housing Committee policies. These could be a resource. What requires our consensus is the regulatory solution and the benefit of agreeing on the range of options would be that they could create templates and regulatory language that could be taken to their planning commissions and councils. She pointed out that if they wanted to continue to monitor and provide

affordable housing as a consortium, they needed to be consistent with the same range of options. She said that ARCH as an organization with current resources cannot implement every nuance. From a process perspective, this means we take these to our planning commissions and come back with feedback before they adopt something specific.

Ms. Carlson agreed it would be good to include a step to understand what local stakeholders are thinking.

Mr. Hill said thank you to the ARCH team. He acknowledged that Woodinville is playing catch up on tenant protection items. They are having an executive session with legal counsel in November. He said he would be happy to include these recommendations as part of that conversation.

Ms. Helland asked for final questions. Ms. Masters asked what the cities need to go back and get feedback from the local level, and if a preliminary recommendation or draft recommendation needs to be advanced first? Ms. Helland suggested that we would make a recommendation that we would test with planning commissions, with the acknowledgement that we would come back with what we hear from planning commissions. This would be a recommendation from the Board for individual jurisdictions to explore and then assess and adapt if necessary. Ms. Carlson concurred that it be a recommendation to explore at the local level and come back.

Ms. Masters said that not all cities have the same capacity to push this right now and it may be important to move forward at some point even if not every city has had a local conversation. Ms. Helland said she would reach out to the ARCH Board members to see what their capacity is and see if we can get to a critical mass.

5c) Q2 2023 Report

Ms. Masters said they had gotten feedback that the new report format was more readable and public friendly. She asked if there is anything else that Board members need to see in the report and reviewed the information in the report.

Ms. Helland asked if there were any questions. Mr. Greenspan asked if the statistics on people on the mailing list were tracked by specific cities. Ms. Masters said, yes, that data was available.

6) OTHER BUSINESS

- **Verbal Updates**
 - **North Bend MOA for ARCH Services**

Ms. Masters said there would be a draft of this agreement presented for approval in November.

- **ARCH Incentives Model**

Ms. Masters said they hoped to have a presentation in November from the economic consultant on the modeling tool for cities to evaluate their affordable housing incentives.

Ms. Masters announced that a new staff member had been hired to be the Local Housing Program Manager. She is Susie Levy.

7) ADJOURNMENT

Meeting was adjourned at 10:28 am.

ITEM 5A: Rent Limit Policy Recommendation

Discussion and action on a draft recommendation regarding rent limit policies within members' affordable housing programs and projects

Background

At the October meeting, the ARCH Executive Board received a briefing on the year-long policy development process and resulting recommendations regarding how rent limits are allowed to increase within local affordable housing programs. Staff presented information on the options studied over the course of the year, stakeholder input along the way, and the most recent public comments and survey responses collected over a 45-day public comment period. A copy of the October presentation is included in this month's agenda packet.

The Board discussed the draft set of recommendations and came to a consensus to move forward with presenting the recommendations within individual jurisdictions for further exploration. If significant comments or alternative options arise through any members' process, the Board indicated its willingness to commit to re-convene and discuss whether to modify any of the recommended options so that the membership maintains a consistent approach.

Staff Recommendation

Staff recommend the Board:

- Forward recommendations in the attached memo to their member jurisdictions for consideration as part of their Comprehensive Plan update.
- Request member jurisdiction staff to coordinate efforts and share information with ARCH staff as the recommendations are explored at the local level.

Attachments

1. Rent Limit Policy Presentation Slides (October 2023)
2. Draft ARCH Rent Limit Policy Recommendation

ARCH Rent Limit Policy Overview

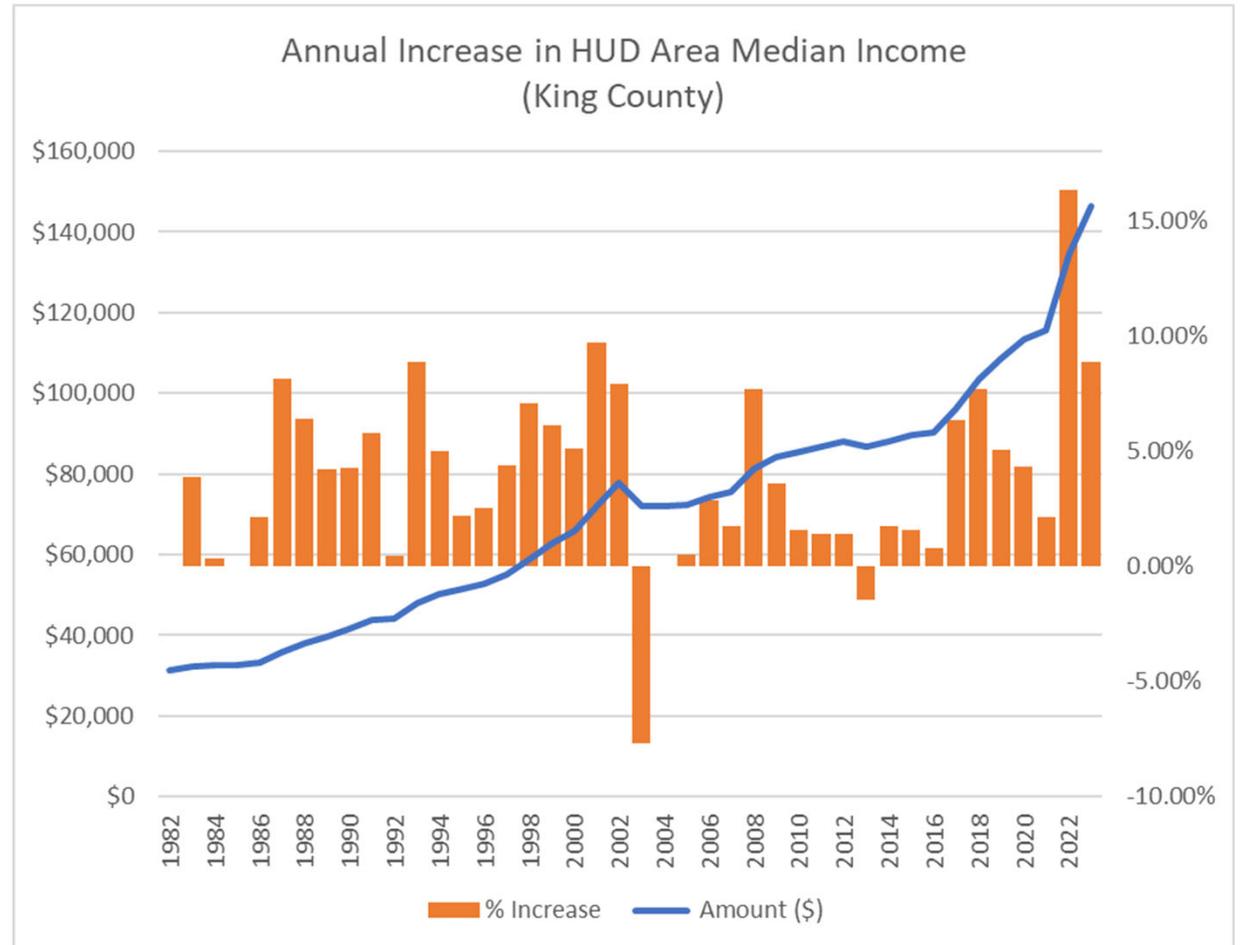


Summer 2022

City Code/Covenant Review

Outdated citation identified in 8 member cities' codes

Example Language: "King County Median Income" means the median income for the Seattle-Bellevue, WA HUD Metro FMR Area (King County) as most recently determined by the Secretary of Housing and Urban Development (HUD) under **Section 8(f)(3) of the United States Housing Act of 1937**, as amended.



Fall 2022

Overarching Goal

- Create consistent regulations, policies and practices across cities

Policy Objectives

- Reduce the trend toward increasing renter cost burden
- Provide greater predictability for tenants and owners
- Support financial feasibility based on common underwriting standards
- Minimize administrative burden for property managers and ARCH

Stakeholder Engagement

- ***Surveys, focus groups and interviews with:***
 - Market rate property owners and developers
 - Affordable housing owners and developers
 - Tenants and community-based organizations who work with low and moderate-income renters
 - Property management and compliance staff
 - Lender/investor representatives
 - Other regulatory agencies in Washington who administer affordable housing programs

Option 1: Status Quo Option

- Most preferred by market rate property owners and developers
- Least preferred by tenant stakeholders

Option 2: HUD Section 8 Limits

Option 3: Tenant-based 3.0% Cap

Option 4: Building-Based 4.5% Cap

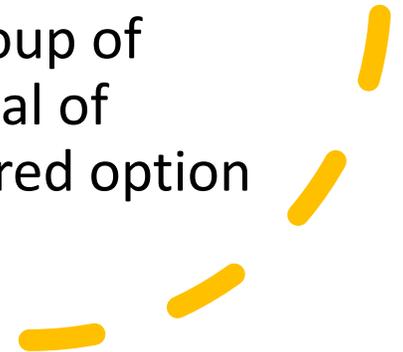
Option 5: Program-wide 2.0% Floor and 5.0% Cap

Option 6: Tenant Income-Based Rents

- Most preferred by tenant representatives
- Least preferred by market rate property owners and developers

Board Direction

- Narrowed options to the middle four options (eliminated status quo and tenant income-based rents)
- Priority focused on developments with a minority of units set-aside for affordable housing
 - Complexity of regulations, financing and operations for all-affordable projects warrants a coordinated policy approach with other funders
- Directed formation of a work group of diverse stakeholders with the goal of developing and refining a preferred option



Winter-Summer 2023

Work Group Members

Private Developers

- Vulcan Real Estate, Quatterra, Mill Creek Residential Trust, Grand Peaks

Affordable Housing Providers

- Imagine Housing, King County Housing Authority

Property Management

- Greystar, Thrive Communities

Tenant Representatives

- Housing Justice Project

Work Group Recommendations

Tenant-Based Cap selected as the preferred option for balancing needs of tenants and owners.

Benefits for Tenants:

- ✓ Increases stability and allows for planning ahead
- ✓ Reduces economic displacement

Benefits for Owners:

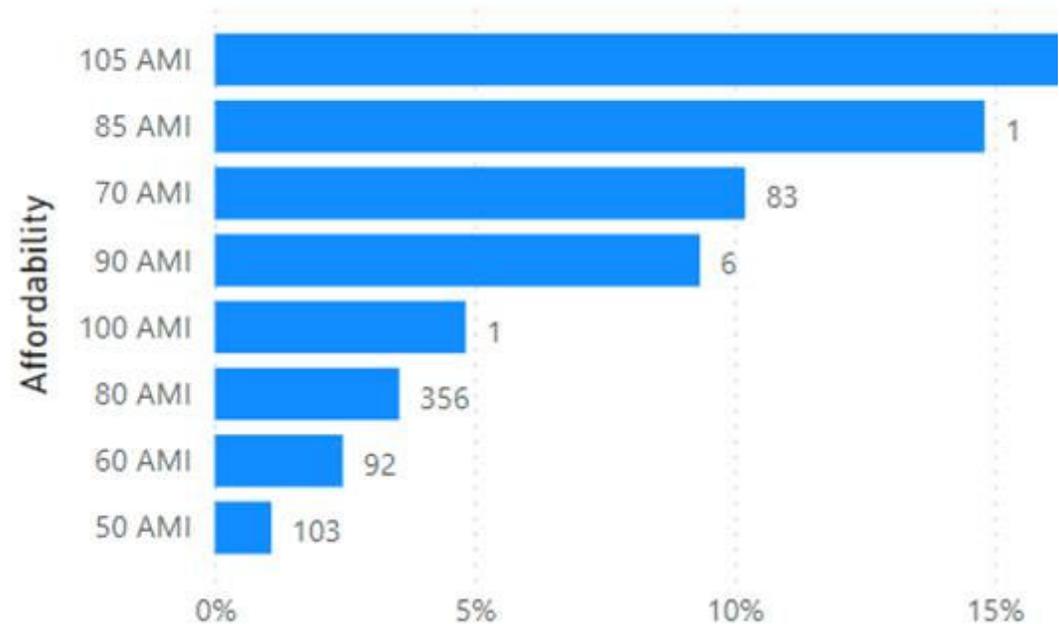
- ✓ Rents allowed to reset to HUD AMI rents at turnover
- ✓ Creates “banked capacity” effect during the term of tenancy, spreading out high/low years more evenly
- ✓ Longer tenancies may reduce costs associated with turnover

What is the right cap?

