Multifamily Tax Exemption (MFTE) Reauthorization
Frequently Asked Questions (FAQ)

May 17, 2024 Webinar and Feedback Sessions

The Seattle Office of Housing (OH) is overseeing an in-depth evaluation of the MFTE program to inform recommendations for reauthorization legislation in late 2024. On May 17, 2024, the OH hosted a webinar and two feedback sessions to share information about MFTE program reauthorization and provide an opportunity for property owners, developers, and property managers of buildings that participate in the MFTE program to ask questions and share input on the program. This FAQ responds to the questions that OH received during the webinar and feedback sessions. Questions have been edited for clarity.

Property owners, developers, and property managers of buildings that participate in the MFTE program may provide public comment until June 30, 2024, at 5:00pm via this online form. Further engagement is being planned in the summer to solicit feedback from renters who participate in the program. Thank you to all who shared their insights and feedback.

Income Verification Process

1. **Q:** Income verification is time and resource intensive for both residents and property owners. Third-party income and asset verification can be challenging or done incorrectly, resulting in delays or applicant ineligibility, and there can be a lot of back and forth with residents to verify bank statements and specific transactions, including mobile payment apps (Venmo/Cash App). Some prospective MFTE program participants opt out of the MFTE program because of the invasive documentation requirements. This lengthy income verification process is detrimental to the people the MFTE program is intending to serve.

   A: OH seeks to balance the regulatory requirements of the MFTE program with our aim to make housing affordable and accessible without undue delay. The income verification process is intended to prevent noncompliance/ over-income households from living in income-restricted housing. OH is exploring ways to simplify income certification paperwork where possible and provide more guidance around verifying income while still adhering to the requirements set by the State RCW.

2. **Q:** Can the recertification process be modified to occur either annually or at lease renewal, whichever comes first? This would avoid confusion among residents who receive a lot of similar paperwork and prevent situations where residents sign renewal leases but then decline to recertify their income.

   A: Property managers can begin the recertification process up to 120 days (4 months) before the new lease begins. OH does not advise signing new MFTE leases before income recertification happens because it could create noncompliance issues.

3. **Q:** Can the recertification process be aligned with when the rent and income limits are released?

   A: Recertification occurs up to 120 days (4 months) before a resident signs a new lease. This is to ensure that MFTE residents are income-eligible as close as possible to when they sign the new lease. This keeps the administration of the MFTE program tied to the lease renewal process.

4. **Q:** It would be helpful for renters to have a "how to" guide for filling out the income declaration form.

   A: Thank you for this feedback. Please see the Renter's Guide on OH's website. OH staff can put something like this together and share it on our website.

5. **Q:** Can OH adopt the HUD guidelines for the HOTMA program to simplify asset verification?

   A: OH is currently considering updates to the MFTE program during the reauthorization process to streamline the income verification process, while balancing the requirements set by the State RCW and Seattle Municipal Code. MFTE program staff will consider HUD Housing Opportunity through Modernization Act (HOTMA) rules and if any of these policies would help to streamline income calculation and asset verification. Any policy or process updates will be announced later this year.

General Compliance

6. **Q:** Are the costs of complying with MFTE higher when serving lower income households or households with higher needs?

   A: OH does not collect data on this.

   For properties serving lower income households, OH recommends working with Housing Connector, a local nonprofit that provides resources to low-income residents and property partners serving low-income residents, such as resident referrals to connect those in need of housing to available homes, housing stability case management for residents, risk mitigation funding for properties, mediation, conflict resolution and legal resources.

7. **Q:** Currently, property owners bear full responsibility for compliance and any liability associated with noncompliance. Has OH considered taking on a more centralized role in verifying eligibility of current and prospective MFTE renters? This could help reduce the risk of noncompliance for properties, possibly shorten lease-up timelines, address the challenge of training property staff in program compliance, and would enable property managers to provide better customer service to residents and prospective residents. Could the tax exemption be decreased to offset costs of OH taking on program administration?

   A: OH can see some benefits to centralizing the eligibility verification process and we are currently exploring how this might be possible. OH cannot change the tax exemption amount but could modify the MFTE fees to account for administrative costs.

Unit Configuration and Rent Limits

8. **Q:** Can OH provide clarity around the definition of an open 1-bedroom? This would help developers determine if rents should be set at studio or 1-bedroom levels.

   A: Under current program (MFTE P6) requirements, Open 1-Bedrooms that meet all the bedroom criteria listed in the MFTE Unit Distribution, Comparability, and Bedroom Criteria, will be restricted at the 1-Bedroom unit AMI percentage. Open 1-Bedrooms that do not meet these criteria will be restricted at the Studio unit AMI percentage. As a part of the reauthorization process, OH is exploring how to determine the affordability restrictions for units more easily. It might be simpler to regulate affordability based on net unit area as opposed to unit type, and we will continue to examine options.

