A Regional Coalition for Housing
Celebrating 30 years of bringing cities together to house East King County
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MEMORANDUM

Date:	November 9, 2023
From:	ARCH Executive Board
To:	ARCH Members
Subject:	Affordable Housing Rent Limit Policy Recommendations

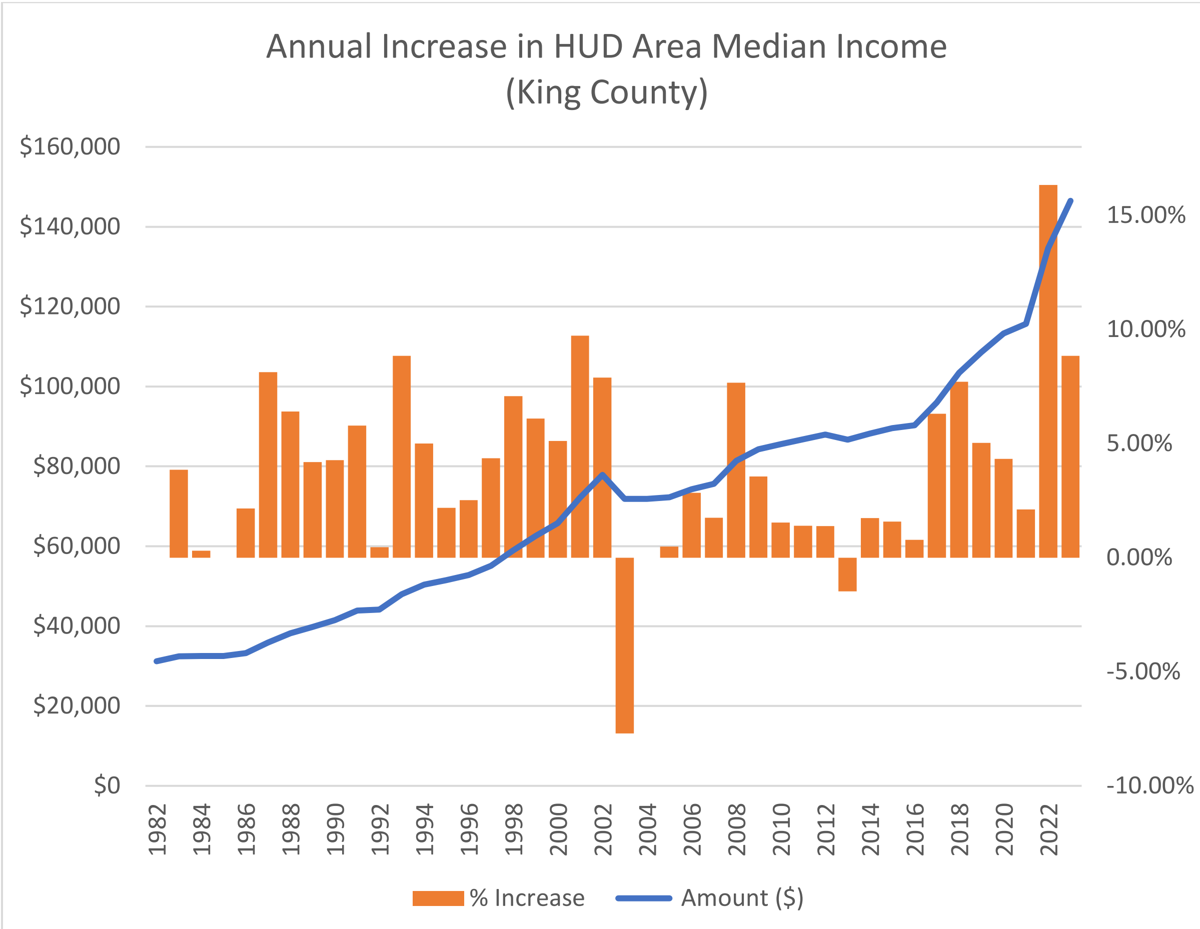
ARCH supports many member jurisdictions in East King County with the administration of local affordable housing programs, including programs that provide land use or tax incentives in exchange for setting aside affordable units in market rate developments, as well as a Trust Fund program that invests 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 Several member cities' codes define "median income" using an outdated federal citation that has created a lack of clarity in ARCH's administration, an issue that this recommendation is intended to correct.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.



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

ARCH Rental Limit Policy Survey Summary – Sample Comments

Major Themes

Income Not Keeping Up

- I just had an increase of nearly 30% while my income was less than 5%. Increase. I tried to look for another affordable option and couldnt find any near the school I work for and I will have to live far away and change schools for my kids
- 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.
- To the best of my knowledge rents can increase up to 10% per year, however I know no one who's income has increased that much annually. I have had to move twice to accommodate my income. This in itself is costly. I have been faced with eviction and this is scary.
- As a young professional, earning a fair salary, it has been increasingly harder to afford housing. Considering that salaries arent often matched with the inflation or rent, its only fair to minimize the increase for tenants to prevent homelessness and provide housing security for those within the median income levels.

Displacement/Loss of Community

- 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 l. This alienates and isolates us from the community we want to be a part of.
- Without naming names, the recent ARCH pricing has pushed 3 tenants and one personal friend to find new housing. Yes the income limit increased, but with such a large jump in maximum rents, it put them out of their price range.
- This is an ARCH building and we have already lost several long-term residents because they can no longer afford the rent.
- This directly impact our family. If our rent continues to go up we will have to move our of the city we have lived in for 7 years. We love Kenmore and can't afford to buy a house here. I beleive the apartments we live in are the least expensive and we are close to not being able to afford our rent.
- Another ARCH resident in our building on fixed income couldnt pay the increased rent and had to move further away from family and job.
- I have to move away from potential doctors/specialists, family and friends, and good jobs/schools because of the rent rates.

Impact on Seniors/People with Fixed Income

- Those of us with limited income are more significantly impacted by inflation than those people with higher incomes. The increases hit us where we have little flexibility to adapt: rent is always the biggest chunk of basic living costs. Social security increases only "keep up" with inflation, sort of. We need stability, which a fixed rate tracking with long tern inflation would be about the best we can hope for, but would also allow us to anticipate the change.