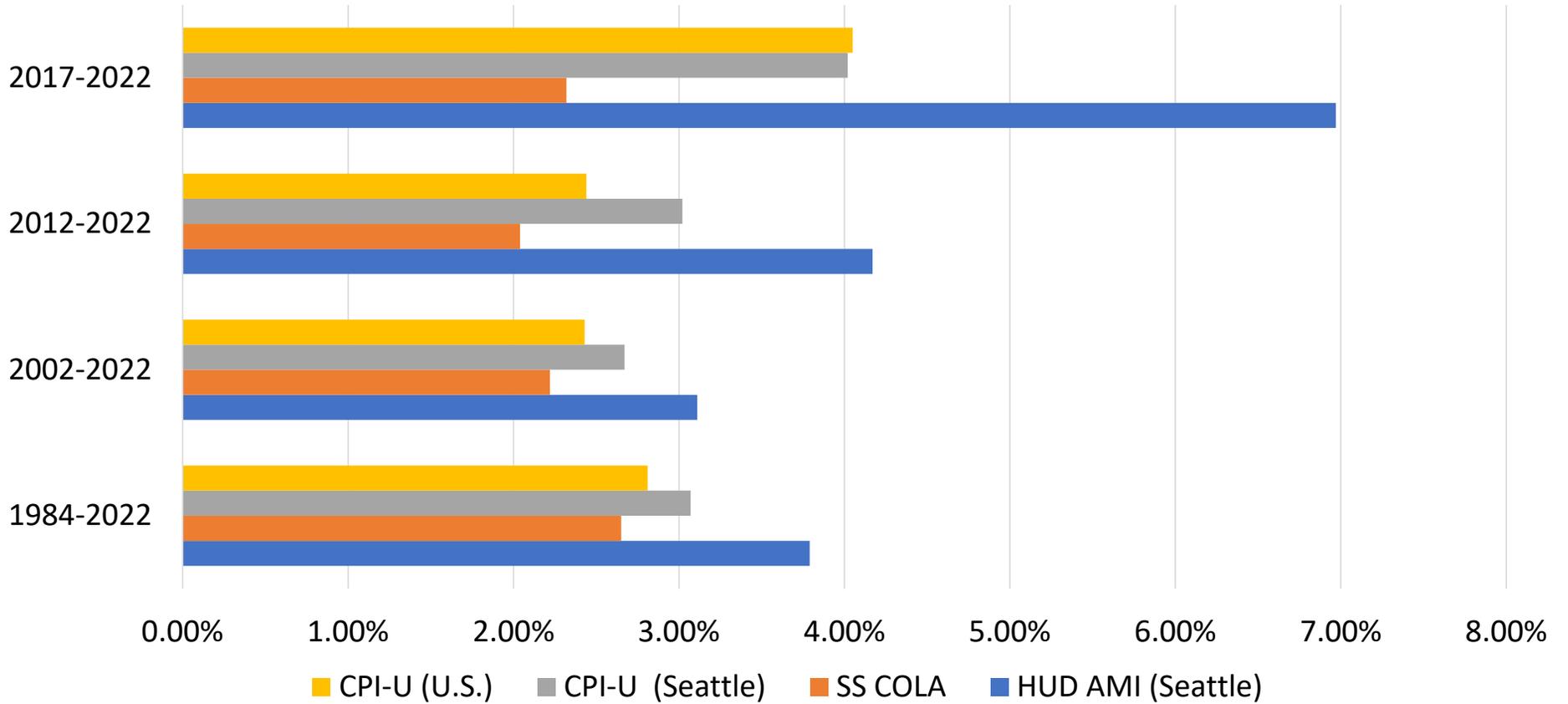
Existing Program (2022)

- **Cost burden:**
 - 79% paying more than 30% of income toward rent
 - 23% paying more than 50% of income toward rent
- **Growth in incomes:**
 - 3.7% median annual income growth
 - 0% for seniors, 5% for non-seniors

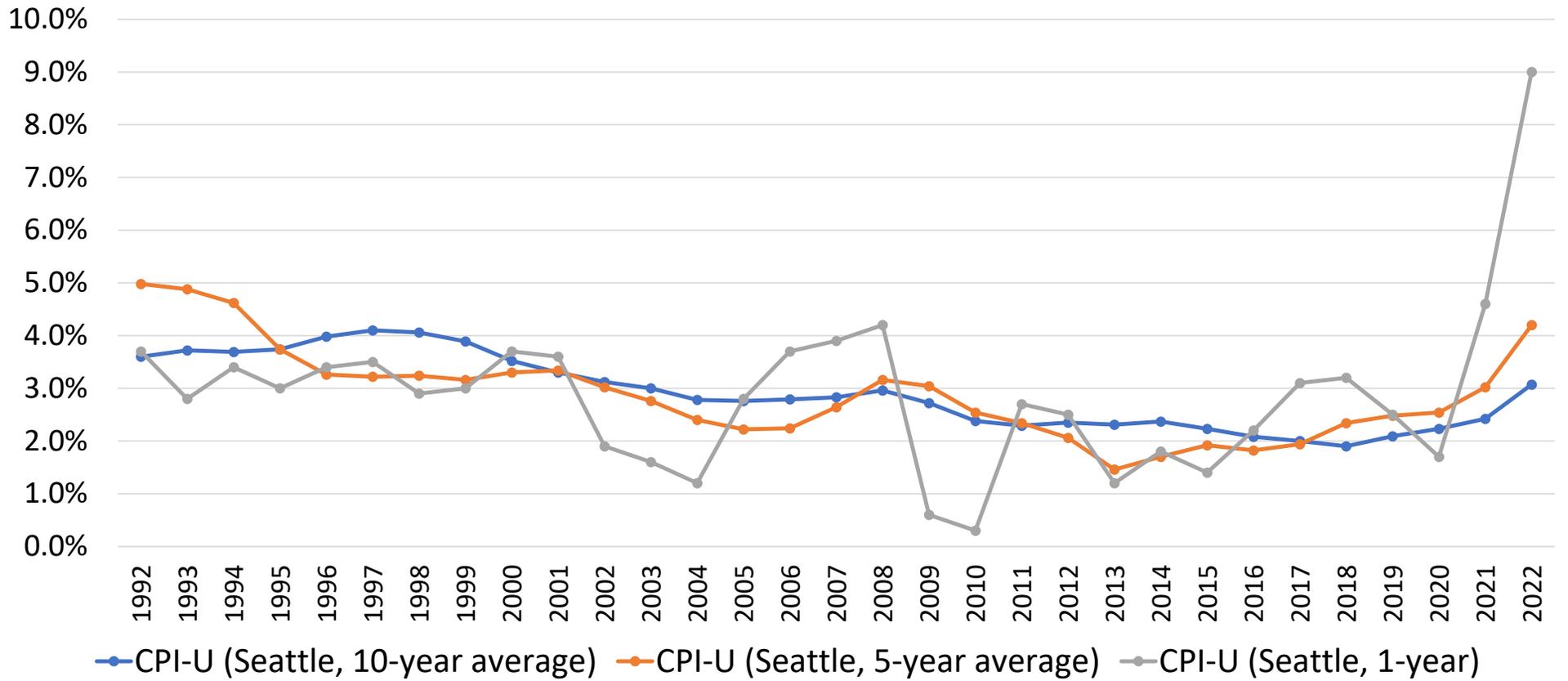
Median Income Growth by Housing Affordability



Average Annual Change: HUD Area Median Income vs Consumer Price Index, Social Security COLA



Consumer Price Index Trends (Seattle)



Graduated Cap Concept

Developer proposal:

Rent increase Limits:	
Difference between resident's current rent and applicable current HUD AMI-based program rent	Renewal rent may be Increased a maximum of:
Less than 5%	3%
Greater than 5%	4%
Greater than 10%	5%
Greater than 15%	6%
Greater than 20%	7%
Greater than 25%	8%
Greater than 30%	9%
Greater than 35%	The greater of a) 9% or b) an increase to a new rent equal to 35% below current HUD AMI-based program rent

Benefits:

- ✓ Cap can respond to dynamic economic conditions
- ✓ Mitigates owners' risk of high inflation; gives greater certainty for utilizing banked capacity

Concerns:

- ✓ Less predictability and affordability for tenants
- ✓ Significantly more administrative complexity

Public Comment Period

- **Board-Identified Options for Public Input:**

- Tenant-Based 3.0% Cap
- Tenant-Based 5.0% Cap
- Graduated 3.0% - 9.0% Cap
- Graduated 3.0% - 6.0% Cap

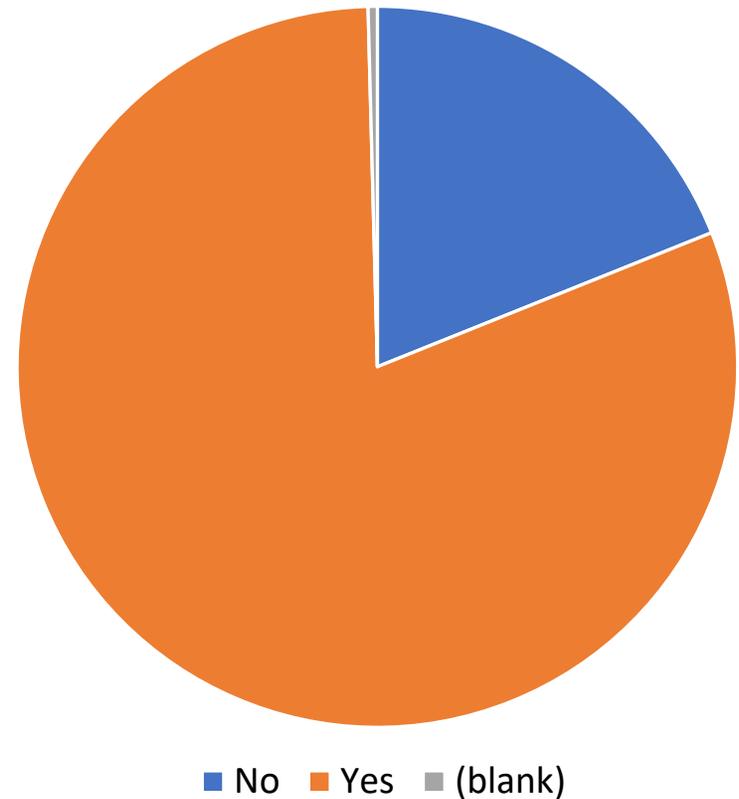
- **Outreach Efforts :**

- Notified all stakeholders that participated in earlier process
- Online Survey with translation instructions
- In-person community meeting
- Broad outreach to generate awareness of survey

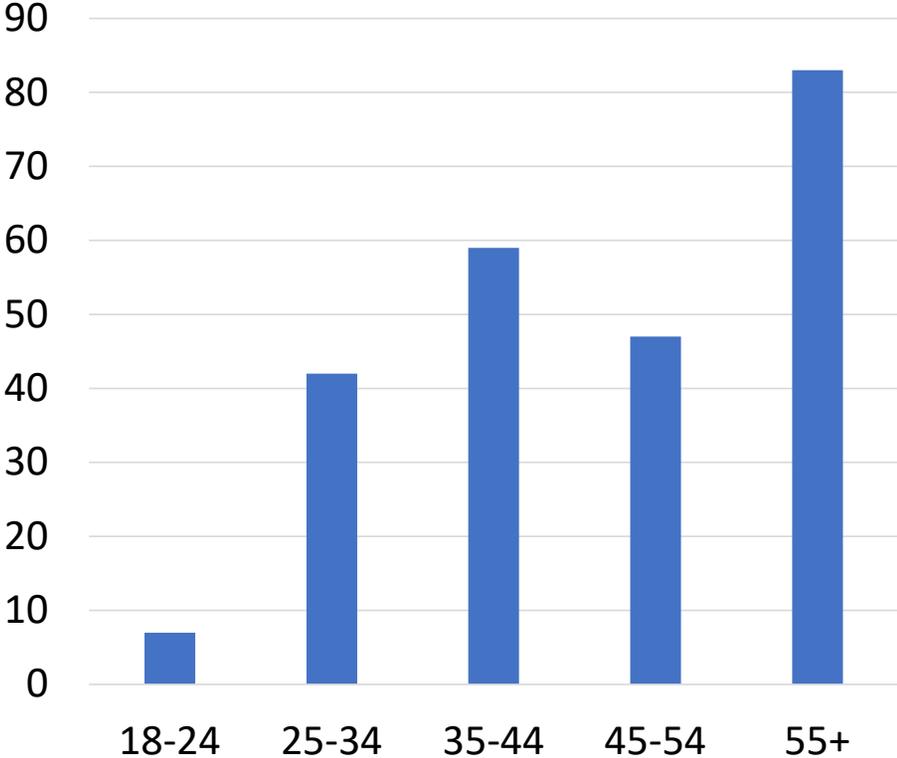
ARCH Rent Limit Survey Results

- 246 unduplicated survey responses
- 76% currently living in East King County
- Average Household Income: \$62,000
- Average Household Size: 2.2

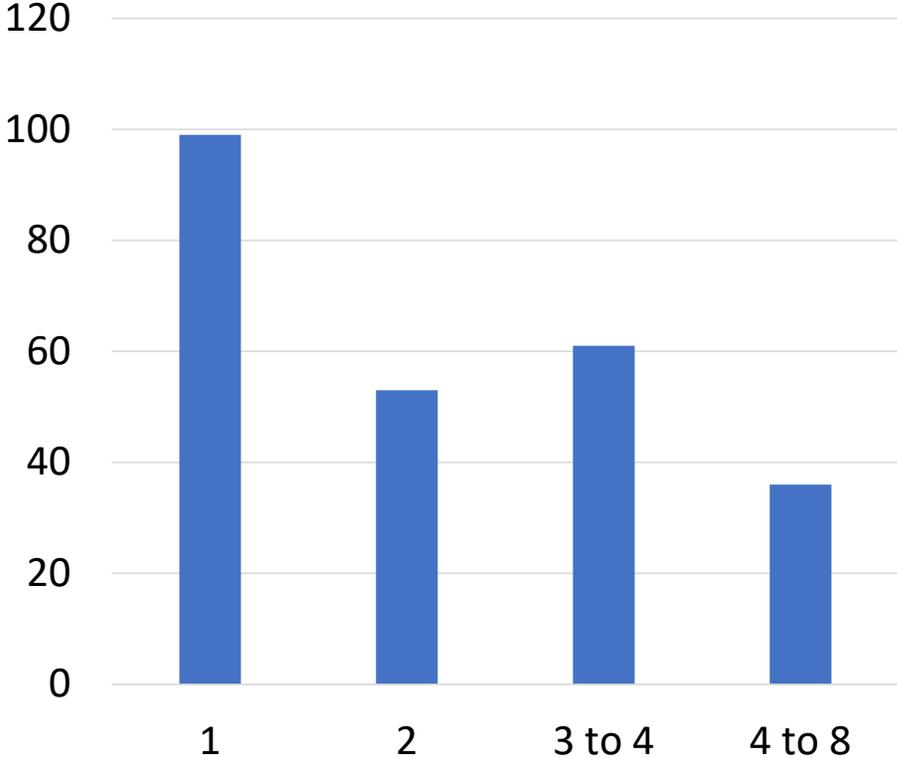
Have you or someone you know ever had to move due to a rent increase?



