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## Case Studies

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# Case Studies

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## A Regional Coalition for Housing (ARCH) - King County, Washington

### Background

In existence for eight years, A Regional Coalition for Housing (ARCH) regional housing trust fund has committed more than \$13 million to the creation and maintenance of affordable housing in King County , Washington . 1,600 units of affordable housing have improved the lives of low- to moderate-income families, seniors, homeless and people with special needs. The ARCH fund is an innovative example of regional, cross-jurisdiction cooperation in addressing a community's affordable housing needs.

## **The Context: Economic Boom Creates An Acute Housing Crisis**

King County , Washington -with Seattle as its epicenter-is one of the most economically dynamic regions in the United States . The county is home to more than 26,000 companies, including multinationals such as Microsoft, Nintendo, and AT&T Wireless Services. The presence of these technology giants has fueled an economic boom in recent years, with the Port of Seattle creating a strong import base for the region.

A key driver of the growing affluence in King County is the city of Redmond . Once rustic and quiet, Redmond now houses Microsoft's worldwide headquarters - bringing international recognition and large corporate campuses to the city. Microsoft alone occupies more than 200 acres of southwest Redmond . Eastern Redmond has become a magnet for other software companies. Job creation in Redmond has been so rapid, that finding workers to fill available jobs-and housing for new workers-is increasingly difficult. As of 1996, Redmond had 50,000 jobs and 40,000 residents.

As a result of the economic boom in East King County , many jurisdictions have experienced skyrocketing housing prices and massive condominium construction. Even though a [Growth Management Act](#) establishing housing supply targets for each jurisdiction has been in place since the early 1990s, the region has failed to meet the growing demand for housing.

Unfortunately, the economic growth in King County resulted in a significant wealth and opportunity gap. The eastern part of King County is the most affluent: as of 1996 the median household income was \$45,100, higher than the county median (\$36,200) and the state median (\$31,183). In 1999, software workers averaged \$291,000 in annual salary, while the average salary for non-software

workers was \$36,700.

Such income disparities coupled with escalating housing prices has made it increasingly difficult for lower income households to remain in King County . The 1999 Annual Growth report indicates that there are more than 52,000 low-income residents in King County . Approximately 30,000 families rely on rent subsidies.

## **A Solution: A Regional Housing Trust Fund**

### **Origins and Mission**

Spearheaded by A Regional Coalition of Housing (ARCH), King County now has a regional housing trust fund. ARCH was created through the initiative of King County and the cities of Bellevue , Kirkland , Redmond . These jurisdictions recognized that the affordable housing crisis required collective regional action.

ARCH's goal is to increase the supply of housing for low- and moderate-income families in King County . Strategies include:

1. **Coordination and Leveraging.** Coordinating public resources in a more targeted manner, and attracting greater private and non-profit investment to affordable housing development.
2. **Information Sharing.** Pooling technical resources and information across jurisdictions to improve and increase the development and implementation of housing policies and programs
3. **Technical Assistance.** Providing technical assistance to local organizations interested in affordable housing provision.
4. **Community Participation and Leadership.** Promoting community involvement, information gathering and sharing, and strengthened leadership to address the county's housing needs.

At present, participating jurisdictions also include Issaquah, Mercer Island , Woodinville, and Bothell. Six other cities may participate in the future: Newcastle , Medina , Clyde Hill, Yarrow Point, Hunts Point, and Beaux Arts Village .

## ARCH's Organizational Structure:

- **Council.** Approves ARCH's annual work program and budget, and takes final action on the use of local resources.
- **Executive Board.** Oversees the operation of ARCH. Composed of Chief Executives participating jurisdictions.
- **Citizen Advisory Board.** Provides recommendations on the use of local government resources, and maintains a high level of understanding of affordable housing issues in the community. Composed of citizens from diverse backgrounds.
- **Staff.** Responsible for implementing ARCH's program and for staffing the Board. Consists of a combination of staff hired by ARCH, and staff loaned by Bellevue and King County.