- As of October 1, 2023, I will be paying 85% of my total income, which is Social Security only.
- 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 loosing 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. Thank you!
- 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.
- PLEASE, consideration in the policy should be given to those on a fixed income. In 2023 my SSA increased by ~8.7%. In 2024 I am anticipating my rent to increase by 10%, add to that the increasing fuel, food and essentials costs, guessing >10%. I also anticipate my SSA increase to be <3%. How do I make up for the increase?
- I think that rent increases are making affordable housing extremely difficult for people on a fixed income. No % of increases are aimed at making sure people like me (disability) are protected from losing housing due to these increases when ssdi DOES NOT keep up with inflation.

<u>Homelessness Risk</u>

- 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
- Rental increases in my area are becoming alarming. It seems Redmond is attempting to gentrify the city and push out lower income folks. The Peleton where I am living will be raising our rent from 1675 to 1800, which isnt that bad of an increase. However if you choose not to renew your lease due to not being able to afford the increase the month to month rent goes up to 12000 and thats not a typo. I feel apartments are trying to run many of us lower income folks out to heavily raise rent or have the apartments torn down and built into the luxury apartments that arent affordable for many.
  I’m concerned this is the trend and see homelessness rising due to it. 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.
- Several people I know have to live in their cars because landlords increased their rent $500 or more.
- I have been on Public housing program and have lived in subsidized housing in the past and I feel like unless we make changes to the housing costs more people are going to find themselves homeless.
- I personally have had to move due to a large rental increase and I know several people who have had to do the same. I also have had clients who have become homeless due to extreme rental increases in western wa. It shouldn't be that people have to move over an hour away from their jobs, to love in "low income, unsafe" neighborhoods to stay housed. Then they risk more wear and tear on their cars which creates an issue of reliability on transportation, or they don't have their own cars and will spend hours on public transportation.

- I will scrimp and save on all other items, but avoiding homelessness is always my #1 goal.

Other Impacts on Family

- 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 was diagnosed with breast cancer and was on long term disability and my rent went up so I had to move to a smaller unit further away and my kids had to switch schools. This made getting to cancer treatment hard.
- I rent a unit under the ARCH PROGRAM, and my rent was increased by almost 40%. If this continue throughout the years, Ill be forced to move out of Bellevue, which I dont, cause my children attend BSD, and I want them to have a better education. Also, my oldest child is special needs and thats the main why I moved to the Eastside.
- My husband is handicapped and we have low income .my rent this year increased 15% and is very hard to make it day by day and we don't know what we will do next year
- Once had to move because of a 7.5% rent increase -- entailed losing two jobs for adults and a school placement for child
- As a renter and a family household with a single income due to economic barriers, we are burdened to the increases that do not allow us to afford basic rent. We are paying near to 80% of our income for rent which increases while our income is stagnant. Our children are suffering and if we cannot increase income, then dignity, safe housing, and sustainable living is not an options for us.
- Despite having a good job that pays $41 an hour, my family will likely be evicted soon because with all of the inflation it is becoming harder and harder to make the rent payments each month.
- I don't currently live in affordable housing. I currently pay $2600 in rent. I have to move when my lease is up in March 2024 as rent will increase to $3200. Unfortunately, I will likely have to move south to Pierce county to find affordable rent. I work in downtown Seattle and my two adult daughters each live in King county, so this will have a huge impact on my well being. In addition to full time work, I currently provide part time childcare to my 2 young grandchildren so moving south will have a negative impact.
- It has been getting increasingly difficult to live in this area, the cost of basic necessities such as food and medicine has skyrocketed im 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.

Fairness

- Property owners will do fine and their profits should not take precedence over their tenant's housing.
- Currently I'm forced into a renting situation that requires about 80% of my income because I've been unable to find affordable housing… The system is unfair.
- Increases for low income renters hits harder than for high earning families. Low income tenants who are living paycheck to paycheck should have opportunity to grow and forcing them out of housing after 1 year is not fueling growth but gentrificaiton.

- Reducing the amount of money people spend on housing is more important than considering business goals of developers.
- My property has 12 ARCH units from 147 rentable units... a fraction of the total rentable homes are helping those who can't afford the current market rates to live/work in the same area. The majority of homes are still bringing in high market rents while operating costs remain relatively the same. Expenses for owners are reduced with resident retention. Typically, it costs more money to turnover. Vacancy costs more than occupancy.
- 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.

Ability to Live Near Work

- 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.

General Affordability Concerns

- I literally can't afford to live.
- As it stand now, the ARCH rents are not helpful to people who need lower rents.
- My previous rent increased by 500 while living in an arch home. Arch became just a slogan name it doesn't do / represent what it's supposed to be/do
- Our rent increases every year. I've lived in an ARCH apartment for two years, it's gone from $1600 to 2400.00!
- I believe that artificial increases designed to appease landlords will not benefit tenants at all. The question then is what you believe your mission is. If it is to provide an affordable housing option to the lucky few who qualify (or maybe the unlucky few), then it's important in my view to stick to that goal, recognizing that low-income tenants are not successful in the economy in the way that others are and aren't likely to see substantial increases in their incomes.

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

Option 1: Tenant-based 3.0% 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.
- Known fixed percentage would allow for budgeting and planning. My last landlord raised my rent from $2400 to $4200 with 30 days notice and I had to quickly find a new place to live. $1800 rental increase is not something I can easily make up by cutting other things out of my budget.
- While a rent increase is a burden limiting it to a lower amount gives a family/individual a chance to maintain or make plans for an increase
- For a tenant to be able to save any extra money each month is important for a possible future home buying purchase.

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.
- If the goal is to keep affordable units this one keeps it affordable.
- Rent is already SO high so I chose the absolute smallest cap.

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
- Because that's what seniors, living on Social Security can afford. If SS COLA raise is 2%, for example, then even a 3% rent raise is creating a hardship. Many years the COLA was less than 3%, but the Medicare premium continues to rise.