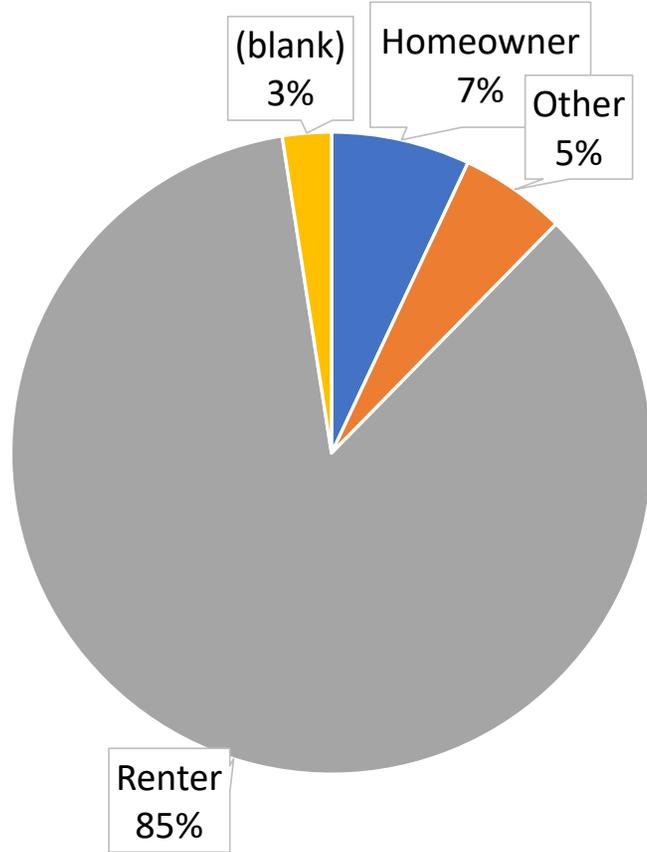
What is your age?



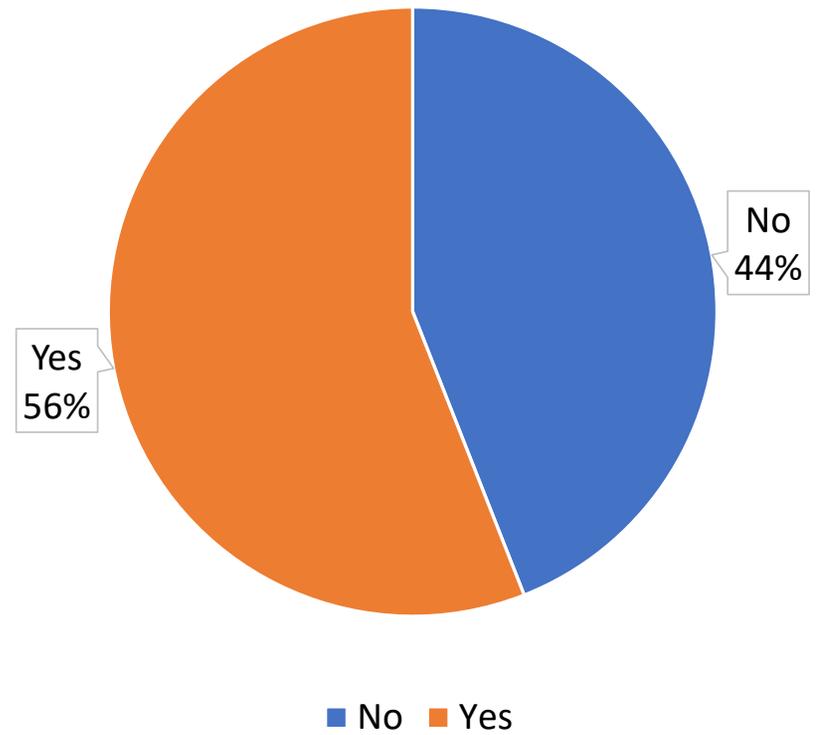
Household Size



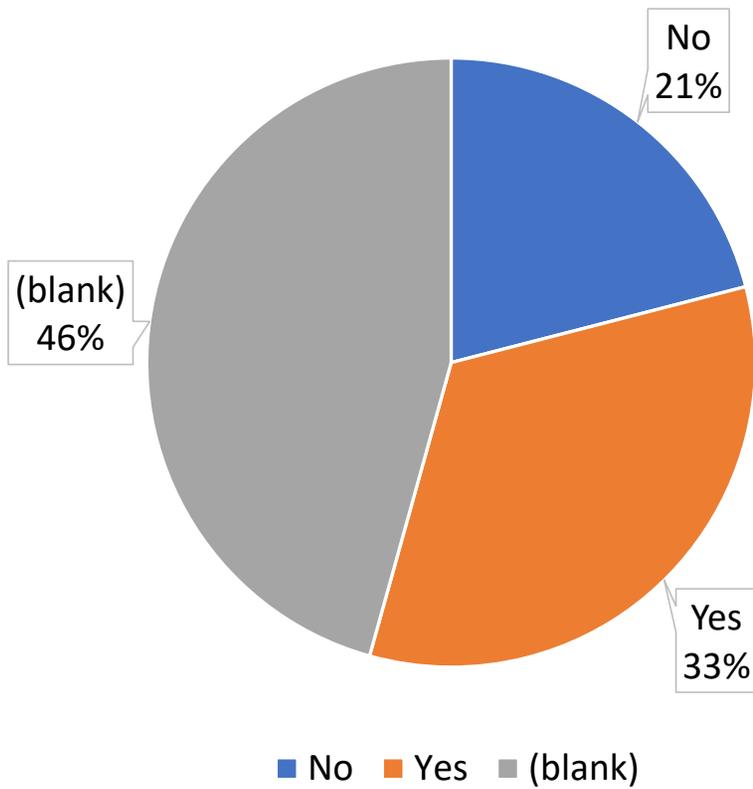
Are you a renter or a homeowner?



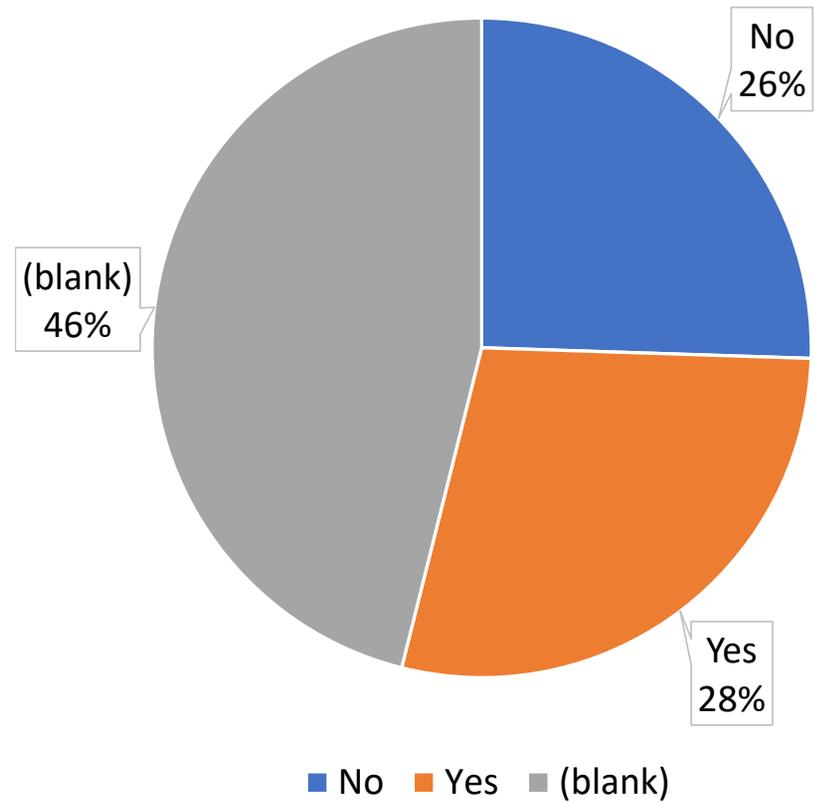
Have you ever lived in affordable housing?



Do you currently live in affordable housing?



Have you ever lived in an ARCH unit?



Survey Themes

A solid orange horizontal bar is positioned below the title, extending across most of the width of the white box.

Wages not keeping up with rent increases; workers unable to live near work

“I live in an Arch unit. This year my rent went up about \$300. I can't afford that much increase. I'm still making the same amount of money. I didn't get a raise from my job.”

“I work in Issaquah and would like to be able to eventually move closer to work. However, with all the new developments/luxury apts, finding affordable rental units has been a challenge as a single renter.”

“I can barely afford to live in the city where I teach. I cannot save any money to retire. I am living paycheck to paycheck.”

Rent increases causing displacement, loss of community supports

“This is an ARCH building and we have already lost several long-term residents because they can no longer afford the rent.”

“I have had to move several times (6-7) because of rent increases. My elderly mother couldn't afford her rent and moved in with my spouse and me for affordability. We've even had to move as a unit twice because of rent hikes. We'll likely end up priced out and moving further away from medical care and jobs soon.”

“I work in Bellevue and higher rent makes it difficult to live in an area relatively close to my school. It's important to me to be a part of the community where I work but when rent increases then people like myself are forced to live farther out. This alienates and isolates us from the community we want to be a part of.”

Impacts on seniors, people with fixed income

“I know several seniors in their mid to late 60s living on Social Security, whose rent was increased to the point where their Social Security check would barely cover rent, and they were unable to work. I know a few of those people are living out of their cars, but are able to sustain life through social security, taking care of their Basic needs in terms of food and Medicare helping with any health issues that may arise. The real damage is to emotional and mental health to those of us that have no family remaining or very few family and friends.”

“It would be relief to know if the rent is 30% of our household income, with rents going up every year we are fearful of losing housing. Both my husband and I are low income seniors and work but don't make a lot of money, we love our current ARCH subsidized apartment and want to live here without worry of having our rents become unaffordable. Please help reduce the increase of tenant based portion.”

Rent increases causing increased risk of homelessness

“Rental increases in my area are becoming alarming. It seems Redmond is attempting to gentrify the city and push out lower income folks... Myself included more than 5 people in my close inner circle have faced houselessness due to these crazy rent hikes, we are going to cause a new houseless pandemic if we don't address this issue soon.”

“I was homeless in Bellevue. I am 75 yrs old and want to come back to the Eastside. Though I qualify for Section 8 there are no vouchers but a fixed rent cap may make it achievable.”

Other impacts on family (health, education, etc.)

“It has been getting increasingly difficult to live in this area, the cost of basic necessities such as food and medicine has skyrocketed. I’m now rationing my epipens and rent just dramatically increases to the point that whether its affordable housing or not the prices are no longer different. Arch used to be affordable housing but it no longer is anymore.”

“I rent a unit under the ARCH PROGRAM, and my rent was increased by almost 40%. If this continue[s] throughout the years, I’ll be forced to move out of Bellevue... my children attend BSD, and I want them to have a better education. Also, my oldest child is special needs and that’s the main [reason] why I moved to the Eastside.”

Fairness

“Property owners will do fine and their profits should not take precedence over their tenant's housing.”

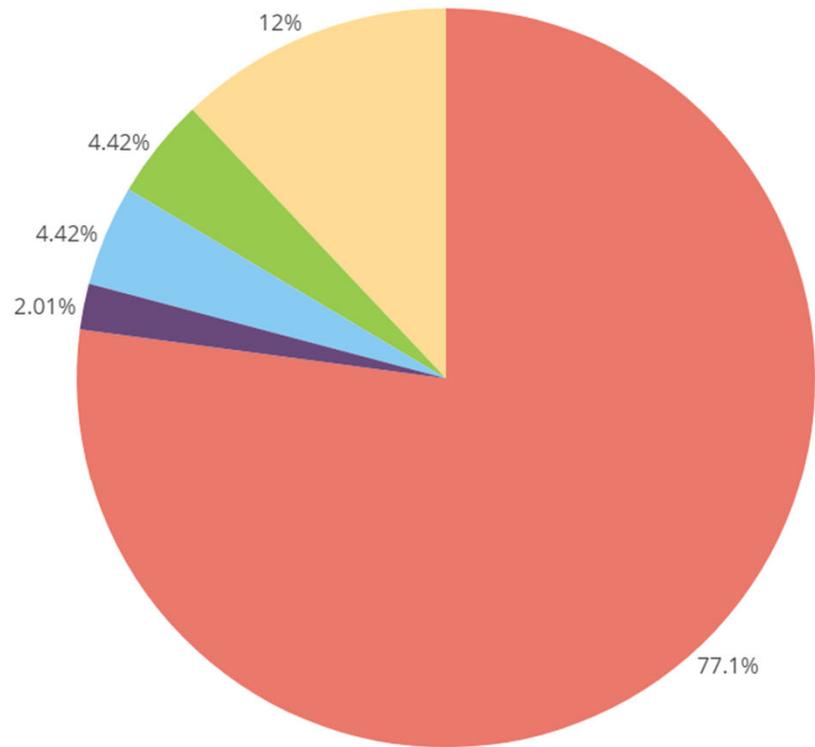
“They have other units at regular rate, they’ll make up the money, especially in Bellevue.”

