

# Multifamily Tax Exemption (MFTE) Reauthorization Program 7

## Frequently Asked Questions (FAQ)

### October 23, 2024 Feedback Sessions

On October 23, 2024, the Office of Housing (OH) hosted a meeting to share proposals for MFTE Program 7 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 feedback. This FAQ responds to the questions that OH received. Questions have been edited for clarity. More information about Reauthorization, including the slides from the October 23<sup>rd</sup> meeting can be found on [OH's website](#).

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## I. General Program and Reauthorization Questions

### 1) When are these changes taking effect?

The changes proposed at the October 23<sup>rd</sup> meeting would take effect approximately 30 days after City Council passes reauthorization legislation, anticipated in the first quarter of 2025.

### 2) How certain is it that all of the proposed changes, as currently described, will go into effect?

Final program legislation will be introduced in Q1 of 2025 and is subject to City Council approval. MFTE policy proposals may be modified in response to feedback and data analysis until final legislation is approved. OH will provide training(s) for property managers and developers on new program rules after legislation is adopted.

### 3) When is the deadline to submit a building application under Program 6?

Program 6 sunsets on March 31, 2025. Complete applications for P6 must be submitted by this date.

**4) Does the City have a goal for MFTE production?**

MFTE provides an incentive for supply, affordability, and affirmatively furthering fair housing. There is currently no property tax exemption cap and also no target for participation.

## **II. Income Verification Process**

**5) Can the property choose any one of the three methods for income verification (paystubs, the Work Number, employer verification form)?**

Yes. OH is proposing increased flexibility for income verifications by properties.

**6) Will the income verification changes and mobile payment application (Venmo/Cash App) changes apply to all versions of MFTE?**

Yes.

**7) Will there be clear directions for when properties must verify mobile payment app data?**

Yes. OH will provide written guidance in the Compliance Manual. Mobile payment app data will only need to be collected if these apps are the applicant's primary or sole banking method.

**8) What is the Work Number?**

The Work Number is a paid income verification service. Properties may choose to use the Work Number as an option for verifying MFTE applicants' income.

**9) For The Work Number, are MFTE renter applicants able to generate their own reports to provide property managers with their applications?**

Yes, if applicants are able to generate their own reports this is acceptable

**10) Can MFTE properties charge applicants for any The Work Number costs for income verification?**

No, The Work Number costs cannot be passed on to applicants or residents.

**11) What will the frequency of recertifications be now that OH is allowing for self-certification?**

OH must report income data for MFTE households to the state annually, so residents in MFTE apartments will still need to certify their income every year. OH is proposing full income recertification, complete with income documentation paperwork, be required for initial lease-up and then every three years thereafter. Self-certifications would be allowed in interim years.

**12) If a property uses a third party for recertifications, can a resident still self-certify their income?**

Yes.

**13) Is a self-certification just a form that the MFTE resident fills out?**

Yes. OH will provide a template for property managers to use for self-certification of income. When it is complete, the template will be available on [OH's website](#).

### III. Asset Verification Process

**14) Has OH considered simplifying the asset verification process?**

Yes, OH is still considering ways to simplify the asset verification process.

**15) Will the assets from retirement accounts that are not available until after age 59.5 still be used to determine financial eligibility? Will the growth in these accounts count as income in the application?**

Growth of assets in retirement accounts will not count towards annual income. Only asset disbursement from retirement accounts will be counted as income.

### IV. Program Eligibility

**16) Will there be any changes to student eligibility?**

Changes to graduate student eligibility went into effect in September to lower barriers for graduate students to qualify for MFTE apartments. Graduate students that meet income criteria can be eligible for MFTE if they either receive need-based financial aid or file taxes independently.

**17) Has the City considered an online and/or centralized process where prospective tenants submit their information and they are approved or denied for MFTE?**

Centralization of the MFTE application process for renters could be beneficial, but this is not currently on OH's workplan. We are in the early phases of exploring feasibility of implementing this program improvement.

**18) Does the exclusion of owner-occupied units from the property tax exemption include units occupied by building management staff eligible for MFTE?**

No, provided that every housing unit is marketed and available to the public.

### V. Rent and Income Limits

**19) When will OH decide on the net unit area ranges and associated rent limits?**

A final rent limits proposal will be part of the MFTE reauthorization legislation in Q1 of 2025.

