



Proposed Director’s Rule 2026-01

Program Multifamily Housing Property Tax Exemption Program (MFTE)	Code and Section Reference Seattle Municipal Code (SMC) subsection 5.73.040.B.5	Supersedes Not applicable
Subject Process to assess distribution and comparability of MFTE units	Publication Date March 31, 2026	Effective Date April 20, 2026

Approved:

Andréa Akita, Interim Director

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,” which “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.”

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

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 the Seattle Department of Construction & Inspections (SDCI) and satisfy distribution and comparability requirements identified in subsection 5.73.040.B.5. The distribution and comparability requirements apply to each building that comprises the multifamily housing.

Terms used in this Rule shall have the meanings set forth in Section 5.73.020. Definitions for underscored 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.

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 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 special features. 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.
- The PDW provides owners with the option to propose specific units to serve as MFTE units distributed according to one of the two distribution options described in subsection 5.73.040.B.5.a.
- 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 by unit floor plan category. The Conditional Certificate of Tax Exemption will include a table showing the planned number of unrestricted units and MFTE units in total and by unit floor plan category. 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 application package, they must do so within 120 days following issuance of the Conditional Certificate of Tax Exemption or the start of construction, whichever comes later, provided these steps are completed prior to marketing/pre-leasing or leasing activity for the property. This proposal must be made through updates to the PDW.

Final Approval of Designated MFTE Units

- As construction progresses, additional details about the project design and unit floor plans typically emerge. Project owners must notify OH of these changes and update the PDW accordingly and in no case later than 90 days before preleasing begins. Both OH and owners understand that these changes may alter both the total number of required MFTE units and the MFTE unit designations appearing in the PDW.
- 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, remain consistent with assumptions used to create the list of designated MFTE units 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 of the two distribution options, the project owner must use the other distribution option. Regardless of the selected option, the distribution of MFTE units on any given floor must meet the following conditions to ensure they are distributed equitably:
 - MFTE units must be located on predominantly residential floors such that the total net unit area of all units comprises at least one-half of total gross floor area on the same level.
 - MFTE units must neither be clustered within a limited number of stacks of units nor be concentrated on one or two sides of the building.
 - Including multi-bedroom units as MFTE Units: In a building for which the MFTE unit set-aside is reduced to 20 percent of total units, 20 percent of each multi-bedroom unit floor plan category, rounded up to the next whole unit, must be provided as MFTE units.

- For example, assume a 60-unit building that is subject to the lower (20 percent) set-aside requirement due to offering two three-bedroom units (3.33% of all units). Though 20 percent of two units yields a set-aside of only 0.4 of a unit, this fraction must be rounded up so that one of those three-bedroom units is an MFTE unit for income-eligible households.
- Excluding Units from Comparability Expectations: Subsection 5.73.040.B.5.b introduces the undefined term of “standard unrestricted units.” The term establishes a subset of units that can serve as a point of comparison for both the size and functionality of MFTE units. For purposes of this Rule unrestricted unit means any unit that is not designated as an MFTE unit. Standard unrestricted units may offer less square footage and lower functionality than other unrestricted units.

For purposes of assessing comparability, no fewer than 90 percent of all unrestricted units shall be treated as standard unrestricted units.

- Size: MFTE units’ net unit area should be no less than 95 percent of the standard unrestricted units’ net unit area for each unit floor plan category in each building in the project.
 - As an example, the net unit area of a “one alternative bedroom” MFTE unit must be measured against the average net unit area of only standard unrestricted units with the same bedroom configuration (not all standard unrestricted units).
- Functionality: Subsection 5.73.040.B.5.b.6 establishes the concept of basic functionality. Any feature, finish, or fixture appearing in more than 10 percent of the project’s total unrestricted units shall not be treated as a premium feature for purposes of assessing functional comparability.