“Owners have reaped the benefits of no cap for many years. The time to consider the renters position is long overdue.”

“As it stand now, the ARCH rents are not helpful to people who need lower rents.”

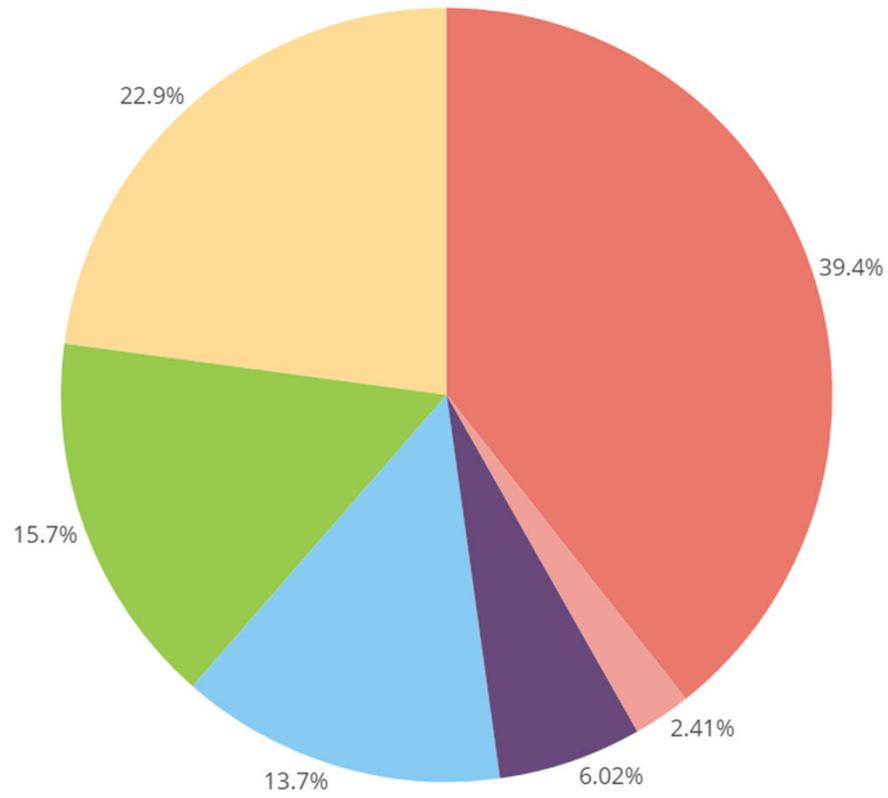
How would you rank these options? You do not need to rank all choices, but please be sure to indicate your 1st choice.

First choice:



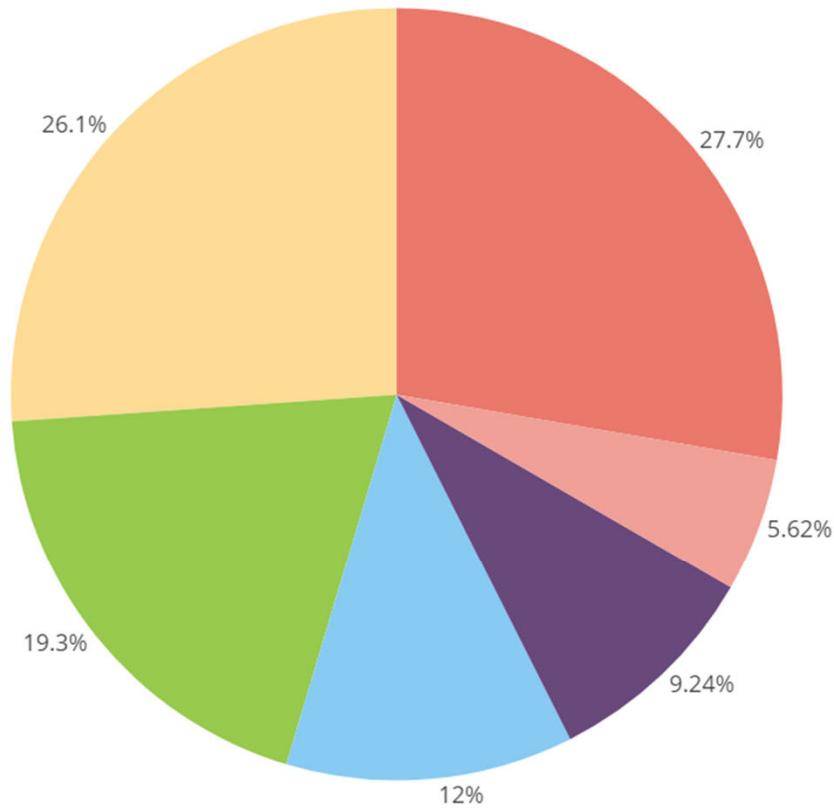
CHOICE	
Option 1: 3% Cap	
Option 4: 3-6% Cap	
(no answer)	
Option 3: 3-9% Cap	
Option 2: 5% Cap	

Second choice:



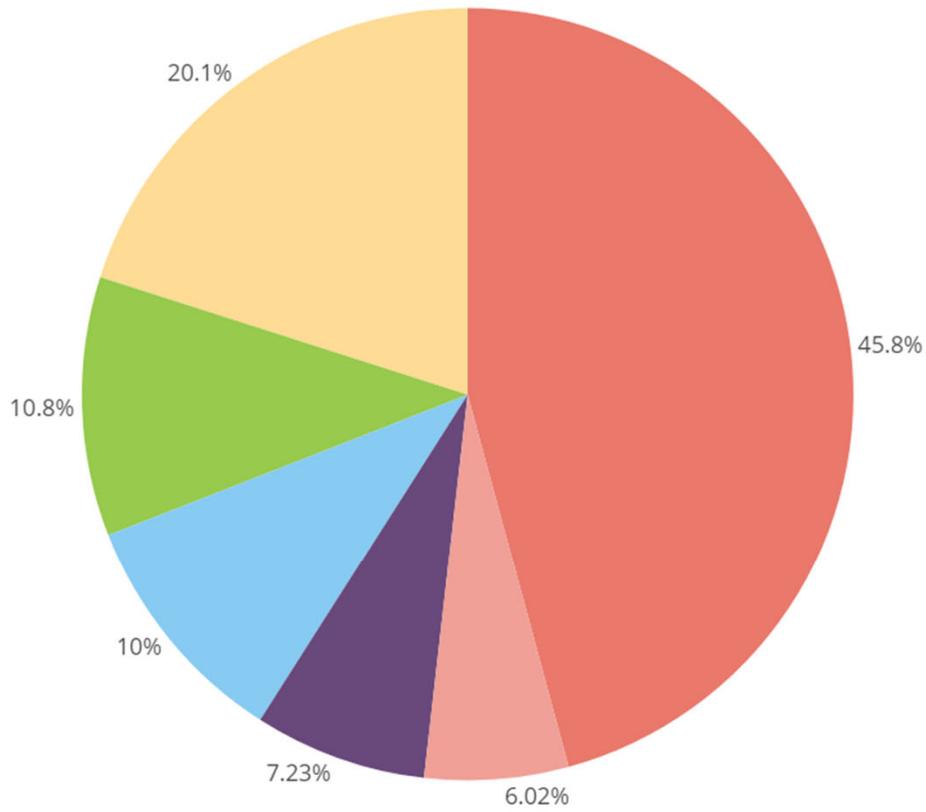
CHOICE	
	Option 2: 5% Cap
	Option 4: 3-6% Cap
	(no answer)
	Option 1: 3% Cap
	Option 3: 3-9% Cap
	No preference

Third choice:



CHOICE	
	Option 2: 5% Cap
	Option 4: 3-6% Cap
	(no answer)
	Option 3: 3-9% Cap
	Option 1: 3% Cap
	No preference

Fourth choice:



CHOICE	
	Option 3: 3-9% Cap
	(no answer)
	Option 1: 3% Cap
	Option 4: 3-6% Cap
	Option 2: 5% Cap
	No preference

Ranking	Option 1: Tenant-Based 3.0% Cap	Option 2: Tenant-Based 5.0% Cap	Option 3: Graduated 3.0%-9.0% Cap	Option 4: Graduated 3.0%-6.0% Cap
First Choice	186	5	11	30
Second Choice	18	95	14	55
Third Choice	9	64	29	63
Fourth Choice	14	16	107	23
Weighted Results*	603	269	90	263

Why do you think your first choice is the best policy?

Option 1 (3% cap)

- **Ability to plan and budget:** *“People who are struggling to make ends meet would know exactly how much their rent could go up. Planning and budgeting is everything when you have little.”*
- **Rents are already too high; keeps homes affordable:** *“Rent is already too high in King County. Raising rent by 3% each year is the only reasonable option.”*
- **Better alignment with senior incomes:** *“It keeps up with inflation generally, as well as my pension (almost) which is capped at 2% per year regardless of inflation.”*
- **Better alignment with low wage worker incomes:** *“Many low income tenants go from one low-paying job to another, so they do not have an increase in annual income to accommodate an increase in rent.”*

Why do you think your first choice is the best policy?

Options 2 (5% cap)

- Allows owners to **maintain the property**

Option 2: 3-9% cap

- **Balances tenant and landlords**

Option 4: 3-6% cap

- **Most realistic compromise**
- Makes sense for developers

DRAFT Recommendations

Recommendation #1

- **Adopt option of Tenant-Based 5.0% Cap or Graduated 3.0%-6.0% Cap**
- Provide 2 options for greater flexibility
- Graduated cap would be set at the programmatic level to simplify administration
- Minimum floor of 25% below HUD AMI-based rents would mitigate high inflation scenarios
- Tenants allowed to renew tenancy if in compliance with existing lease agreements

Recommendation #2

- **Add incentives to apply Tenant-Based 3.0% Cap to senior projects and offer as option to other projects**
- Greater protection and stability for seniors
- Incentive may be in the form of reduced number of affordable units or increase in the target income
- May also be extended to non-senior projects on an optional basis

DRAFT Recommendations

Recommendation #3

- **Coordinate implementation by aligning code language, administrative decision-making and data and evaluation**
- Work together to develop common code language and boilerplate legal provisions
- Create mechanism for shared administrative decisions through ARCH's structure to ensure consistent policy interpretation
- Track data to measure policy results against key benchmarks; coordinate any needed policy adjustments across jurisdictions

Recommendation #4

- **Advance recommendations for subsidized projects to State housing agencies**
- Provide initial recommendation to be considered in State-level policy development processes:
 - Utilize simple tenant-based caps that vary by type of project/population
 - Establish approval processes to increase caps based on project's financial performance
 - Utilize initial underwriting criteria to provide adequate subsidy that will accommodate lower growth in rents



A Regional Coalition for Housing

Celebrating 30 years of bringing cities together to house East King County

Together Center Campus
16305 NE 87th St. Suite 119
Redmond, WA 98052
(425) 861-3677

MEMORANDUM

Date: _____, 2023
From: ARCH Executive Board
To: ARCH Members
Subject: Affordable Housing Rent Limit Policy Recommendations

ARCH supports many member jurisdictions in East King County with the administration of local affordable housing programs, including programs that provide land use or tax incentives in exchange for setting aside affordable units in market rate developments, as well as a Trust Fund program that invests city funding in subsidized affordable developments. The following memo provides ARCH's recommendations for rent limit policies that would apply to affordable housing.