9. **Q:** Has OH considered setting maximum rent based on a dollar per square foot basis? Current rules may encourage units designed to the smallest possible requirements for each unit type.

   A: Thank you for the suggestion. This is along the same lines as our response to Question 9. Yes, this is something OH will explore.

10. **Q:** When an MFTE apartment needs to be redesignated, more flexibility on choosing the "next available" market-rate unit would be helpful. What are OH's parameters for redesignating units?

    A: The "next available" policy aims to ensure that any apartments redesignated for the MFTE program are of comparable size and type as the previous MFTE unit. Please see the compliance manual for information on unit redesignation. Please reach out to OH MFTE program staff if you have any questions or need assistance with redesignating a "next available" unit.

11. **Q:** Can OH publish the rent and income limits earlier in the year and at a consistent time every year? This would be helpful for budget purposes and for alignment with the recertification process.

   A: Rent and income limits are set using information provided by the Department of Housing and Urban Development (HUD), typically in the spring. OH updates its income and rent limits as early as possible dependent on HUD's timeline for publishing data. For this reason, OH is not able to publish the information sooner.

12. **Q:** The rent limits are different across MFTE programs. For example, P3 and P6 have different rent limits. Consistent rent limits would make the MFTE program easier for property management staff to manage.

   A: Yes, differences among versions of the MFTE program create administrative challenges for property managers and OH staff alike. However, when the MFTE program is reauthorized, OH sets rent and income limits based on current housing needs of Seattle's residents. Housing needs change from year to year as incomes and supply of housing changes.

Economic Displacement Relocation Assistance (EDRA) and MFTE

13. **Q:** How is EDRA (tenant relocation assistance) impacting recertifications for the MFTE program?

   A: OH does not administer the EDRA program, which is administered by the Seattle Department of Construction and Inspections (SDCI). More information about the EDRA program can be found on SDCI's website.
   - [Visit SDCI's website about the EDRA program](#)

14. **Q:** Some properties have had to initiate many unit swaps because residents have become income over-qualified and therefore ineligible for the MFTE program. This is depleting the supply of affordable housing.

   A: When a household becomes over-income and therefore ineligible for the MFTE program, the household may still choose to remain in their apartment. The apartment will convert to a market rate rent and is no longer considered an MFTE home. In this case, the next available comparable apartment is designated an MFTE home. Sometimes there is no comparable apartment available to replace the previous apartment, which means temporarily, the building may not have all the MFTE units as required in the regulatory agreement. Over time as residents move and apartments turn over, the next available unit policy ensures that MFTE units are not lost.

15. **Q:** SDCI has an income certification process for tenant relocation assistance that accepts forms of documentation that the MFTE program does not use, such as prior year tax returns. This can result in households qualifying for tenant relocation who do not qualify for the MFTE program.

A: SDCI's EDRA program has different guidelines than MFTE and this can create some differences in how income is determined. OH will discuss this with SDCI to investigate if income verification can be streamlined across programs. More details on any policy or process changes will be shared later this year.

Program Administration

16. **Q:** Can OH accept e-signatures on MFTE paperwork?

A: Some documents such as the signed MFTE Agreement require wet signatures to be recorded at the King County Recorder's Office. OH is planning to allow for electronic signatures on non-recorded documents once the MFTE program is reauthorized and the compliance manual is updated.

Student Eligibility

17. **Q:** New program rules for students are resulting in more denials for housing than approvals. Students face barriers to accessing the MFTE program, especially around paperwork requirements.

A: OH is considering policy changes to improve access to MFTE affordable housing for income-eligible students.

18. **Q:** During recertification, it was determined that a full-time student had moved into an MFTE home before the rule changes to student eligibility. OH staff confirmed that because the resident moved in before the rule change that they were still eligible for the program. Could this information be added to the compliance manual?

A: Yes. OH will be updating the compliance manual once the MFTE program reauthorization process is complete.

MFTE Program Application Process (for Developers)

19. **Q:** When can new properties apply for the MFTE program? In previous iterations of the MFTE program, a developer could not apply for MFTE and receive approval for the program without complete floor plans and designated unit mix. Currently, approval letters do not identify the unit mix. Because financing is contingent upon MFTE approval, it would be helpful to identify the unit mix earlier in the process, as was done previously.