## Revenue Source

Each participating jurisdiction contributes funds to ARCH housing trust fund. In 1998, ARCH created a Parity Program to guide the level of contributions made by participating jurisdictions. The Parity Program establishes guidelines to ensure that all members of the coalition receive an equitable distribution of housing trust fund resources. ARCH considers this parity agreement a critical component to the on-going success of the regional housing trust fund.

## Guiding Principles of ARCH's Parity Program:

- Goals for each jurisdiction are stated as a range rather than as a single formula.
- Formulas are used to establish the range for each city. Each jurisdiction's range results from the calculation of a low and high contribution using three formulae: current population, projected housing growth, and projected job growth.
- A minimum baseline of \$1 million annually was established based on past levels of overall contribution.
- Jurisdictions were challenged to do more, as much as \$2 million annually, acknowledging the level of need throughout the region.
- No mandates are made for any given year, recognizing that jurisdictions' budget situations vary year to year.
- Accomplishments are measured over a five-year period, so that years with low levels of commitment can be offset by years with higher commitments.

Cities are encouraged to accomplish their goals in a variety of ways, including: direct and indirect monetary assistance (such as fee waivers); and in-kind contributions, such as donated land.

For the participating jurisdictions, the "low contribution" range is from \$32,000 to \$396,000 and the "high contribution" from \$75,000 to \$605,000. Since the Parity Program was approved, most jurisdictions have met their annualized average commitment. Since King County has its own housing trust fund, it only contributes toward the administrative costs of ARCH.

Actual revenue sources for contributions include: general funds, [Community Development Block Grant](#) funds, payments by developers, loan repayments, interest earnings, fee waivers, infrastructure improvements, and contributions of land.

## Housing Trust Fund Structure

### Application and Selection Process

Each year ARCH issues two [requests for proposals \(RFPs\)](#). These RFPs identify the participating jurisdictions, outline the total amount of funds available and the individual funds committed by each participating jurisdiction.

Applications are screened by ARCH staff. ARCH staff then develops recommendations to respective City Councils as to which projects should be selected for funding. Funds coming from an individual jurisdiction are not restricted to being spent within that jurisdiction. ARCH's recommendations are made by its Citizen Advisory Board and approved by its Executive Board. City Councils confirm the recommendations. Cities then enter into contracts with the selected applicants. ARCH may assist in structuring these contracts and may provide administrative oversight. All funded projects must submit quarterly status reports.

### Eligible Applicants and Activities

Eligible applicants for the ARCH housing trust fund include: nonprofit organizations, private for-profit organizations, public housing authorities and public development authorities. ARCH staff provides technical assistance to eligible applicants on an "as-needed" basis.

In general, the housing trust fund assists households earning 50 percent or less of median income. In special circumstances, this is increased to 80 percent of median income. Other priorities include duration of affordability and targeted

### Thinking Regionally:

Funds that come from a jurisdiction are not restricted to being used within that jurisdiction. ARCH's housing trust fund dollars are distributed regionally and based on priority needs in the county.

housing needs.

Housing trust fund dollars support: acquisition, predevelopment costs, new construction, rehabilitation, site development costs, off-site development costs (when necessary to assure utility service to the project), direct tenant assistance programs, and mixed-income projects (although trust fund dollars support only the low and moderate income units). Funds may be used as "matching dollars" to qualify for other county, state or federal funds. Funding is awarded as either loans or grants.

## **Keys to Success**

To date, \$13.234 million has been committed to create affordable housing through the ARCH fund and nearly 1,663 units have been built or preserved throughout the region. Of these, half are family housing, 36percent are senior housing, 6percent are homeless/transitional housing, and 8percent support people with special needs. The ARCH fund succeeds by:

## **Thinking and Acting Regionally**

ARCH creates an institutional structure for regional collaboration. Without a regional coalition for housing, jurisdictions would address the need for affordable housing within their borders. Yet, the affordable housing crisis in King County is caused by regional forces. Thinking and acting regionally allows jurisdictions to be more thoughtful in addressing housing needs and more effective in utilizing resources.