Background: Current Rent Limit Policies

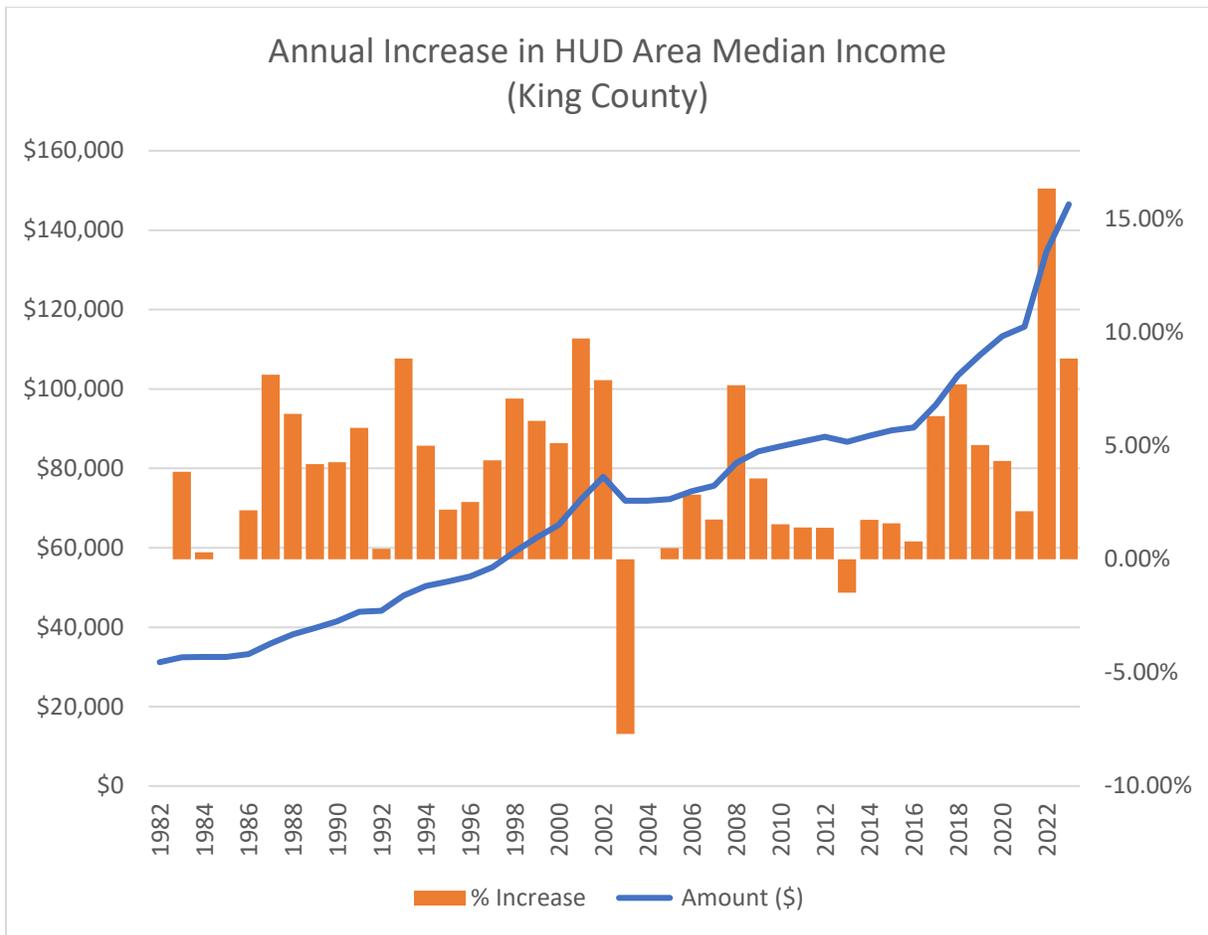
Under most members' affordable housing program regulations, affordable rent limits are currently set each year based on the rate of change in the Area Median Income or "AMI," which is published by the U.S. Department of Housing and Urban Development (HUD). Several member cities' codes define "median income" using an outdated federal citation that has created a lack of clarity in ARCH's administration, an issue that this recommendation is intended to correct.

The policy of setting rent limits based on the HUD AMI has led to unpredictable and sometimes unsustainable rates of change for tenants and owners, with increases as high as 16.3% in 2022 and decreases as low as -7.7%. In the Seattle region, the rate of change in the HUD AMI has generally outpaced the Consumer Price Index (CPI), as well as annual Cost of Living Allowance (COLA) increases for Social Security recipients. With the presence of high-paying jobs in our region, this policy has had particularly significant impacts on affordable housing residents here, especially seniors, compared to other areas.

Some ARCH members have already begun to take steps toward alternate rent limit policies. In 2019, the City of Bellevue modified regulations for its Multifamily Tax Exemption (MFTE) program to provide for a 3.0% annual cap on the rate of tenants' rent increases. The City of Kirkland is utilizing an alternative set of HUD income limits published for the Section 8 program, which uses a formula that historically has provided a buffer in years of extreme increases.

ARCH MEMBERS

BEAUX ARTS VILLAGE ♦ BELLEVUE ♦ BOTHELL ♦ CLYDE HILL ♦ HUNTS POINT ♦
ISSAQUAH ♦ KENMORE ♦ KIRKLAND ♦ MEDINA ♦ MERCER ISLAND ♦ NEWCASTLE ♦ REDMOND ♦
SAMMAMISH ♦ WOODINVILLE ♦ YARROW POINT ♦ KING COUNTY



Data from Annual Compliance Reports (ACRs) collected by ARCH for members' incentive programs illustrate that ARCH renters' incomes are not growing as fast as the HUD AMI. Based on 2022 data reported this year, the median annual income growth for all types of households was 3.7%, with the average length of residency among those households totaling 2.4 years. The rate of median annual income growth for households with seniors was significantly less (0%) than those without seniors, while the rate for households with minors was higher (6.0%) than those without minors. Households living in lower AMI units generally experienced slower growth in incomes than those in higher AMI units. Households with seniors also experienced greater overall cost burden, with their median rent burden amounting to 46% compared to 36% in non-senior households. Overall, 79% of households living in ARCH affordable housing were paying over 30% of their income toward rent, with 23% paying more than 50% of income toward rent. These figures are based on gross pay, which means net income for households may actually be even less than reported.

Policy Development Process and Public Comment on Policy Options

In the fall of 2022, following the 16.3% increase in rent limits in members' affordable housing programs, the ARCH Executive Board directed staff to explore new policy options that could create a more balanced framework for regulating affordable rents in the future. The Board set forth the following objectives for the policy: (1) Reduce the trend toward increasing cost burden among renters of affordable units; (2) Provide greater predictability for tenants and owners; (3) Create regulations that support financial feasibility based on common underwriting standards among investors and lenders; (4) Minimize administrative burden for property managers and ARCH to oversee compliance; and (5) Avoid unintended consequences.

ARCH has since conducted nearly a year of robust stakeholder and public engagement, following guidance from the Executive Board and consultation with member city staff. Initial outreach included focus groups, surveys, and interviews with a diverse set of stakeholders, including market rate housing developers, nonprofit and affordable housing developers, property management and compliance staff, tenant rights advocates, lender and investor representatives, and public agency staff from Washington and other states around the nation who have experience implementing rent limit caps in their affordable housing programs. Feedback was collected on a range of potential policy options based on existing models, with stakeholders asked to identify other proposals for consideration.

Based on the first phase of input, the Board eliminated the option most preferred by tenant advocates (setting rents based on tenant incomes) and the option most preferred by market rate developers (leaving the status quo in place). The status quo option was not considered viable in part because many member cities have outdated federal citations that require correction in order for ARCH to administer the "median income" requirements predictably. The scope of the policy was also refined to focus first on market rate projects with a minority of affordable units (i.e., those participating in city incentive programs), given the distinct financial challenges and more complex regulations for projects with a majority of restricted units.

Work Group Study and Narrowing of Options

To continue development of the options, the Board directed staff to convene a workgroup with the goal of aligning diverse stakeholders around a preferred option and refining the proposal to address stakeholders' concerns. Volunteers were identified in early 2023 and the work group met through June of 2023, with a final **Work Group Recommendation** issued on July 3, 2023. The Work Group initially converged around the concept of a tenant-based 3.0% cap (similar to the policy in place for Bellevue's MFTE program), noting the following advantages:

- Tenants will have relatively stable housing costs and be able to plan ahead for their financial future, helping to limit involuntary economic displacement.
- The policy could help contribute to longer tenancies and reduced expenses associated with turnover/eviction.
- Owners will be able to re-set rents as new tenants move in so that long-term unit rents still follow the HUD AMI. The policy also has the effect of allowing owners to "bank capacity" or spread out annual increases at a more consistent and predictable pace.

Ultimately, the group could not come to a consensus on whether to set a fixed cap or create a graduated cap that could adjust based on dynamic factors that would allow properties to catch up faster to baseline HUD AMI-based rents.

Final Options and Public Comment Period

Based on the Work Group’s report, the Board directed staff to collect public input period on four final options, including: (1) Tenant-based 3.0% cap; (2) Tenant-based 5.0% cap; (3) Graduated cap of 3.0%-9.0%; and (4) Graduated cap of 3.0%-6.0%. ARCH initiated a public comment period on August 28 through September 24, inviting input through a detailed survey as well as through written comments. To generate greater awareness of the survey, ARCH attended several outreach events, created and distributed a flier to over 36 agency staff contacts and hosted a community meeting with approximately 30 attendees. A total of 243 unduplicated survey responses were submitted, along with written comments.

The survey was successful in collecting input from people affected by housing affordability, with 85% of survey respondents identifying as renters, 56% having lived in affordable housing and 28% having lived in an ARCH unit. A total of 76% shared that they currently live in East King County, with average household income of \$62,600 and average household size of 2.2. A total of 81% of respondents indicated that they or someone they know has experienced having to move due to a rent increase. A summary of survey respondents’ ranking of the options is shown below.

Ranking	Option 1: Tenant- Based 3.0% Cap	Option 2: Tenant- Based 5.0% Cap	Option 3: Graduated 3.0%-9.0% Cap	Option 4: Graduated 3.0%-6.0% Cap
First Choice	186	5	11	30
Second Choice	18	95	14	55
Third Choice	9	64	29	63
Fourth Choice	14	16	107	23
Weighted Results*	603	269	90	263

*Weighting provides three points to a respondents’ first choice, two to their second choice and one to their third choice.

Of those who ranked the policies, 82% preferred the tenant-based 3.0% cap as their first choice, with the tenant-based 5.0% cap and graduated 3.0%-6.0% cap the next most preferred choices. Survey responses also included a range of answers explaining why the policy was of interest to the respondent, and why they provided the ranking they did. Common themes included:

- Rent increases causing displacement and loss of community supports (change of school, losing access to safe neighborhoods, etc.)
- Wages not keeping up with rent increases
- Seniors/people with fixed incomes experiencing severe impacts of rent increases
- Increased risk of homelessness from rent increases

- Families experiencing significant impacts (health impacts, kids having to change schools, parents working two jobs, etc.)
- Concerns over fairness (increases seem egregious, profits taking precedence over tenants being able to stay in their housing)

Few comments from property owners and developers were received during the comment period, but those that were received, together with earlier input, emphasized concerns about the impact of any policy on housing providers. Common themes included:

- Fear of future costs outpacing allowed increases
- Need to balance resident concerns with financial reality to provide quality housing
- Present concerns driven by especially high increases in operational costs, particularly staffing and insurance, as well as generally challenging market conditions for feasibility of new developments
- Need to evaluate long-term unintended consequences and ensure the policy has relief valves if economic circumstances change dramatically or if inflation doesn't resemble past history

Property and asset managers provided a unique perspective in their survey responses, with nearly half preferring the 3.0% cap, and the other half preferring one of the graduated caps. Some shared their own experience having to move due to rent increases, and some were particularly aware of the impact of recent increases on residents, with one noting: "I've lost more ARCH home residents in the last 2 years than any other annual time frame the last 21 years in this industry... Most of my long term residents have had to move."

Recommendations

It is clear from both the data and public input that the current policy of basing increases on the HUD AMI is not working well for many of the low and moderate income renters that have relied on ARCH to access housing in East King County. At the same time, ARCH is keenly aware of the need for regulations that will continue to support the development and operation of new housing, and limit the burden on property management staff that work with ARCH to implement these policies. To address these multiple interests, ARCH has developed the following recommendations:

Recommendation #1: Adopt option of Tenant-Based 5.0% Cap or Graduated 3.0%-6.0% Cap

The graduated cap is a promising new concept that has the potential to give tenants the benefit of a 3.0% cap in some years while creating a relief valve to respond to economic factors that also affect property owners. To simplify the administration of the policy, ARCH would recommend that the adjustment of the cap be established at a programmatic level based on the Consumer Price Index (CPI) rather than an individual tenant-level, and that a minimum floor of 25% below the HUD AMI-based rents be established so that rent limits are able to respond to persistent higher inflationary environments.

Because the graduated cap does not have an existing precedent and there is greater uncertainty around its application, ARCH also recommends that members establish a simpler tenant-based 5.0% cap, with a similar floor that creates a buffer against persistent high inflation. Providing a choice between these policies may also accommodate differences in preferences and underwriting approaches between developers.

For both options, the policy should specify that tenants have the right to renew their leases so long as they remain in compliance with their existing lease agreement, and that owners also retain their typical rights to convert properties to other uses. In addition, the policy would not affect how income limits are determined each year, as these would continue to be set based on the HUD AMI.

Recommendation #2: Add incentives to apply Tenant-Based 3.0% Cap to senior projects and offer as option to other projects

The unique needs of seniors were a consistent theme heard throughout ARCH's process. As most seniors rely on fixed sources of income, it is even more critical to establish policies that will ensure low, stable rent increases. To ensure that this policy does not have the unintended consequence of discouraging development of senior projects, ARCH recommends establishing the policy in exchange for an additional incentive, such as a reduction in the total number of required affordable units or an increase in the target income. This approach may also be feasible to extend to other types of projects, but on an optional rather than a mandatory basis.

Recommendation #3: Coordinate implementation by aligning code language, administrative decision-making and data and evaluation

Given the increased complexity these policies may add to the administration of members' programs, ARCH recommends that member staff work in partnership to implement these recommendations through common code language and boilerplate legal provisions, and establish shared administrative decision-making through ARCH's structure to ensure consistent interpretation and application of rent policies throughout the ARCH program. This collaboration is consistent with ARCH's mission and will result in a more efficient program, especially for developers that work in more than one jurisdiction.