A: An applicant is required to submit their MFTE application at least 180-days prior to the multifamily housing receiving a Temporary Certificate of Occupancy (TCO), but applicants are welcome to apply early. Applicants should note the development

must be completed within three years of the MFTE application approval date by the Office of Housing (5.73.050.E). This expiration date may be extended by the Director by up to 24 months provided the owner submits a written request, stating the grounds for the extension, and a fee for the City's administrative cost to process the request at least 60 days prior to expiration of the Conditional Certificate (5.73.070.C).

20. **Q:** Will OH implement an online application portal?

    A: OH implemented an online portal via SharePoint for annual reporting and supporting documentation in 2023. OH supports the suggestion of a similar system for the MFTE application and regulatory agreement process. We will explore that proposal with the City of Seattle's Information Technology department.

Education and Support from OH

21. **Q:** Can OH provide guidance on notice requirements?

    A: Please contact the Seattle Department of Construction and Inspections (SDCI) for more information about renting regulations and notice requirements.

    - Visit SDCI's website for more information

22. **Q:** More education around program requirements and the level of staffing needed to meet compliance requirements would be helpful. Could more information be shared with developers upfront, at the time of application, or is there a way to get a refresher on MFTE requirements?

    A: We invite you to check out the training materials available on OH's website.

    MFTE staff also host biweekly office hours for questions about the MFTE program. To request the meeting link, please e-mail OFH_IncentiveCompliance@seattle.gov.

23. **Q:** Could OH please provide a summary of MFTE program updates, including when changes were made and implemented?

    A: This program has existed for decades and has undergone significant changes over time. All changes have been captured in the municipal code, Compliance Manual, and Director's Rules. We will consider this recommendation for Compliance Manual updates and changes to Director's Rules.

24. **Q:** What are the best strategies for marketing MFTE homes beyond posting on Craigslist or other websites? We want to make sure we're getting the word out when apartments are available.

    A: Please reach out to your assigned OH MFTE compliance representative for support with affirmative marketing and filling vacancies. Housing Connector can also

help MFTE properties fill vacancies by providing resident referrals, along with other support.

25. **Q:** Renters for whom English is not their first language may have difficulty applying. Can OH provide language access support?

    A: Affirmative marketing is the responsibility of the property owners/representatives but OH staff can provide support upon request. Please reach out to your assigned OH MFTE representative for assistance with affirmative marketing to non-English speakers or other groups who are less likely to apply for the MFTE program due to barriers like language access, disability, or other barriers.

26. **Q:** When a property is acquired, the final tax certificate and conditional certificate are not recorded with the King County Recorder's Office and therefore must be requested from OH. It would be helpful to have easily accessible regulatory agreements and requirements for the property and the MFTE program number that the property is participating in. In cases where buildings are participating in more than one program and have multiple affordability requirements (e.g., MFTE, MHA, IZ, others), it can be difficult to understand how all of the various program requirements are layered.

    A: MFTE certificates are issued by the King County Tax Assessor and are not publicly available. OH can provide certificates of compliance or summaries of noncompliance (if applicable) to new property owners. However, MFTE Agreements (as well as IZ, MHA, etc.) are currently recorded and publicly available online through the Recorder's Office.

27. **Q:** It would be helpful for property managers to know more about the typical timelines for income certification, vacancies and lease up that other properties are facing. Could the City provide some data to help property representatives understand where their property falls relative to the average?

    A: OH is hoping to improve data collection from the reporting process and share this information to improve transparency around the MFTE program. Currently, the data is incomplete and drawing conclusions would be difficult. If you are willing to share your properties' data, we welcome that. Please reach out to your OH MFTE representative to discuss reporting questions.

Other

28. **Q:** Can OH modify the program to allow buildings that are already built and operating to participate?

    A: No, this would require a change in state law.

29. **Q:** What aspects of the MFTE program are under OH's purview? How does OH coordinate with other agencies that determine the requirements for the program?

A: MFTE program staff at OH assist developers enrolling in the city's Incentive Programs, provide ongoing compliance monitoring and support to property developers and representatives currently using the program, and craft policies to ensure the program is meeting the state and local requirements. OH coordinates with other agencies such as Seattle Department of Construction & Inspections (SDCI), Washington State Dept of Commerce, Seattle Office of Civil Rights, the City Budget Office, and the King County Tax Assessor's Office as needed.

30. **Q:** Will OH be hosting recurring feedback sessions for the MFTE program?

A: This engagement process is specific to MFTE program reauthorization. However, we encourage you to reach out to OH staff with questions or comments as needed.

- **Developers and owners** applying to the MFTE program can contact OFH_MFTE@seattle.gov or call (206) 386-1366 for more information.
- **Property representatives** with general questions can email inquiries to OFH_IncentiveCompliance@seattle.gov If you need assistance over the phone or require interpretation services, please call (206) 684-0721. If you know the specific asset manager assigned to your building, feel free to reach out to them directly.

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