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.
- People who qualify for the income restrictions generally do not have the same income increases as market workers since they live primarily off a fixed income. It seems unfair to raise the rent in accordance with market activity
- Renters qualify for these homes by making less than the average so it aligns that rates should not increase more than average, they should be kept as low as reasonably possible. Management and Owners are still getting annual growth from each ARCH unit. Having the ability to jump to current AMI rent rates between occupants is also helpful to get more in line with market. A fraction of the total rentable homes are helping those who can't afford the current market rates to live/work in the same area.
- In a region as affluent as King County, Area Median Income is not necessarily indicative of the annual household income increases experienced by lower-income households. We know that income inequality is growing as the wealthiest residents in our county are increasing their

household income more quickly than their middle-income and low-income counterparts who are experiencing household income growth at a significantly slower pace or experience income stagnation. Given that the target population for ARCH supported housing is low-income and moderate-income households, the rent limit policy should be reflective of their lived reality. Further, we know that BIPOC households have, on average, lower household incomes, slower increase in household income year over year, and are overrepresented in our local homelessness response system. By creating a policy that more accurately reflects the annual increases to household incomes for the tenants living in ARCH supported or other affordable housing units, we support more sustainable affordable housing opportunities. Often, as a service provider in East King County, I would hear feedback from scared, disappointed families that affordable housing really isn't all that affordable, especially after annual rent increases. I have known many families lose their affordable housing apartments because their rent increase significantly outpaced their household income growth. If we want to prevent homelessness, create a healthier and more vibrant community, then rent limits need to be capped at limits reflective of low-income households' annual income growth.

Option 2: Tenant-based 5.0% Cap

- By capping rental increases to 5% which should allow prop owners to maintain buildings

Option 3: Graduated 3.0%-9.0% Cap

- gives a better balance of decision to both the tenant and landlord
- because it gives people a better chance at renting an apartment

Option 4: Graduated 3.0%-6.0% Cap

- Affordable housing should make sense for developers
- 4 is most realistic compromise that controls rent increases for affordable units
- Reasonable for all parties

Email Comments RE: Rental Limit Policy
(8/15/2023 – 9/24/2023)

Hi.
I filled out the survey and had planned to attend the public meeting. Unfortunately, I was not able to be there to speak in person.
I am currently in an ARCH apartment on 116th in Kirkland, so I have a renter's perspective, which I would like to elaborate on.
The underlying issue being addressed in the background discussions and the survey appears to be the difficulty of being fair to both the limited-income renter and the landlord, both of whom are affected by inflation. Over time, inflation can take great bites out of incomes for both groups. However, it would seem to me that the overriding factor in equitability is the likely reserves available to the two groups.
People like me, a retiree with Social Security being a significant portion of my static annual income, have few financial reserves we can call on to weather the periods of greater inflation, in particular since the official rate of inflation EXCLUDES food and fuel, as being too volatile to be included in the analysis from which the COLA is developed. That means that we have to cover the largest portion of basic costs of living without it being included the incremental allotment from Social Security.
That is not to say that the apartment owners don't also have to swallow those increases. The difference that I have to assume, since I don't belong to that group, is that they probably have more resources at their disposal to stay in business until inflation comes down.
When we consider people who aren't in my age group, who struggle to make ends meet, I would guess that they are even less likely to stay solvent through high inflation periods.
My conclusion is that the first option presented in the ARCH proposed alternatives is the most equitable and most in accordance with the spirit of the ARCH program.
Thank you for including these comments into the record for consideration in selecting the path ahead.

Thank you for the ARCH email about this policy proposal. Rather than completing a survey, I would like to send comments. First, I think that in order to provide truly affordable housing, rents should be fully capped. There is no real way for low-income tenants to earn enough to be able to meet rent increases, and so in my view, any rent increase proposal is artificial. For example, my income has not increased from $32,000 per year for at least 7 years, this despite my changing jobs and working more than one job at a time during some periods. Rent increases are therefore not manageable for me. Thus, I believe that artificial increases designed to appease landlords will not benefit tenants at all. The question then is what you believe your mission is. If it is to provide an affordable housing option to the lucky few who qualify (or maybe the unlucky few), then it's important in my view to stick to that goal, recognizing that low-income tenants are not successful in the economy in the way that others are and aren't likely to see substantial increases in their incomes.
Second, in order to offer truly affordable housing in keeping with the goals of your program, it is necessary to take the landlords on. There is no other way to put it. The housing market has become a hugely destabilizing entity in American society, denying millions the opportunity to save for a better, more independent future. High rents decrease social mobility; they trap people in their homes through high move-in and move-out costs and deprive them of hope for the future. They force us to live for the rental market alone and put aside human activities like health care and education and providing for a family through savings, home ownership, and general planning. Unless something is done to challenge the current pricing and behavior of the housing market, fewer people generally will