In addition, ARCH recommends establishing key benchmarks for evaluation of the policy and sharing data across jurisdictions to measure its collective impact. Specific measures could include the rate of tenant cost burden; average length of tenancy; developer participation rates in areas with voluntary programs; and continued tracking of the HUD AMI against CPI and Social Security COLAs. Any potential policy adjustments based on this evaluation should be considered across ARCH jurisdictions to continue a cohesive approach within our coalition.

Recommendation #4: Advance recommendations for subsidized projects to State housing agencies

Residents of subsidized affordable projects are experiencing many of the same impacts of rent increases as those in market-rate projects. However, because these projects face far greater financial challenges to operate and maintain quality living environments, ARCH understands

that a different policy approach may be needed and therefore recommends advancing our initial recommendations to State-level housing agencies that are also planning to explore new rent limit policies. Based on ARCH's research and interviews into the most promising approaches from other states, our recommendation is to establish simple tenant-based caps that may vary by type of project (e.g., lower caps for senior and disabled), with approval processes to increase caps based on the financial performance of each individual project. In addition, ARCH recommends that public funders evaluate their underwriting criteria and level of subsidy to ensure that projects can safely accommodate lower growth in rents while meeting their debt obligations and providing proper staffing and maintenance.

Conclusion

While no policy is without its drawbacks, these recommendations will make our affordable housing programs work better for the low and moderate income households that ARCH was created to serve, while limiting impacts on property owners and developers whose partnership we rely on to continue producing the housing our region needs.

Attachments:

1. Rent Limit Policy Survey Summary
2. Rent Limit Policy Email Comments
3. ARCH Rent Policy Work Group Recommendation
4. Summary of Stakeholder Outreach and Analysis

ITEM 5B: Memorandum of Agreement with City of North Bend

Review and approval of Memorandum of Agreement with the City of North Bend for ARCH services

Background

At the September meeting, a majority of the ARCH Executive Board voted to approve entering into an agreement with the City of North Bend to provide services in support of the City's first Multifamily Tax Exemption (MFTE) project, known as Traverse. The proposed agreement has now been reviewed by legal counsel for both North Bend and the City of Bellevue.

The Traverse project is to include 28 affordable units out of a total of 128 units, with affordability to run for a period of 12 years. The proposed Memorandum of Agreement (MOA) is modeled on a similar agreement executed with the City of Duvall in which ARCH provides hourly services on a reimbursable basis. For this project, the City of North Bend intends to fund its payments to ARCH through reimbursements by the project developer, which according to the City is obligated to cover administrative costs associated with the tax exemption. Staff do not anticipate a significant level of revenue from the contract, but any revenue collected would be reported in ARCH's quarterly reports and could be directed by the Board in the future toward replenishing recently allocated reserves or to offset member dues.

The attached draft includes the following basic terms:

- Services: ARCH's basic services are described, including but not limited to training of property staff on compliance guidelines, annual compliance monitoring, reporting to the Department of Commerce and additional auditing activities as needed.
- Fee Schedule: \$92/hour, adjusted annually for CPI.
- Term: The agreement contemplates coming together every five years to confirm the arrangement is working, or identify if any amendments are needed. Either party can terminate the agreement with a 60-day written notice.
- Indemnity: Mutual indemnity obligation, where each Party assumes responsibility for its own wrongful acts/omissions.

Staff understand the agreement to be consistent with ARCH's Interlocal Agreement, which provides for ARCH "to provide other technical advice to any Party upon request and to enter into agreements to provide technical assistance to other public entities on a reimbursable basis."

Staff Recommendation

Staff recommend that the Executive Board review and determine whether to approve City of Bellevue as Administering Agency to execute a Memorandum of Agreement with the City of North Bend in substantially the same form as the attached draft.

Attachments

1. Draft Memorandum of Agreement between ARCH and the City of North Bend

MEMORANDUM OF AGREEMENT

Between

A Regional Coalition for Housing, by City of Bellevue, its Administering Agency

And

City of North Bend, Washington

For the Purposes of

Monitoring Affordable MFTE Rental Units at the Traverse North Bend Apartments

Entered into _____, 2023

Whereas, the City of North Bend (“City”) has need for monitoring of approximately 28 Affordable Rental Units, at the Traverse North Bend Apartments, benefiting from its Multi Family Tax Exemption (MFTE) program, beginning to come available for rent in September of 2023; and

Whereas, the City has requested the assistance of A Regional Coalition for Housing (“ARCH”) in providing monitoring of these units, following ARCH standard operating procedures and per the scope of which is defined in the attached exhibit; and

Whereas, ARCH has the available staffing, systems, and technical procedures for performing the administrative function requested by the City; and

Whereas, the ARCH Executive Board, at its September 14, 2023, meeting, voted to approve entering into a Memorandum of Agreement (“MOA”) with the City for the monitoring of rental units to include income verification, annual reporting, and audit assistance consistent with the City’s MFTE program on a fee for services basis, subject to their review of that MOA; and

Whereas, the North Bend City Council at its _____, 2023, meeting also approved entering into this MOA; and

NOW, THEREFORE, in consideration of the promises, provisions, payments, and mutual agreements set forth in this MOA, the Parties hereby agree as follows:

Section 1. Purpose. This MOA provides for a partnership between ARCH and the City of North Bend with respect to the monitoring of approximately 28 affordable rental units at the Traverse North Bend Apartments that benefit from the City’s MFTE program, as detailed in Exhibit A (Scope of Services) and Exhibit B (Fee Schedule).

The partnership is intended to advance the following stated goals and policies: (1) ARCH and the City’s shared goal of promoting long-term affordable housing opportunities for residents with low and moderate incomes; (2) ARCH’s Interlocal Agreement, which provides for ARCH “to enter into agreements to provide technical assistance to other public entities on a reimbursable basis”; and (3) the mission of ARCH to preserve and increase the supply of housing for low and moderate income households in East King County.

Section 2. Duration of Agreement/Termination. This MOA shall remain in effect for five (5) years and will automatically renew for an additional five (5) year term unless either party provides written notice before the expiration of the original term of their intent to not renew the MOA. This MOA may be terminated for the convenience of either party by giving a minimum of sixty (60) days' written notice. Additionally, this MOA shall terminate if the tax exemption provided to the units should expire or be cancelled for any reason. In the event of any cancellation of a tax exemption, the City shall provide written notice of the same to ARCH.

Section 3. Indemnity. Each Party shall, indemnify and hold the other party, their officers, officials, agents and volunteers harmless from any and all claims, injuries, damages, losses or suits including attorney fees, arising out of that Party's wrongful acts or omissions in connection with the performance of its obligation under this MOA, except to the extent the injuries or damages are caused by another third-party. In the event of any recovery due to the aforementioned circumstances, the Party responsible for any such wrongful acts or omissions shall pay any judgment or lien arising therefrom, including any and all costs and reasonable attorneys' fees as part thereof. In the event more than one Party is held to be at fault, the obligation to indemnify and to pay costs and attorney fees, shall be only to the extent of the percentage of fault allocated to each respective party by a final judgment of the court.

Should a court determine that this MOA is subject to RCW 4.24.115, then, in the event of liability for damages arising out of bodily injury to persons or damages to property caused by or resulting from the concurrent negligence of a party hereto (including without limitation the party serving as, and act in its capacity as, ARCH's Administering Agency), its officers, officials, employees, and volunteers, the party's liability hereunder shall be only to the extent of the party's negligence. It is further specifically and expressly understood that the indemnification provided herein constitutes the party's waiver of immunity under Industrial Insurance Title 51 RCW, solely for the purpose of this indemnification. This waiver has been mutually negotiated by the parties.

Section 4. Severability. The invalidity of any clause, sentence, paragraph, section, or portion thereof, shall not affect the validity of the remaining provisions of the MOA.

Section 5. Survivability. Notwithstanding any termination of this MOA the indemnity, severability, and venue provisions shall remain operative and in full force and effect.

Section 6. Venue. Venue for any action related to this MOA shall be in the Superior Court in and for King County, Washington at Seattle.

Section 7. Notices. Any notices or communication required for the successful administration of this MOA shall be given to the parties respective designees at the following addresses:

<u>City of North Bend</u>	<u>ARCH</u>
Rebecca Deming, Community and Economic Development Director	Lindsay Masters, Executive Director
<u>rdeming@northbendwa.gov</u>	<u>lmasters@bellevuewa.gov</u>

IN WITNESS WHEREOF, ARCH and the City of North Bend hereby enter into this Memorandum of Agreement as detailed above and outlined in the Scope of Service (Exhibit A) and Fee Schedule (Exhibit B), attached hereto:

CITY OF NORTH BEND

By: _____

Rob McFarland, Mayor

Date: _____

ARCH

by the City of Bellevue, the Administrative Agency pursuant to that certain Amended and Restated Interlocal Agreement for ARCH dated July 1, 2010 and chapter 39.34 RCW.

By: _____

Its: _____

Date: _____

Approved as to Form:

City of North Bend Attorney:

Kendra S. Rosenberg

Approved as to Form

Kathryn L. Gerla, Bellevue City Attorney:

By: _____

Brian Wendt, Assistant City Attorney

EXHIBIT A
SCOPE OF SERVICES

All services are to be performed in accordance with ARCH's standard policies and procedures, unless otherwise agreed to in advance, in writing, by the City and ARCH.

ARCH agrees to:

Training. Make initial and ongoing compliance training available to management staff working on behalf of the Project Owner, River Run Ventures, LLC ("Owner"), to ensure they are informed of ARCH policies and procedures, including how to certify household eligibility.

Final Certificate. Review the Owner's request for a Final Certificate and evaluate any information necessary to determine the Project's eligibility for its Final Certificate, and provide such information to the City along with a recommendation to the City as to whether the Final Certificate complies with RCW 84.14.100 and NBMC 3.78.110. The City shall remain responsible for issuance of any final certificate.

Compliance Monitoring.

- A. Collect and Review Annual Project Certifications from the Owner, including certifications due every 90 days until 90% of the rental units in the Project are occupied, and ongoing annual compliance certifications due on or around March 31st, to confirm the Project is in compliance with its MFTE contract and covenant.
- B. If any instances of compliance violations are discovered, then ARCH will identify the error to Project staff to correct the violations, and also report any failure to correct the violations to the City. The City shall be responsible for any enforcement of its applicable codes or the contract and covenant with the Owner.

State Reporting and Auditing. Complete all City monitoring and reporting requirements consistent with Chapter 84.14 RCW and all applicable law for the term of the Multi-Family Tax Exemption. The yearly reporting requirements will comply with and include all necessary information under RCW 84.14.100 and NBMC 3.78.110. Assist the City with any audit related to the Multi-Family Tax Exemption for this Project.

CITY agrees to:

Administration: The City shall be responsible for the administration of its MFTE program, including review and approval of applications; issuance of Final Certificates, including extensions; drafting, executing, and enforcing the provisions of any MFTE contract or covenant; and providing timely direction to ARCH in the event there are questions related to the interpretation/application of the City's MFTE code, contract, and/or covenants.

EXHIBIT B

FEE SCHEDULE

ARCH shall be reimbursed by the City on an hourly basis for actual work performed under the approved scope of services outlined in Exhibit A. The applicable hourly rate shall be \$92/hour for all work performed consistent with Exhibit A, adjusted annually on July 1st to account for inflation, based on the Seattle-Tacoma-Bellevue Washington Consumer Price Index published by the U.S. Bureau of Labor Statics for the preceding year.

ARCH shall maintain time and expense records and submit invoices to the City for payment of work performed. Invoices shall be in a format acceptable to the City. The City shall pay all invoices from ARCH within 30 days of receipt of a properly completed invoice.

DRAFT

ITEM 5C: ARCH Third Quarter 2023 Report

Submission of Third Quarter 2023 Report

Background

The ARCH Interlocal Agreement (ILA) requires the submission of “quarterly budget performance and progress reports on the status of the work program elements to the Executive Board and the governing body of each Party.”

The current report is attached and may also be found [online](#).