## **Engaging Key Players**

ARCH has been highly successful in engaging diverse stakeholders to shape the direction of their regional housing trust fund. Art Sullivan, the Executive Director of the ARCH Housing Trust Fund explains their approach. "The most important players

**Participation  
Builds Success:**

are the community members who now sit on the advisory board, because they decide where the money goes," he said. "The next most important players are the business communities and local business chambers because they have a unique opportunity to share resources. Third, we build relationships with our grantees and support their housing projects beyond the funding allocation. The success of our housing trust fund lies in the participation of all these players."

The success of our housing trust fund lies in the participation of all ...these players"  
**Art Sullivan,**  
**Executive Director,**  
**ARCH**

## **Building Partnerships Between Nonprofit and For-Profit Developers.**

Partnerships between private and nonprofit developers can be advantageous in the affordable housing development. Private developers may have more technical experience and may have access to key market sectors, while nonprofit organizations bring a deep knowledge of the needs of low-income residents to the partnership.

Len Brannan is a private developer who now works with ARCH on a regular basis. His organization, Shelter Resources, acts as a financial guarantor in a joint venture development with nonprofit developers. ARCH provides Shelter Resources with below-market-interest rate loans of \$100,000 to \$500,000 for its housing projects. "Otherwise," says Brannan, "it wouldn't be possible from a risk standpoint for us to take on projects of this size."

Ashwood Court is such a project and highlights the benefits of partnerships with a private developer. Completed two years ago, Ashwood Court provides quality affordable senior apartments amidst a particularly inflated real estate market in downtown Bellevue, Washington. The land alone for this project cost approximately \$850,000. ARCH secured the funding for this purchase from the City of Bellevue. Brannan is now financing rehabilitation of an assisted and congregate care senior project. ARCH secured tax-exempt bonds and a commitment of \$1.3 million from the City of Bellevue.

## **Community Participation**

ARCH is committed to community participation in the dissemination of housing trust fund dollars as well as ensuring that the fund stays accountable to

community needs. The Citizen Advisory Board reviews proposals to make recommendations for potential projects.

The Board also spearheads educational campaigns to empower residents with knowledge of homeownership models. One campaign focused on distributing material on exercising the right to build accessory dwelling units in single-family homes. This campaign was designed to address the misconception held by many residents that the construction of such units is restricted to affordable housing projects according to state housing regulations. The Board wrote articles on the subject and conducted community outreach with information packets on homeownership.

## **Responsiveness and Flexibility**

A key factor in the success of the ARCH housing trust fund is its responsiveness to the needs of groups committed to building affordable housing. Given the competitive real estate market in King County, prospective buyers have very little time to secure funds once they have found a property that meets their needs.

While accessing dollars from local governments is often a lengthy process, ARCH is able to quickly purchase property for groups that will develop affordable housing on the site. When necessary, an architect is hired to produce a master plan and capture the spatial details of a potential site.

## **Challenges**

### **The Enormity of the Task**

While ARCH has been successful, the regional coalition cannot meet King County's need for affordable housing at its current funding level. The economic boom and unparalleled growth of the technology corridor in King County is driving up housing prices and bringing in new workers at a rapid clip. Planners project the addition of 325,000 residents to King County by 2020.



## Balancing Regional Cooperation and Competition

The nature of a regional coalition requires that competing jurisdictions cooperatively decide how to distribute resources in order to promote equity for the entire region. While jurisdictions seek to increase affordable homeownership and rental opportunities in their areas, participating members in ARCH must do continual advocacy for their community while maintaining a commitment to a regional equity agenda.

Art Sullivan, ARCH's Executive Director is optimistic. "The challenge is the good news. Many cities are initially very skeptical that it can work, but join because they feel like it's the right thing to do. Now they want to do even more! When we completed a project of \$100,000 we thought that was a big deal. The largest project we've done now is \$1.25 million! Without working together, we couldn't have that sort of political clout."

### **Real Impact:**

To date, \$13.234 million has been committed to create affordable housing through the ARCH fund and nearly 1,663 units have been built or preserved throughout the region.