have opportunities to own homes or conversely to live harmoniously in multi-family housing communities. When I was younger, rent was maybe 10% of my income. Thus, I could do almost anything I wanted: I could change jobs or travel or move if I wasn't getting along with my roommates. The housing market in no way had me in thrall. I was able to concentrate on what mattered in life, people and activities. Since the early 2000s, though, all of this has changed, and now the only thing I think about is how to pay the rent anywhere. This is incredibly dehumanizing. For people who are homeless, how will regular rent increases benefit them? It will simply activate the cycle again. That is, they may find housing through support services, but once the increases start coming, they will find themselves in the same situation of choosing between rent and life. In summary, there is no increase policy that will not exacerbate the problem of unaffordable housing, so I support a full cap on rent policy for those units designated affordable. Best regards,
Just wanted to submit a postscript to my previous comments. a. PLEASE, consideration in the policy should be given to those on a fixed income. In 2023 my SSA increased by ~8.7%. In 2024 I am anticipating my rent to increase by 10%, add to that the increasing fuel, food and essentials costs, guessing >10%. I also anticipate my SSA increase to be <3%. How do I make up for the increase? b. Developers receive a "tax credit" for "affordable" housing - that's a win/win for them. As previously stated, they charge for garage parking, and for pets (a non-refundable deposit plus an increase in monthly rent). Any developers in King County filing losses? Curious. Thank you for your attention to my comments.
The biggest barrier to adequate housing for me in Bellevue is not being able to qualify for ARCH rentals due to high student loans, poor rental history, and poor credit. I am under-employed based on my credentials; I was fired due to no fault of my own. It has been very difficult for me to find work since getting fired. I am currently working in a position that pays an hourly rate with no benefits, no sick leave or holiday pay. I have over 200K in student loans plus 25k in personal loans incurred while being homeless, and I am behind in other debts. One cannot recover from all this; it is not possible. It is a constant rob Peter to Pay Paul situation. You tell me what are my options? No property owner will allow me to rent their Arch rental property, and if I cannot rent an Arch property, where I could possibly use the saving from lower rent and begin payment plans – I am stuck in this vicious cycle and my debts continue to climb exponentially. It is very difficult to see a positive future. What I need is an affordable two-bedroom home/place for me and my son close to where I work, and where my property owner has insurance policy that guarantees rent will be paid on time to minimize their risk, so they are willing rent to me. Stop spending millions of taxpayer money on band aid solutions and outsourcing services to others who simply provide snack bags and sleeping bags or earn temp income by rent out hotels or motels. All human beings that have not become drug addicts want to have a home, a job, and be treated with respect. Too much money is being spent on dead-end solutions.
As a 70+ senior on SSA-only it is important to me and on behalf of those in my situation to have an input in future development* and rent** pricing, in particular, for seniors on fixed incomes.

The following table shows the SSA increases by year (1975 - 2023):
***Source**: https://www.ssa.gov/oact/cola/colaseries.html*
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Prior to 1975, Social Security benefit increases were set by legislation.

Social Security Cost-Of-Living Adjustments

Year	COLA	Year	COLA	Year	COLA
1975	8.0	1995	2.6	2015	0.0
1976	6.4	1996	2.9	2016	0.3
1977	5.9	1997	2.1	2017	2.0
1978	6.5	1998	1.3	2018	2.8
1979	9.9	1999 a	2.5	2019	1.6
1980	14.3	2000	3.5	2020	1.3
1981	11.2	2001	2.6	2021	5.9
1982	7.4	2002	1.4	2022	8.7
1983	3.5	2003	2.1		
1984	3.5	2004	2.7		
1985	3.1	2005	4.1		
1986	1.3	2006	3.3		
1987	4.2	2007	2.3		
1988	4.0	2008	5.8		
1989	4.7	2009	0.0		
1990	5.4	2010	0.0		
1991	3.7	2011	3.6		
1992	3.0	2012	1.7		
1993	2.6	2013	1.5		
1994	2.8	2014	1.7		

a The COLA for December 1999 was originally determined as 2.4 percent based on CPIs published by the Bureau of Labor Statistics. Pursuant to Public Law 106-554, however, this COLA is effectively now 2.5 percent.
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Please note that the 8.7% increase in 2022 is for calendar year 2023.
****Floor plans, e.g. include a medicine cabinet (seriously!), provide storage and adequate parking! City streets have parking restrictions. Tenants, staff, visitors including those for retail/commercial businesses are forced to park illegally or in local private business parking lots.***
*****Pricing: increases are equivalent to SSA's COLA adjustments. This may be a separate category for***

retirees on SSA only?

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Source:
https://www.minneapolisfed.org/about-us/monetary-policy/inflation-calculator/consumer-price-index-1913-

Note: The table below is an excerpt of the complete table beginning in 1913 to show only years 1975 - 2022. The 4% shown in 2023 is estimated for SSA's 2024 COLA.

The U.S. Bureau of Labor Statistics (BLS) began collecting family expenditure data in 1917 and published its first price indexes for select cities in 1919. In 1921, the BLS published a national consumer price index (CPI), including estimates of the CPI back to 1913. The data and methods starting in 1913 are considered generally compatible through the present day; however, the Minneapolis Fed maintains a separate historical table that includes estimates prior to 1913.

The data below use 1983 as the index (1983=100). This chart uses data from the sole measure of CPI available until 1978, after which it reflects the CPI for all urban consumers (CPI-U). The current year's inflation figures reflect the most recent quarterly data.

SIZING UP THE LONG-TERM COST OF INFLATION

New advances in the decades-old challenge to measure damage to society from rising prices

You can use the Minneapolis Fed's inflation calculator to instantly compare the buying power of past and present dollars. However, you can also use the Annual Average CPI numbers below (center column) to make manual calculations. To find out how much a price in Year 1 would be in Year 2 dollars:

Year 2 Price = Year 1 Price x (Year 2 CPI/Year 1 CPI)

Year	Annual Average CPI(-U)	Annual Percent Change (rate of inflation)
1975	53.8	9.1%
1976	56.9	5.7%
1977	60.6	6.5%
1978	65.2	7.6%
1979	72.6	11.3%
1980	82.4	13.5%
1981	90.9	10.3%
1982	96.5	6.1%
1983	99.6	3.2%
1984	103.9	4.3%
1985	107.6	3.5%
1986	109.6	1.9%
1987	113.6	3.7%
1988	118.3	4.1%
1989	124.0	4.8%
1990	130.7	5.4%
1991	136.2	4.2%
1992	140.3	3.0%
~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~

1993	144.5	3.0%
1994	148.2	2.6%
1995	152.4	2.8%
1996	156.9	2.9%
1997	160.5	2.3%
1998	163.0	1.6%
1999	166.6	2.2%
2000	172.2	3.4%
2001	177.1	2.8%
2002	179.9	1.6%
2003	184.0	2.3%
2004	188.9	2.7%
2005	195.3	3.4%
2006	201.6	3.2%
2007	207.3	2.9%
2008	215.3	3.8%
2009	214.5	-0.4%
2010	218.1	1.6%
2011	224.9	3.2%
2012	229.6	2.1%
2013	233.0	1.5%
2014	236.7	1.6%
2015	237.0	0.1%
2016	240.0	1.3%
2017	245.1	2.1%
2018	251.1	2.4%
2019	255.7	1.8%
2020	258.8	1.2%
2021	271.0	4.7%
2022	292.7	8.0%
2023*	304.3	4.0%

*An estimate for 2023 is based on the change in the CPI from second quarter 2022 to second quarter 2023.