Staff Recommendation

N/A

Attachments

1. ARCH Third Quarter 2023 Report

PREPARED BY:
A Regional Coalition for Housing



Third Quarter Report

2023

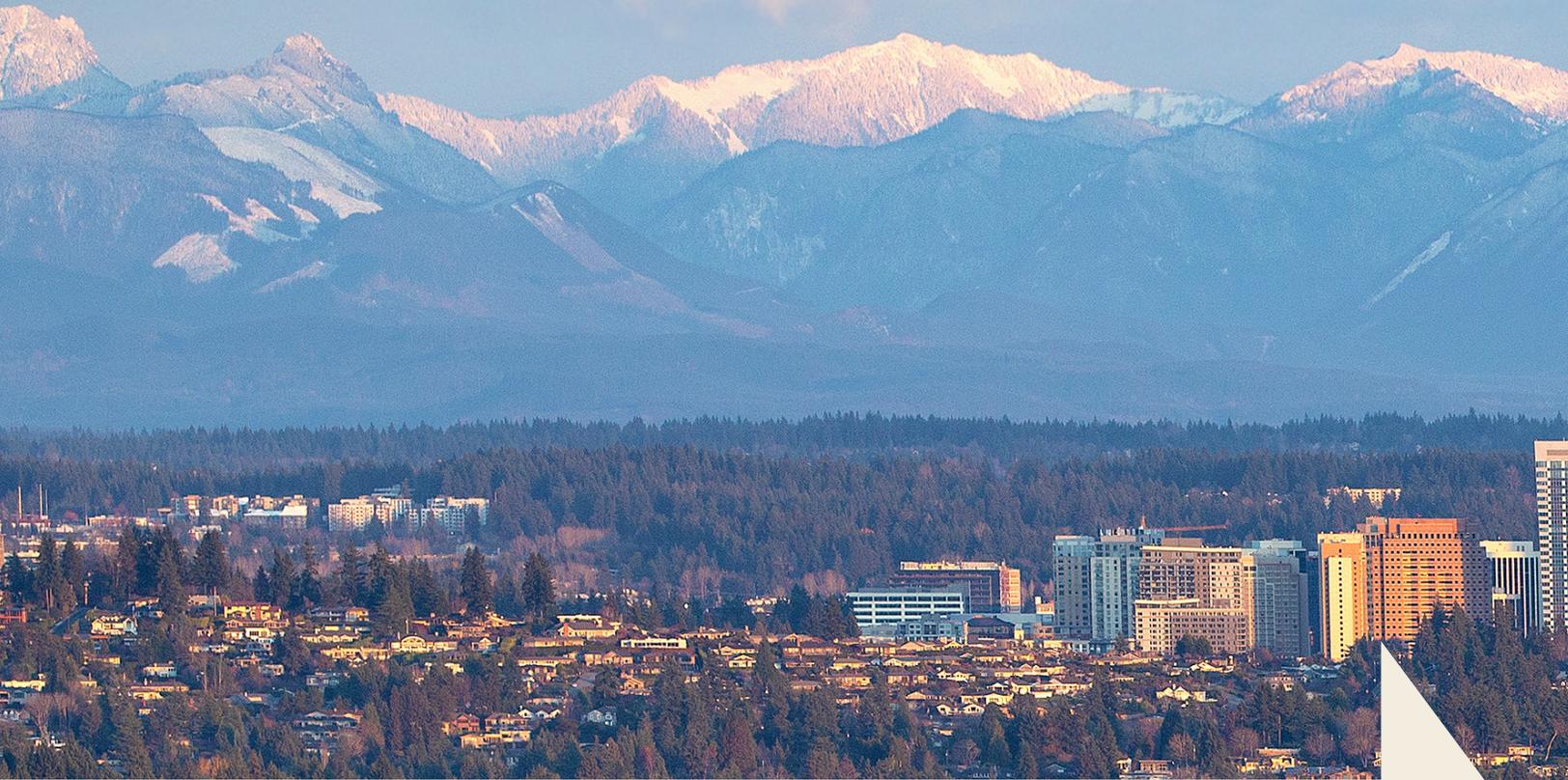
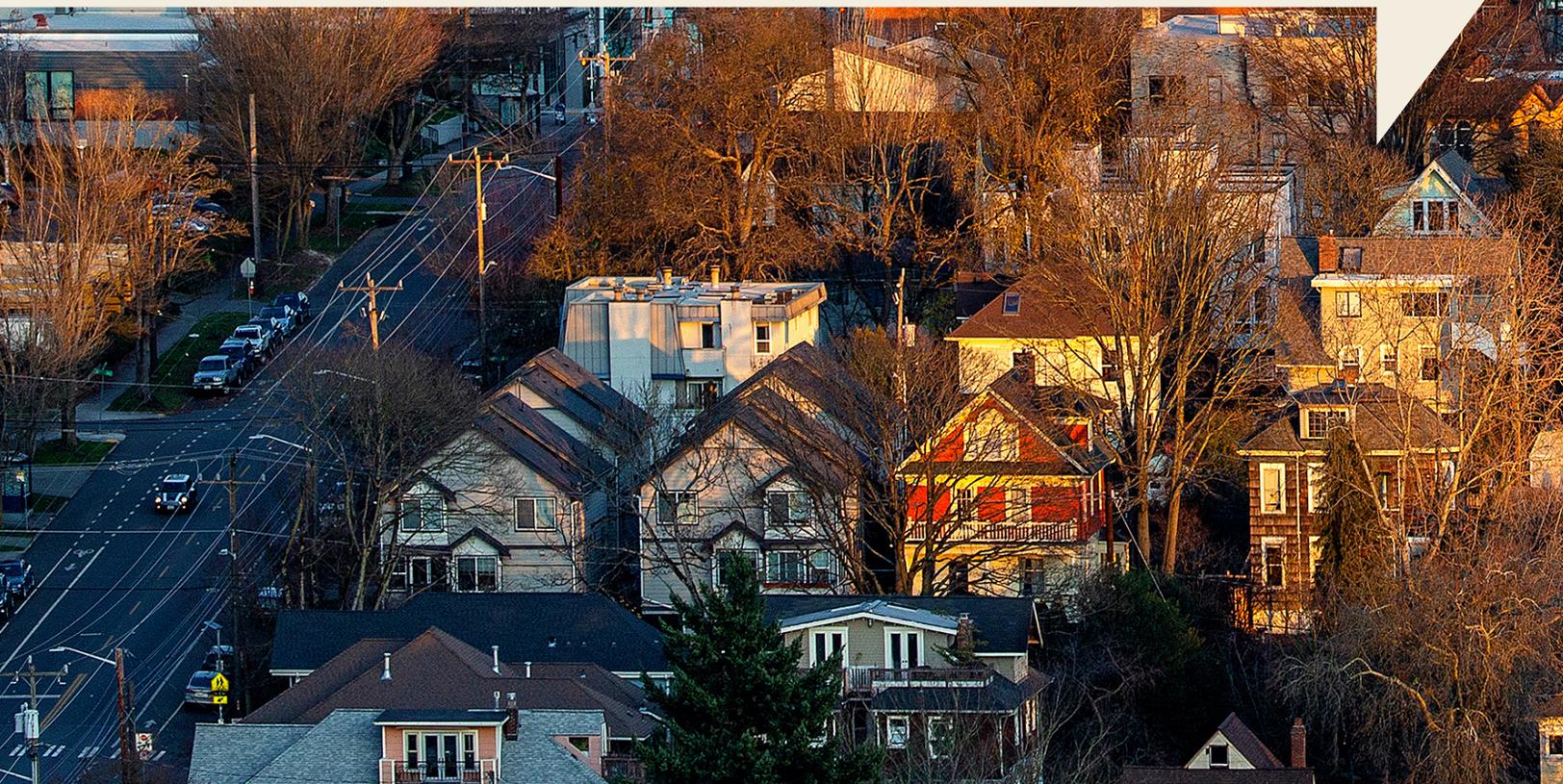


Table of Contents:

- I. Affordable Housing Investment
- II. Housing Policy and Planning
- III. Housing Program Implementation
- IV. Education and Outreach
- V. ARCH Operations



I. Affordable Housing Investment

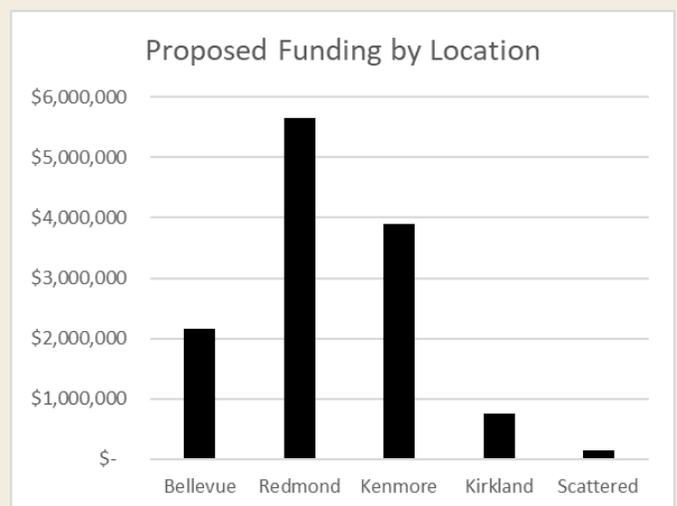
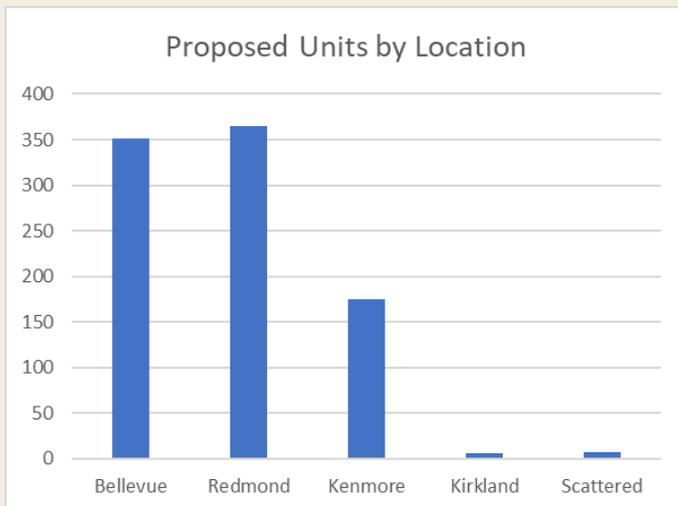
ARCH Housing Trust Fund

The Housing Trust Fund invests local funding from ARCH member cities in the creation and preservation of affordable homes for low and moderate income individuals and families in East King County.

Quarterly Activities:

- Received seven applications proposing \$12,590,000 in ARCH funding to develop or preserve 855 units of affordable housing
- Closed financing for Kirkland Heights (\$1,056,300 award)
- Closed financing for New Ground Kirkland Redevelopment (\$675,000 award)

Figure 1.1 Submitted ARCH Funding Applications (2023)



Bellevue Housing Stability Program

The Housing Stability Program provides capital to targeted housing projects that serve Bellevue's most vulnerable residents, and funding for services that are critical for stable living.

Quarterly Activities:

- Received 3 applications proposing \$14,221,579 in funding to develop or preserve 351 units of housing

Project Activity

Figure 1.2 Status of Awarded Projects in Development

Project	City	Total Units	Status
Eastgate Shelter (CFH)	Bellevue	100	Completed & occupied
Plymouth Crossing	Bellevue	98	Completed & occupied
Samma Senior (Imagine)	Bothell	54	Under construction
Together Center Redevelopment	Redmond	280	2nd phase complete; leaseup ongoing
Hope Starts Here (LifeWire)	Bellevue	25	Under Construction
New Ground Kirkland (FOY)	Kirkland	8 units/14 rooms	Financing closed, under construction
Horizon at Totem Lake	Kirkland	299	Under construction
Trailhead TOD (KCHA)	Issaquah	155	Site control complete
LEO at Trailhead	Issaquah	5	Funding applications
Ardea (TWG/Imagine)	Kirkland	170	Permitting process
Bellevue Homes (Habitat)	Bellevue	25	Permitting and funding applications
Kenmore Supportive Housing (Plymouth)	Kenmore	100	Permitting process
Kirkland Heights (KCHA)	Kirkland	276	Permitting process
Scattered Homes (Inclusion Homes / Alpha)	Scattered	26	Site search process
Spring District TOD (BRIDGE)	Bellevue	235	Permitting and funding applications
Totem Six-Plex (Attain)	Kirkland	6	Pre-development phase
		1,859	

Featured Project: Plymouth Crossing (Eastgate neighborhood, Bellevue)

- 92 units of permanent supportive housing
- HTF capital funding and HSP services funds
- Opened summer 2023



Photos courtesy of Plymouth Housing

II. Housing Policy and Planning

ARCH assists members with a range of local planning efforts, including comprehensive planning, housing strategy and action plans, incentive program design, code amendments and other support.

Figure 2 ARCH Member Ongoing Housing Policy and Planning Activities

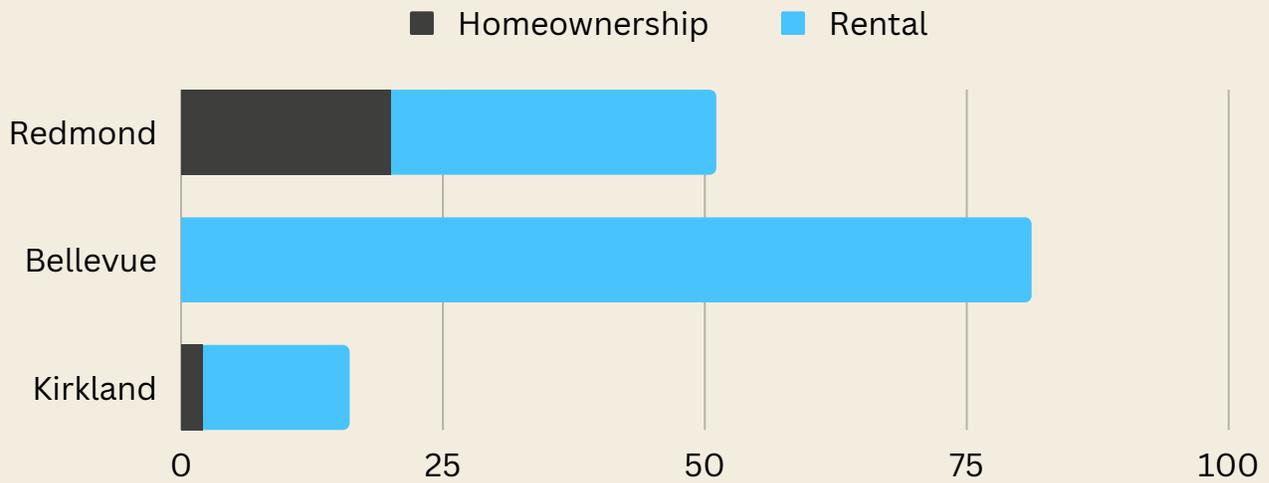
City	Project	Status
ARCH-wide	Rent Policy Development	Community outreach
ARCH-wide	Eastside Homelessness Coordination with KCRHA	Ongoing consultant contract
ARCH-wide	HUD PRO Housing Grant Application	Development of proposal with King County, SKHHP
Bellevue	Micro-Apartments MFTE	Staff analysis
Bellevue	Affordable Housing Permit and Inspection Fee Reduction	Council adopted Ord. 6747
Bothell	Middle Housing code amendments	Council review
Bothell	Downtown affordable housing overlay amendments	Planning Commission
Issaquah	Pioneer project	Staff analysis
Issaquah	Housing element update	Council review
Kenmore	Holt Property planning	RFP Released
Kirkland	Houghton Village Shopping Center future redevelopment	Community outreach
Issaquah	Housing Action Plan Implementation Grant	Completed
Redmond	Aff. Housing Parking Code Amendments	Planning Commission
Redmond	Overlake Urban Center Regulations	Staff/consultant analysis
Redmond	Housing Action Plan Implementation Grant	Staff/consultant analysis
Sammamish	Housing Action Plan Implementation Grant	Planning Commission

III. Housing Program Implementation

Housing Incentive & Inclusionary Programs

ARCH administers land use incentive and inclusionary housing programs, Multifamily Tax Exemption programs, and other development agreements for nine ARCH members. Affordable homes become part of the ARCH Rental and Homeownership Programs.