## Conclusion

When building a regional trust fund, the rewards far outweigh the challenges. This network of 13 cities pooling resources and planning together holds great promise for creating a robust affordable housing stock at the regional level. ARCH's Parity Program encourages regional cooperation by requiring that every city be willing to fund a project in another city. In fact, one of ARCH's projects was funded by nine different jurisdictions.

Over eight years, ARCH has crafted an innovative model for regional housing trust funds that has been successful in the face of many challenge. Thinking and acting regionally works.

## Community Housing Assistance Program - **Boulder, Colorado**

## Background

The Boulder Community Housing Assistance Program (CHAP) was created in 1990. Its primary goal is to create housing that is affordable to households earning between 30-60% of the area median income. The City intends to produce sufficient affordable housing so that at least 10% of its housing stock is permanently affordable to households earning up to 80% of the area median income. Boulder also wants to have an affordable housing continuum, with housing choices and options at different income levels. The Boulder Valley Comprehensive Plan guides all key policies and plans.

The CHAP replaced a program known as the Moderate Income Housing Program (MIHP). MIHP was in existence from the mid-1970's until November 1990. The MIHP required that new developments include either 15% of the units as affordable to households with moderate incomes or 10% affordable to those with low incomes. These units were to be kept affordable for five to ten years. An Affordable Housing Task Force recommended that the focus be shifted from moderate to lower income households and that future programs focus on creating units that remain permanently affordable. The CHAP was created out of this effort.

## Sources of Funding

The Community Housing Assistance Program (CHAP) is funded through an 8/10 th of a percent increase in the property tax and a tax on new construction of residential and commercial uses, known as the Housing Excise tax. The current rate for residential uses is \$0.16 per square foot and for commercial uses the rate is \$0.34 per square foot. The CHAP receives approximately \$1 million annually from these dedicated revenue sources.

## Administration

The Community Housing Assistance Program is administered by the City's Housing Division. At least once a year, the Division initiates a funding round that is

a combined application process for three sources of affordable housing funds: the Federal HOME and Community Development Block Grant programs and the Community Housing Assistance Program. The Housing Funding Program is governed by a two-year work plan adopted to guide housing funding decisions.

The awards process and other decision-making related to the CHAP-process is at the direction of the CHAP Technical Review Group, a five member review group appointed by the City Manager. After the Group prepares its initial recommendations, they are sent to the CDBG Citizens Group, which makes recommendations for CDBG funding. Final recommendations are forwarded to the City Manager for approval and then approved by the City Council.

## Programs

Nonprofit organizations, private developers, churches, individuals, the local housing authority, neighborhood based groups and public/private partnerships are eligible to receive CHAP, HOME, and CDBG funds. Activities eligible for funding include: acquisition of buildings and land; rehabilitation of existing assisted housing; rehabilitation of units to become assisted housing; bridge loans; land banking; project equity; or construction loans. Awards are usually in the form of grants, although loans, deferred loans or project equity are considered.

## Accomplishments

Since CHAP started, more than \$7.5 million has been awarded. Funds have been used for the acquisition, construction and substantial rehabilitation of homes. Funds have been used for improvements to units owned by the Boulder Housing Authority. Sites have also been purchased with CHAP funds for future construction of homes through the Division's land banking efforts. Housing awards made in 2000 include:

- **Affordable Housing Alliance.** \$350,000 to develop 14 housing units at the Drive-in Theater site. \$290,000 to the Housing Authority. All of the units will be permanently affordable to households earning between 40-45% of the area median income.

- **Habitat for Humanity.** \$97,000 for the second phase of the Violet Hollow project. Violet Hollow consists of 16 single family homes located in North Boulder.
- **Home Repair: Mobile Homes-City of Boulder.** \$210,000 to make home repairs in up to 40 homes located in the City of Boulder.
- **Housing Authority.** \$400,000 to acquire 21 rental units for households earning between 30-70% of the area median income.
- **Foothills Predevelopment.** \$200,000 to complete the predevelopment stage for a 74-dwelling unit project, mixed income, affordable rental community.
- **Housing Authority.** \$275,000 for the installation of fire protections systems at five housing authority sites and to support Section 504 reasonable accommodation requests at all properties.
- **Developmental Disabilities.** \$60,000 to fund the development of the Foothills Group Home that would provide housing to 8 elderly, developmentally disabled individuals.
- **Boulder Shelter for the Homeless.** \$80,000 to fund the acquisition of 4 units of transitional housing. The units will be used to provide housing and support services for up to 2 years to homeless individuals, 8 at a time.
- **Thistle Community Housing.** \$200,000 to fund the acquisition of 20 affordable housing rental units. Up to 20 percent of the units will be accessible to persons with disabilities.
- **Thistle Community Housing.** \$30,000 to fund the completion of Thistle's Business Marketing Plan.
- **Opportunity Fund Opportunities .** \$200,000.