How about rents for people with NO Criminal Record and Grear Credit that make
Between 20-25 an hour and not a box 300sq ft is absurd for anyone to live in.
Some of us have great credit but none of that is ever taking in for account these " housing" solutions are again absurd and only help the rich and city officials

Arch,
We should not be supporting any landlords unless they are following ethical practices. Allied has this policy which is required by King County DCHS and the Wa Dept. of Commerce in their written communication with them to Imagine Housing who has contracted with Allied Property management.

Property owners like Imagine who don't follow this practice and require it in their contract with Allied. ARCH should not be supporting Property owners who approach ARCH for funds to build affordable housing but have no idea how to manage it for the largest profit without raising rents or at least fair rents when the property has no one rent burdened over 40%. Landlords should not have the support/recommendations from ARCH to raise rents unless they have managed their properties properly.
It is difficult to respond to these policy options in light of the current reality of operating affordable housing. We had a meeting with WSHFC to talk about policy changes to the 4% program. It included Inland, GMD, Devco and Vintage. All of us are the largest owners/producers of LIHTC housing in the state. All are experiencing the same operational issues and from my conversations with nonprofits and market rate owners it is not unique to us. We are all struggling to operate these properties in the black because of high operating expenses. Specifically staff costs, insurance, security and utility expenses coupled with a continued 25%+ delinquency rate. The security costs alone have eaten up most of the NOI and rising insurance costs is the next big issue to deal with if you can even find a carrier willing to underwrite the property. Putting a cap on rents at this time could be detrimental to the ability to continue operating these properties. We are also investing hundreds of thousands of dollars into security upgrades at the properties to deal with the overwhelming behavior issues of tenants. This might allow us to cut back on the costly monthly security costs, but at this point I'm doubtful. All that being said I don't support a rent limit policy at this time and I don't feel it is appropriate to implement anything in the near term until the industry can get these properties stabilized.
Don't increase rents. Over the next few years housing and rents will decrease. Already in this area, downward pressure on real estate values and rent is beginning. (Check out San Francisco, another IT hub of the US.) Seattle area population has slowed the past two years. The first quarter of 2023 population actually declined for the first time in decades. Other Pacific-coast cities with similar home affordability challenges are experiencing declines. Many predict that Seattle is in that same target zone. Housing since 2022 in Seattle is experiencing downward pressure. https://www.seattlemet.com/home-and-real-estate/2022/09/seattle-real-estate-housing-market-crash-2022 https://www.seattletimes.com/business/real-estate/seattle-home-prices-will-likely-fall-in-2023-that-wont-help-buyers/ More large apartment rental construction projects are coming online, in East County specifically. Increasing rental units in an area of population decline will result in lower rental prices. In 2022 King County awarded 23M and 24.67M in 2023 for affordable housing. The Biden administration is considering changing zoning laws to allow multi-dwelling units in residential areas. The links below do not include multi-unit housing construction by large developers currently underway. https://www.bizjournals.com/seattle/news/2022/01/25/king-county-gives-23m-affordable-housing.html https://kingcounty.gov/elected/executive/constantine/news/release/2023/February/02-hfp-awards.aspx https://seattlemedium.com/constantine-announces-23-4-million-in-affordable-housing-funding/ https://www.housingfinance.com/developments/twg-enters-seattle-market-with-two-new-affordable-housing-projects_o

https://www.kirklandreporter.com/news/county-waste-management-property-purchased-in-bellevue-to-become-eastside-supportive-and-affordable-housing/
https://patch.com/washington/kirkland/king-county-awards-23-4m-7-affordable-housing-projects
Home affordability, is historically at one of its worst levels. Raising interest rates put a damper on home sales.
https://markets.businessinsider.com/news/commodities/housing-market-outlook-recession-home-prices-mortgage-rates-fannie-mae-2023-8?op=1
https://finance.yahoo.com/news/housing-market-2023-housing-market-165845759.html
Home inventory remains low even though the cost to build a house has declined since pandemic highs.
https://tradingeconomics.com/commodity/lumber
Low home inventory seems to exist even while home foreclosures jumped 22% in 1st quarter of 2023. This is an increase of foreclosures tor 23 consecutive months. Where are those houses? Seems that the banks and investors are holding onto them. Perhaps to prop up weak-kneed balance sheets?
https://markets.businessinsider.com/news/commodities/housing-market-outlook-recession-home-prices-mortgage-rates-fannie-mae-2023-8?op=1
https://finance.yahoo.com/news/housing-market-2023-housing-market-165845759.html
https://www.nbcnews.com/business/consumer/foreclosures-car-repos-rising-why-americans-are-living-financial-cliff-rcna80638
https://www.forbes.com/advisor/investing/fomc-meeting-federal-reserve/
Zillow quickly dumped their portfolio of investment homes because they saw the market declining. They took a quick loss rather than wait and experience a greater loss. They also predict inventory to rebound in 2024.
https://www.ocregister.com/2021/11/01/zillow-to-sell-7000-homes-for-2-8-billion-after-flipping-flop/
https://www.fool.com/real-estate/2022/04/03/zillow-says-housing-inventory-wont-return-to-pre-p/
Experts predict that more layoffs will occur in 2023. Even the Fed is predicting this and sometimes seems to want it. Chairman Powell stated that homes are overvalued and the Fed intends to increase interest rates again in the future. This will result in more foreclosures.
https://www.governing.com/work/seattles-tech-sheds-5-900-jobs-one-of-states-largest-declines
https://www.computerworld.com/article/3685936/tech-layoffs-in-2023-a-timeline.html
These are just a few reasons why you should not raise your prices. None of the seniors in your facilities is experiencing an offsetting raise in their fixed incomes that covers food, energy, automotive/travel or other expense increases. You will just be heaping more stress on people who are least able to absorb the impacts.
https://blog.ssa.gov/social-security-benefits-increase-in-2023/
Put this agenda on hold for 1 to 2 years and see if the economy has improved or declined. If it has improved, then raise your price. My guess is that expert predictions of further economic decline, will be right. But if you feel the need to rush before the decline occurs, then you are taking advantage of a bubble just to cash in.
Kind Regards,