Figure 3.1 Units obligated under recorded agreements (Q4 2022 through Q3 2023)



Project Openings

The Ridge at Big Rock | Duvall Homeownership

- Toll Brothers
- 12 affordable homes sold through Q3 2023
- in total, 32 affordable and 374 market rate homes to be produced
- ARCH will continue working with Toll Brothers through 2024
- 50-year affordability, priced at 100% AMI



Traverse | North Bend Rental

- River Run Ventures, LLC, Greystar
- 28 affordable and 100 market rate units
- 12-year affordability at 80% AMI

III. Housing Program Implementation

ARCH Rental Program

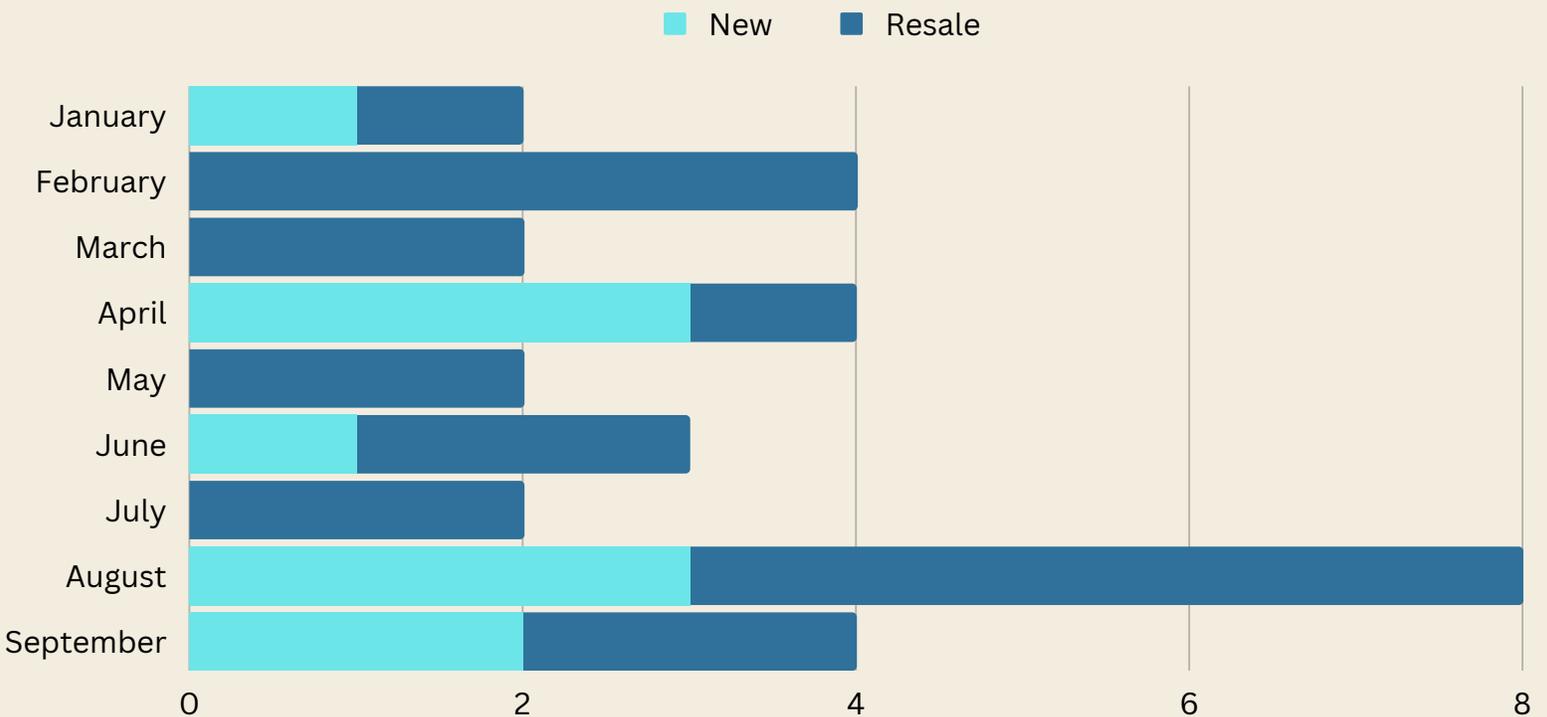
The ARCH Rental Program provides affordable rent-restricted housing for low and moderate-income households in mixed income developments throughout East King County.

New Properties	Compliance Monitoring
<p>Conducted ARCH Rental Program training and outlined reporting requirements during lease-up period for staff at 3 LU/MFTE properties:</p> <ul style="list-style-type: none">• Traverse in North Bend (28 units at 80% AMI)• Eaves Redmond Campus (11 units at 50% AMI)• Hue Apartments in Redmond (10 units at 60% AMI)	<ul style="list-style-type: none">• Continued resolution of compliance issues found in Annual Compliance Reports.• Initiated cyclical and compliance audits.
	Training
	<ul style="list-style-type: none">• Conducted monthly trainings for property managers and leasing staff.• Hosted monthly Q & A sessions available to property managers and leasing staff.

ARCH Homeownership Program

The ARCH Homeownership Program provides access to affordable homeownership in East King County for households with limited incomes and first-time homebuyers.

Figure 3.2 ARCH Homeownership Program Monthly Transactions



IV. Education and Outreach

ARCH maintains information on affordable housing options in East King County; advertises new opportunities through the ARCH Mailing List and website; and provides support to community members in-person, through email and phone.

Figure 4 Households Seeking Housing on the ARCH Mailing List

	Q1	Q2	Q3	Q4	YTD
New applications for ARCH mailing list	742	457	723		1,199
Ownership Interest	504	297	553		801
Rental Interest	510	343	461		853
Total Number of Households seeking affordable housing in EKC	7,112	7,569	8,292		8,292

ARCH Rental Limit Community Outreach

- Public outreach and engagement effort to gather input on policy options for how rent limits are increased within local affordable housing programs:
 - Community event held on September 14th
 - Public survey marketed to renters, people living in affordable housing and other stakeholders
 - Promoted survey & event through 36 partner agencies, apartments with ARCH units and in-person events



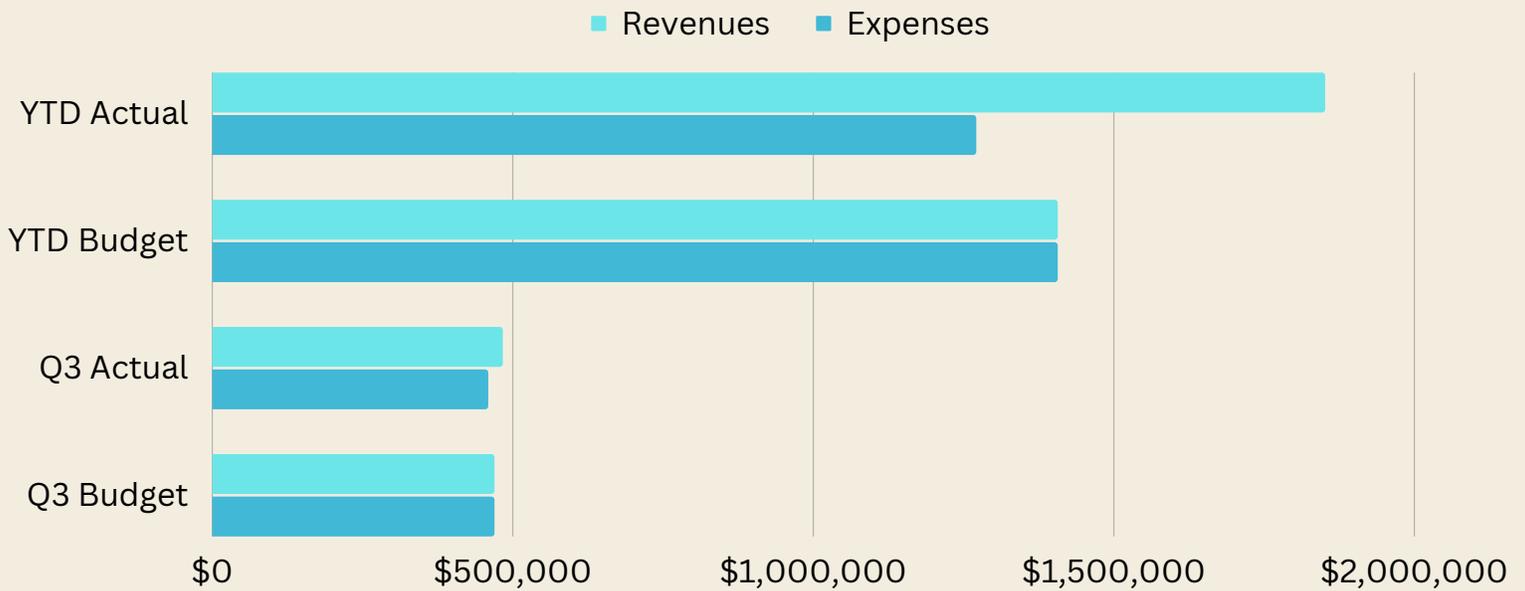
ARCH in the Community

- Together Center Grand Opening: ARCH and 21 nonprofit partners welcomed the community to learn about the services and programs available on the TC campus
- Eastside Back to School Block Party: Attended and provided affordable housing information to families in the Lake Washington School District
- Hosted Mini City Hall office hours to promote our rental housing survey and current programs

V. ARCH Operations

ARCH Operating Fund. ARCH began the third quarter with a cash balance of \$1,473,202 and finished the quarter with a balance of \$1,497,382.

Figure 5. Summary of Quarterly and YTD Revenues and Expenses



Thank you

to all member jurisdictions and their dedicated staff.

ARCH's mission is to preserve and increase the supply of housing for low and moderate income households in East King County by:

- Coordinating public resources and attracting greater private investment into affordable housing;
- Sharing technical resources and staff between jurisdictions to promote sound housing policy;
- Providing efficient shared administration of housing programs; and
- Directly engaging the community with information and expertise

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ITEM 5D: Affordable Housing Incentives Model

Presentation and discussion of affordable housing incentives model developed for use by ARCH members

Background

In January and February, the Board received a briefing from ARCH staff on members' efforts to produce affordable housing through local incentive programs, including an overview of the type of analysis ARCH has conducted to assist members in designing their policies. ARCH members have been leaders in utilizing incentives to create affordable housing in private development, and that success would not be possible without careful study to measure the private value of incentives and the public value of affordable housing.

As a part of ARCH's 2023 budget and work program, the Board approved use of ARCH's reserve funds to hire one or more planning consultant with the purpose of increasing ARCH's capacity to support local policy and planning needs. In early 2023, ARCH developed an initial consultant scope of work to help expand the financial model that ARCH has used to answer common questions from policymakers about development feasibility, in addition to the traditional questions ARCH evaluates regarding the cost of affordable housing and the value of development incentives, including land use and tax incentives.

After interviewing multiple qualified consultants, ARCH hired the joint team of BAE Urban Economics and Street Level Advisors. Together, the team has extensive experience with real estate economics and inclusionary housing policies, including experience developing policies for large cities throughout the U.S., including San Francisco, New York, Denver, Portland, Seattle, and others. In addition, ARCH partnered with the Urban Land Institute to engage the development community on the underlying methodology and specific inputs into the tool.

At the November meeting, the Board will receive a presentation on the completed tool, including how the model was refined based on developers' input, and recent experiences working with members to utilize the tool for different local needs. Staff are optimistic that the completed model provides a cost-effective tool for members to evaluate the economics of affordable housing requirements and incentives, which will be critical to educate policymakers about tradeoffs and ultimately enable better calibrated incentive program.

Staff Recommendation

N/A

Attachments

N/A