## **The William E. Sadowski Act - State of Florida**

## Background

Florida's housing trust fund was created in 1992 with the passage of the William E. Sadowski Act. The Act actually created two trust funds. Thirty-one percent of the funding goes to the state government housing trust fund. The remaining sixty-nine percent goes to the local government housing trust fund.

The Act was passed during deliberations over a state versus local housing trust funds. A coalition of players were brought together by an independent nonprofit organization to negotiate a compromise proposal. Key to the success of these negotiations was the agreement and ability to address each entity's key concern. This eight-year old coalition has sustained the trust fund ever since. Its members include:

- Florida Housing Finance Corporation (the state HFA)
- Florida Department of Community Affairs
- Florida Homebuilders Association
- Florida Association of Realtors
- Florida Association of Counties
- Florida League of Cities
- Florida Housing Coalition
- Florida Impact
- Florida Catholic Conference
- Florida Legal Services
- 1000 Friends of Florida

- Coalition of Affordable Housing Providers (rental developers, lenders, syndicators, etc.)

## Revenue Source

The William E. Sadowski Act raised the statewide documentary stamp tax ([transfer tax](#) on deeds) by ten cents per \$100, effective August 1, 1992. In addition, it transferred another ten cents of existing documentary stamp tax from the general revenue to the housing trust fund, effective July 1, 1995. For fiscal year 2000-2001, appropriations from Sadowski funds exceed \$184 million, including an extra supplemental appropriation of \$8 million.

## Programs

The state programs include SAIL (rental production for very low income persons), HOME match funds, downpayment assistance for low income buyers in the state's bond program, predevelopment loans and grants for nonprofits, support for the state's Guaranty Fund (which is credit enhancement for almost all state and many local rental bond issues), and the Catalyst Program.

The Catalyst Program is the training and technical assistance component of the Sadowski Act, wherein the Florida Housing Coalition has a contract to provide direct technical assistance and workshop training to both local governments and nonprofits.

The local government housing trust fund is the SHIP Program (State Housing Initiatives Partnership Program). SHIP is a block grant program from the state to local governments, with general guidelines for the use of the funds. All counties and CDBG-entitlement cities are eligible to receive these funds. The Florida Housing Finance Corporation administers the distribution of these funds and is charged with monitoring compliance with the Act. The state is limited to no more than 5% of the funds for administration.

The SHIP funds are distributed according to a formula based on population, with each county receiving a minimum allocation of \$350,000. Cities receive a pro rata

share of the county's allocation. Interlocal agreements for program management are encouraged and many localities have SHIP programs that are integrated between the county and CDBG cities.

Final requirements for the SHIP program reflect the priorities of the Coalition that put it in place and sustains it currently. These include:

- 65% of the funds must be used for homeownership;
- 75% of the funds must be used for construction/rehabilitation activities;
- 30% of the funds must be used to benefit very low income households; another 30% must benefit low income households; and 40% can benefit very low, low or moderate income households, at the discretion of local governments;
- all local governments receiving SHIP funds must expedite permits related to affordable housing;
- guidelines for the use of the funds are flexible;
- all local governments receiving SHIP funds must adopt a three year plan for expenditure of the funds; and
- there is a 10% limit of local administrative costs.

## **Accomplishments**

All 67 counties and 40 CDBG-entitlement cities participate in the SHIP program. Since its inception, the Sadowski Act has generated \$1.01 billion of state funding.

**NEXT SECTION**