Together Center Campus
16307 NE 83rd St, Suite 201
Redmond, WA 98052
(425) 861-3677

MEMORANDUM

To: ARCH Executive Board

From: Rent Policy Work Group

Date: July 3, 2023

Subject: Rent Policy Recommendation for Local Affordable Housing Programs

Background

In February of 2023, A Regional Coalition for Housing (ARCH) formed a volunteer working group to assist with developing a rent policy recommendation for local affordable housing programs. ARCH has supported member jurisdictions in East King County with the design and administration of these programs for many years, including programs that provide land use or tax incentives to market rate developments that set aside affordable units, as well as a Trust Fund program that invests funding in affordable developments. Under most program regulations, affordable rents are 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).

This policy process was initiated by the ARCH Executive Board in July of 2022, following a 16.3% increase in the HUD AMI for the Seattle region that led to significant rent increases within members' affordable housing programs. The Board directed staff to conduct a robust stakeholder process, and established the following objectives for the policy:

- Reduce the trend toward increasing cost burden among renters of affordable units
- Provide greater predictability for tenants and owners
- Create regulations that support financial feasibility based on common underwriting standards among investors and lenders
- Minimize administrative burden for property managers and ARCH to oversee compliance
- Avoid unintended consequences

A wide range of stakeholder outreach was conducted in the fall of 2022, including focus groups with developers, property managers, nonprofits and tenant advocates. The work group was then formed with the purpose of aligning diverse stakeholders around a preferred ARCH recommendation and refining the proposal to address stakeholders' concerns.

Options Considered by Work Group

The following policy options were discussed by the work group, along with comments collected on each option through prior outreach. These options were presented by ARCH staff and initially identified through researching models used in other affordable housing programs. Stakeholders were also invited to generate other options, or discuss variations on these options.

1) **HUD Section 8 Limits.** Adjust rents based on changes in income limits for the HUD Section 8 program, or the Multifamily Tax Subsidy Program (MTSP) limits.
2) **Tenant-Based 3.0% Cap.** Limit individual tenant's rent increases to 3.0%, but allow unit rents to re-set to maximums based on the HUD medium income at turnover. This policy was adopted for Bellevue's MFTE program in 2021. (See Attachment B, Example Code Language.)
3) **Program-Based 4.5% Cap.** Adjust all program rent limits annually up to a cap of 4.5%. This policy was adopted for Seattle's MFTE Program 6 in 2019.
4) **Other Program Floor/Cap.** Program rent limits could be adjusted based on combining other floors or caps, such as a 2% floor or 5% cap, provided that limits would not exceed those based on the HUD median income.

Options that were not available for consideration by the stakeholders, as they were discussed in other settings and rejected, included maintaining the status quo, setting rents based on 30% of actual tenant income, and establishing an approval process for rent increases based on annual evaluation of properties' financial information against established criteria. The latter option has shown promise in other states, but would require significantly more administrative capacity to implement at the local level. The first two options were discussed by the ARCH Board after the first phase of feedback from stakeholders and determined to fall short of the established objectives for the policy, so these were not presented to the work group for consideration. Some work group members still expressed a preference for these two options, as described in Attachment C.

Initial Recommendation: Tenant-Based Cap

Among the options 1-4 above, a majority of the work group indicated the **Tenant-Based 3.0% Cap** as the preferred policy for balancing the needs of tenants and owners and creating greater overall stability and predictability within local affordable housing programs. However, while some members supported setting the cap at 3.0% cap based on alignment with Bellevue's MFTE program, as well as historic averages in CPI and AMI growth, there was no consensus on 3.0% being the right percentage cap. Further discussion of alternatives to 3.0% is described below.

Overall advantages of a tenant-based cap include:

- Tenants will have relatively stable housing costs and be able to plan ahead for their financial future, helping to limit involuntary economic displacement. This is especially true with a fixed cap, but even a graduated cap could increase stability, if the range of potential increases was limited.
- 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. In addition, the policy has the effect of allowing owners to "bank capacity" or spread out annual increases/decreases at a more consistent and predictable pace. An example is shown below to illustrate this concept.

	% HUD AMI change	% Adjusted AMI change	HUD 80% 1BR rent	Adjusted Rent
Year 0			$ 2,154	$ 2,154
Year 1	7.7%	3.0%	$ 2,320	$ 2,219
Year 2	4.8%	3.0%	$ 2,432	$ 2,285
Year 3	0.3%	3.0%	$ 2,440	$ 2,354
Year 4	-3.0%	0.6%	$ 2,368	$ 2,368
Year 5	1.4%	1.4%	$ 2,400	$ 2,400
Year 6	6.7%	3.0%	$ 2,560	$ 2,472

In year 1 and 2, the HUD AMI change is greater than 3%, creating a bank of capacity that the property can apply to its rent increases in years 3 to 5, when the HUD AMI change is less than 3%.

If the cap was set at 3.0%, it would have the benefit of aligning with regulations that have been adopted in some East King County cities that require longer notice periods for rent increases above 3.0%. Because increases would never exceed 3.0%, no extraordinary notice requirements would apply, but both tenants and owners could still plan far in advance of future increases.

It is important to balance the advantages with the disadvantages. The developers in the work group expressed concern that, while a 3.0% cap was set on the Bellevue MFTE program renewal in 2021, the 3.0% cap was based on a historic trend in the HUD AMI increases over the last 20 years, and there is risk that the low inflationary environment of the last 20 years may not persist in future years. If current high inflationary trends continue, the result may be that banked capacity cannot be utilized during the term of tenancy. Operating expenses, including in particular property taxes and insurance, could grow at a faster rate than capped affordable unit rent increases, creating a significant financial risk for the building owner over time. Accordingly, a 3.0% cap may not be a high enough cap in the future, particularly for programs such as on-site incentive zoning or inclusionary zoning covenants with significantly longer program time horizons than the 8 or 12-year term of MFTE programs.

