Seattle
Office of Housing

Proposed Director's Rule 2026-01

Program	Code and Section Reference	Supersedes
Multifamily Housing Property Tax Exemption Program (MFTE)	Seattle Municipal Code (SMC) subsection 5.73.040.B.5	Not applicable
Subject	**Publication Date**	**Effective Date**
Process to assess distribution and comparability of MFTE units	August 18, 2026	August 1, 2026

Approved:

Kelli Larsen, Acting Director

8. 1. 2026
Date signed

Purpose

This Director's Rule (hereafter referred to as "Rule") satisfies the directive, per Section 5 of Ordinance 127316, for the Office of Housing to publish a Director's Rule that "describes the process for selecting MFTE units for purposes of meeting distribution and comparability requirements found in Seattle Municipal Code subsection 5.73.040.B.5," and "strive[s] to provide as much certainty and predictability as is feasible regarding unit selection, as early in the MFTE process as possible, while recognizing that some level of detail involved with determining comparability and distribution may not be available until the project is complete." In satisfying this directive, this Rule supports the City's effective administration of the MFTE program's distribution and comparability requirements and OH's capacity to meet its ongoing program evaluation and reporting obligations.

Background

Under the overarching authority of RCW 84.14, SMC Chapter 5.73 exempts eligible multifamily housing from ad valorem property taxation on eligible improvements. The MFTE program version established under SMC Chapter 5.73 (as amended by Ordinance 127316) is called "Program 7," or "P7," to distinguish it from program versions established under prior iterations of SMC Chapter 5.73.

Subsection 5.73.040.A.6 requires that MFTE units be configured consistent with the plan set approved by SDCI and satisfy distribution and comparability requirements identified in subsection 5.73.040.B.5. The distribution and comparability requirements apply to units in each of the buildings that comprise the multifamily housing.

Terms used in this Rule shall have the meanings set forth in Section 5.73.020. Definitions for **bolded** terms not appearing in Section 5.73.020 appear in the text of this Rule.

Applicability

In conjunction with Section 5.73.040, this Rule shall govern distribution and comparability of MFTE units in any building for which the project owner is seeking tax exemption approval under MFTE P7. Projects approved by OH under a prior version of MFTE (i.e., P3 through P6) shall continue to employ distribution and comparability requirements consistent with SMC Chapter 5.73 in effect at the time of OH's receipt of application and executed agreements specific to the applicable program iteration.

This Rule applies only to multifamily housing for renter occupancy; it does not apply to permanently affordable homes for owner occupancy.

Rule

The process for designating MFTE units under P7 shall be governed by the requirements of SMC Chapter 5.73 and the procedures and clarifications provided within this Rule.

Owner Proposal of Designated MFTE Units

- Consideration of MFTE unit designations begins at the point of project owners' application to OH for tax exemption under P7. As part of the application package, OH will provide a property detail workbook ("PDW"). The PDW is an Excel file that allows project owners to describe characteristics of each unit within the project; such characteristics include but are not limited to net unit area, unit type (e.g., sleeping room or dwelling unit), number of bedrooms and bathrooms, **unit floor plan**, and features proposed for exclusion from comparability analysis, as discussed below under "Special Considerations." Project owners must complete this workbook and submit it as part of the application along with current SDCI-approved plan sets, including unit floor plans, sufficient to verify information documented in the workbook. For purposes of this Rule, "unit floor plan" means a scale diagram that shows the size, layout, and configuration of each unique type of unit to be marketed. Unit floor plans must clearly delineate habitable spaces for sleeping (i.e., bedrooms), bedroom type, and storage and other living areas in the unit.

- If they choose, project owners may use the initial PDW submission to select a distribution option and propose specific units to serve as MFTE units, consistent with distribution and comparability requirements outlined in subsection 5.73.040.B.5.

- Based on information provided in the PDW and supporting documentation, including the approved plan set for the project, OH staff will calculate the minimum number of MFTE units in total and by **unit floor plan category** pursuant to requirements appearing in the SMC. For purposes of this Rule, "unit floor plan category" means a descriptor that reflects each unique combination of bedroom counts, bedroom types, and other living areas appearing within the project.

- If the project owner does not opt to select a distribution option and propose specific MFTE units as part of the initial PDW submittal, they must do so at least 90 days before marketing, pre-leasing, or leasing starts for any units in the property. This proposal must be made through submission of an updated PDW.

Final Approval of Designated MFTE Units

- At least 45 days before the earlier of preleasing units or issuance of the project's temporary certificate of occupancy (or final certificate of occupancy if no temporary certificate is issued), OH staff will conduct an onsite inspection. If OH staff find that the as-built units, inclusive of both unrestricted and MFTE units, are consistent with assumptions informing the MFTE unit designations as they appear in the PDW, this list will be memorialized as part of the Final Certificate of Tax Exemption.

- If OH staff determine that the characteristics of the as-built units differ from those appearing in the PDW and that those differences invalidate the proposed MFTE units' consistency with the distribution and comparability requirements set forth in Section 5.73.040 and this Rule, OH staff will propose an alternative designation of MFTE units that meets the requirements.

Special Considerations

- **Distribution**: Subsection 5.73.040.B.5.a establishes two distribution options for MFTE units. In some cases a project's design and layout may create a conflict between subsection 5.73.040.B.5's distribution framework and comparability criteria. If it is not possible to satisfy the comparability criteria under one of the two distribution options, the project owner must use the other distribution option.

- **Comparable Unrestricted Units**: To enable a comparison of a project's MFTE units to its unrestricted units, the project must include one or more unrestricted units for each MFTE-restricted unit of the same floor plan, features, and functionality.

- **Excluding "Non-Standard" Units from Comparability Assessments**: SMC subsection 5.73.040.B.5.b introduces the undefined term of "standard unrestricted unit." The subsection specifically references this term when describing two comparability features:
  - "Net unit area measured by square feet (must be within 95 percent of standard unrestricted unit size)," and
  - "Basic functionality, which means MFTE designated units should generally be comparable in function and include the same features and finishes as the standard unrestricted units. Premium features and finishes associated with units designed to secure higher rents than the standard unrestricted units should not be used to assess comparability."

  If project owners wish to exclude certain units from the comparability requirement that applies to other units within the building, they may do so by documenting the premium features and finishes that distinguish the specified non-standard units from their counterpart standard units.

The PDW will include a field where project owners can identify the non-standard units proposed for exclusion from comparability requirements based on documented premium features and finishes designed to secure the project owner higher rents.

A project owner's decision to designate certain units as non-standard units reduces the pool of units available for the assessment of comparability between restricted and unrestricted units required according to SMC subsection 5.73.040.B.5.b. Therefore, to establish a practical and predictable method for OH's comparability calculations and assessments, at least:

- 60 percent of units shall be considered "standard unrestricted units" in projects where 25 percent of all units must be set aside as MFTE-restricted units, or
- 65 percent of units shall be considered "standard unrestricted units" in projects where 20 percent of all units must be set aside as MFTE-restricted units.

Reducing the pool of units by excluding ones with premium features and finishes may limit a project owner's flexibility when proposing designated MFTE units. If as a result a project owner cannot satisfy all distribution and comparability requirements appearing in SMC subsection 5.73.040.B.5, the project owner must either designate fewer non-standard units than otherwise permitted or include one or more of the non-standard units as an MFTE unit.

- **Unit Exclusions Are Cumulative**: The sum of units excluded for purposes of OH distribution and comparability assessments (i.e., the project's non-standard units) cannot exceed 15 percent of the total number units in the project.