Graduated Cap and Other Alternatives to 3.0% Cap

Accordingly, developers in the work group presented a solution that could address these concerns, with a "graduated cap" proposal. This cap would move between 3% and 9% per year, based on the difference between a resident's current rent and the then-current AMI-adjusted rent at lease renewal. This would provide the flexibility needed to respond to potential longer term shifts in inflationary trends:

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

Some work group members found this to be a creative and promising concept that allowed the cap to respond to a dynamic environment, but other comments and concerns were also expressed, including:

- The wide range of increases up to 9% does not create enough stability for renters.
- The proposal loses the benefit of predictability for tenants to plan for increases.
- The multiple tiers are complicated and likely be difficult to explain to tenants. Use of terms like "HUD AMI-Based Program Rent" will also be a confusing term to explain.
- The complexity of the policy will create increased workload for property managers and compliance staff.
- With staff turnover on the property management side, compliance could be challenging since it requires greater record-keeping and referring back to prior years' records.
- Tying increases to AMI does mitigate longer-term concerns about operating costs, however AMI is not necessarily always linked with operating costs.
    - *Note: increases in AMI have historically outpaced CPI in the Seattle region.*

To further explore potential areas of consensus, ARCH staff collected comments from the work group on potential variations of the graduated cap, however no one specific policy emerged as the top preference for the entire group. A summary of these options and comments provided is shown below:

Alternative Proposal	**Comments**
Apply the simple 3% cap, but add the minimum floor that rises with HUD AMI (e.g., cap may never be less than 35% below HUD AMI rent).	Some preference for this proposal, but not unanimous. Developers expressed concerns it does not do enough to mitigate high inflation.
Apply a simple cap of 4% or 5%.	Some preference for this proposal, but not unanimous. Similar to the 3% cap, it is easier for mangers to implement and for residents to understand, but less risk of not keeping up with inflation. Policy could be amended to allow owners to request higher increases up to 8% or 9% if certain financial conditions are met, demonstrating that the property is performing poorly and at risk (ex: prior year operating deficits, primary DSCR below 1.05 or 1.10, etc.). If these were objective measures with a high bar for poor performance, staff impacts would be limited. Even with higher cap, may still not be enough to mitigate high inflation.
Apply a graduated cap with fewer tiers – for example, a 3%, 4% and 5% tier.	Some preference for this proposal, but not a first preference for anyone. Could have support of developers if the tiers go up to 6%, and the “floor” ensures the cap is no less than 15% of HUD AMI rent (rather than 35% in the original proposal) Similar to above, policy could be amended to allow owners to request higher increases if certain financial conditions are met.
Clarify the soft cap so it is forward looking to the following year’s rent increase (i.e., maximum increase for following year is based on the difference between the tenant’s rent and HUD rent in the current year). This gives tenants more time to plan.	No significant support for this – concern that it would be more difficult for property management to manage/implement and for residents to understand.

The work group is supportive of developing better affordable housing strategies through incentives which align all parties' interests. Given that our region is in a housing crisis and additional development is required to address housing needs at all levels of income spectrum, it is prudent to document the financial risk associated with any proposed policy. A well-calibrated program should not disincentivize new development and/or participation in the program, whether it is an optional incentive or a requirement of development. To minimize unintended consequences, developers suggested that jurisdictions considering implementation should work with local developers to ensure that any impacted program is appropriately calibrated to the unique development conditions of that locality. This may include increases in AMI levels or other modifications, similar to how Bellevue recently updated its MFTE policy, in order to achieve housing production and/or affordability targets. Other work group members expressed that any further policy development should also make sure to capture the voices and interests of renters.

Applicability

Work group members discussed that the scope of its recommendation should initially apply only to affordable units produced through local incentive programs, where affordable units are a minority of the total units in a given project and covenants are typically only required to satisfy local rules and regulations, as compared with projects that are 100% affordable and often subject to multiple federal, state and local financing regulations. For publicly financed projects, the work group supported ARCH deferring any a recommendation until such time as a coordinated policy proposal can be advanced among the relevant public agencies. If a higher cap was proposed for those projects, some work group members expressed that the number be applied to incentive projects as well.

In addition, this policy would not apply to existing projects with already executed covenants, or projects already under development and with submitted MFTE, land use or building permit applications, unless those projects elected to opt in. This policy will not apply until individual jurisdictions proceed with appropriate code updates to facilitate implementation.

Additional Policy Recommendations

Work group members acknowledge that no policy option could perfectly address the interests of all stakeholders, but some refinements can be made to ensure a more successful outcome. Specifically, the work group recommends the following:

- ARCH should create clear and accessible guidelines and compliance tools for property managers, and consider a naming convention to distinguish properties subject to the revised policy (for example, Program 2)
- The policy should be expanded to ensure that tenants have the right to renew their lease so long as they remain in compliance with their existing lease agreement. Cities

should include this in their affordable housing covenants, but make sure that owners retain their typical rights to convert properties to other uses.

- ARCH should establish appropriate regulations for annual tenant requalification.
- After three (3) years of the policy being in effect, ARCH should conduct an evaluation to identify any unintended consequences or potential improvements that need to be made. The evaluation should seek to understand:
    - Whether the policy has in fact helped promote greater housing stability among affordable housing tenants
    - Any increased administrative burden of overseeing compliance (for both properties and ARCH cities)
    - Whether properties have been able to operate with sufficient income to keep up with the growth in property expenses
    - A comparison of trends in key benchmarks, including the HUD AMI, Consumer Price Index and Social Security COLAs.
    - Participation rates in areas with voluntary programs
    - A holistic policy review at the jurisdictional level in each jurisdiction to evaluate potential incentives or code changes that could be made to encourage new development in areas with mandatory program and/or increased participation in voluntary programs. Jurisdictions implementing the cap should have a sunset date for the policy so that there is an action forcing mechanism to evaluate its success and impact on the pipeline of housing production.

  If this evaluation demonstrates any unintended consequences, ARCH should recommend a coordinated update to the policy across its member jurisdictions. Any recommended change or update would not affect projects with executed covenants.

In addition to the areas of consensus reflected in the above recommendation, some members of the work group expressed additional comments that did not generate a clear consensus or were beyond the scope of the work group's purpose. These additional comments are shown in Attachment C to help capture the nature of the discussion.

Given the variety of comments and potential concerns, the workgroup recommends that the range of proposals generated by the work group, including a simple tenant based cap as well as alternative graduated caps, be considered with a larger variety of stakeholders.

Conclusion

Producing, operating and maintaining safe, quality housing that is affordable to people of different incomes is a shared goal of all members of this work group. The work group thanks the ARCH Executive Board for the opportunity to share risks and opportunities associated with this policy and strike the right balance between the needs of many housing stakeholders.

Attachments

A. Rent Policy Work Group Members
B. Example Code Language
C. Additional Discussion / Comments Not Included in Recommendation

Attachment A

Rent Policy Work Group Members

Name	**Organization/Company**
Eric Amado	Thrive Communities
Nathaniel Aquino	Housing Justice Project
Andrew Calkins	King County Housing Authority
Amy Cubbage	Imagine Housing
Angel DeAsis	Greystar
McKenzie Darr	Grand Peaks
Amy Kangas	Housing Justice Project
Brad Machat	Quarterra
Brandon Morgan	Vulcan Real Estate
Kyle Pierce	King County Housing Authority
Tram Tran-Larson	Housing Justice Project
Steve Yoon	Mill Creek Residential Trust

Attachment B

Example Code Language

BCC 4.52.095 Rent Stabilization

For the duration of any exemption authorized under this chapter, any rent increase for any existing tenant remaining in the same affordable unit, or in a similar type of affordable unit (e.g., very small dwelling unit, studio, one-bedroom, two-bedroom, etc.) within the same project, shall not exceed three percent in any given year as described herein:

> *A. When the King County median income increases by more than three percent in a given year, the project shall be permitted to increase affordable rents up to three percent that year.*
>
> *B. When King County median incomes increase by three percent or less in a given year, the project shall be permitted to increase affordable rents by (1) the amount of the corresponding increase in median income; or (2) three percent, to allow the project's affordable rents to begin to catch up with King County median income calculations after having been capped due to conditions set forth in subsection A of this section. Under no circumstance may affordable rents exceed the current King County median income calculation.*

The provisions of this subsection shall not apply to new tenants that move into affordable units, or existing tenants who move into a different type of affordable unit. In such an event, the rent and income qualifications shall be calculated based on the current, applicable King County median income at the time a lease agreement is executed. (Ord. 6582 § 14, 2021.)

Attachment C

Additional Discussion / Comments Not Included in Recommendation

The following table includes additional comments from work group members that go beyond the scope of the group's recommendation. These are intended to help capture the broader discussion.

Topic	*Comment*
Eviction protections	One work group member offered that broader eviction protections be considered. For example, landlords in properties financed with Low Income Housing Tax Credits (LIHTC) may evict tenants and refuse to renew their lease at the end of the lease term only for good cause.
Additional development incentives	One work group member suggested that cities should consider offering additional development incentives when requiring this new policy to help alleviate any concerns over potential costs.
Emergency declarations	One work group member expressed that any policy could become problematic if there is a future emergency declaration or other circumstance that leads to another moratorium on rent increases, such as the one established during the COVID-19 pandemic.
Notice of rent increases	While the current policy aligns with existing local notice requirements, some work group members expressed concern about future regulations of rent increase notices, expressing for example that a blanket 180 day notice requirement could be problematic when paired with the variable timing of HUD data releases.
Adjustment of 3.0% in executed covenants	Work group members discussed the idea of adjusting the cap in an existing property based on future economic trends, such as if long-term inflation trends were to continue. However, work group members did not achieve a consensus on what the adjustment would be based on or how it would be implemented, given the significant diversity in properties' financing and operations. Others expressed that certainty at the outset of the agreement would be the most important consideration, and a fixed rate would be easier to explain to project investors and underwriters.

Preference for options not considered.	Stakeholders wished to note a preference for options that were removed from consideration by the ARCH Board. Specifically, private developers in the work group indicated that maintaining the status quo would be preferrable to making any changes. In addition, during meetings with tenant stakeholders there was a unanimous preference for setting rents based on actual tenant incomes.

Summary of Stakeholder Outreach and Analysis
(Fall 2022 through Summer 2023)

- Contacted all market rate property owners, developers and managers with completed or active projects in development
  - Shared background paper with initial policy options
  - Held two meetings to present options and host small group discussions
  - Issued a survey to collect written feedback.
- Held meetings with initial contacts in the lending and investing communities
- Presented to the Eastside Affordable Housing Coalition (EAHC)
- Conducted outreach to other public/regulatory agencies
  - Held discussion with King County public funders group
  - Conducted interviews with staff from other state agencies with experience in rent increase policies
    - Discussed rent increase notice periods with Texas
    - Discussed senior and family rent cap policies with Missouri
    - Discussed rent increase process with North Carolina
  - Discussed with the Washington State Housing Finance Commission, which is also considering this policy issue and researching other states' policies
- Met with Imagine Housing staff
- Facilitated a discussion with stakeholders representing tenant perspectives
- Contacted all affordable housing developers, owners and service providers who have historically utilized the ARCH Trust Fund program
  - Facilitated a meeting to discuss operational issues and gather feedback on options
  - Issued a survey to collect written feedback
- Facilitated an additional policy discussion with property management stakeholders to get focused feedback on the administrative implications of various options
- Initiated outreach to assemble volunteers for a smaller stakeholder working group, which will include a variety of stakeholders.
- Conducted research into other benchmarks to compare to changes in HUD median income (CPI-U, CPI-W, Social Security COLA, etc.)
- Facilitated a Rent Limit Policy Work Group, with representatives from developers, housing authority/nonprofit organizations, tenant rights attorneys, and property managers