**20) Would income and rent limit changes impact current residents' rents?**

No, the proposed rent and income limits will only apply to projects with MFTE P7 applications and, with the exception of properties approved for extended property tax exemptions going forward, would not apply retroactively to units built under earlier versions of the program.

**21) How will the income limits be set?**

The current proposal is to base P7 AMI limits on MFTE units' net unit area, meaning units with more square footage would have higher rent and income limits while smaller units would have lower rent and income limits. To date, rent and income limits have been based on either unit type (e.g., SEDU) or number of bedrooms.

**22) Does OH’s proposal to have a single AMI limit table for all versions of MFTE mean that the 4.5% cap on AMI limit table goes away?**

Property managers would be able to refer to a single AMI limit table, regardless of which version of MFTE the property is under. When MFTE apartments turn over, the rent limit would be set according to the AMI limit table. For P6 and P7 properties, a 4.5% cap on annual rent increases would still apply to lease renewals for residents of MFTE apartments.

## **VI. Marketing and Transparency**

**23) Has the City considered centralized advertising MFTE apartments (e.g., on one website) to make it easier for renters to find them? Could OH's map of MFTE properties indicate availability?**

Currently, each MFTE property is marketed by the property owner or management company. Centralized marketing of MFTE apartments could be beneficial. The Office of Housing has an [interactive map](#) showing all affordable units in market-rate buildings. Every MFTE property would need to report the real time occupancy data in order to advertise availability.

**24) OH is proposing that MFTE apartments must be advertised on a tax exempt property’s website regardless of availability. Instead, could OH just require a statement that a property is participating in MFTE?**

OH has heard from MFTE renters that information about the program and available MFTE apartments is difficult to find. You can read more about OH’s Fall 2024 survey of MFTE renters’ experiences in this [blog post](#). The proposed requirement improves transparency around the MFTE program for the public. In addition to clearly stating MFTE participation, the property’s website should also indicate the total number of MFTE apartments, as well as the type and size of apartments currently available.

**25) Why is marketing of MFTE apartments necessary when OH already has a map of MFTE properties on its website?**

OH does not own or operate affordable housing and people looking for affordable housing may not think to look at OH’s website. Ensuring that information about MFTE apartments can be easily found on websites for properties with tax exemptions helps improve access of eligible households to rent/income restricted housing.

**26) It’s challenging to find what version of MFTE program a property participates in. Will OH provide a single chart that shows every property, their program, and their requirements?**

This information can be found in the property’s MFTE agreement. The MFTE version (P5, P6, etc.) is also identified on the annual report properties must complete each year. OH will consider ways to share this information more clearly with MFTE properties.

**27) What does excluding owner occupied units from the tax exemption have to do with marketing MFTE units to the general public?**

Owner-occupied units in MFTE buildings do not provide a public benefit and will not be exempt from property taxes owed. MFTE’s public benefit is dependent on apartments being marketed and available to the general public. Portions of a building not marketed to the general public and instead reserved for owners, friends, and their families are not property tax exemption eligible.

**28) What does affirmative marketing mean?**

Affirmative marketing is a strategy to market housing opportunities to people who might not normally apply due to barriers like lack of information, language barriers, or the lack of alternative formats for persons with disabilities. The Office of Housing provides [affirmative marketing guidance](#) to property owners and managers on our website.

**VII. MFTE Expiration and Extensions**

**29) How can I find the expiration date of a building’s tax exemption?**

A building’s tax exemption is 12 years, starting January 1 of the year immediately following the year a Final Certificate of Tax Exemption is issued. Please reach out to the OH Asset Manager assigned to your property or email [OFH\\_IncentiveCompliance@seattle.gov](mailto:OFH_IncentiveCompliance@seattle.gov) if you need assistance with finding this information.

**30) If a building has an expiring property tax exemption and is seeking an MFTE extension what do we need to do and how long does the extension request process take?**

Properties with tax exemptions expiring at the end of 2024 were required to apply for an extension by July 31, 2024. OH is not currently authorized to extend tax exemptions scheduled to expire at the end of 2025 or later. It is our intent to clarify the availability of extensions within the legislation forthcoming in Q1 2025.

**31) What percentage of buildings currently in the program does the City expect to renew and remain in the program?**

Owners of 6 of the 15 buildings with exemptions expiring end of 2024 have requested to extend their tax exemption for another 12 years.

**VIII. Net Unit Area Proposal**

**32) Would an apartment building that includes apartments less than 400 square feet be ineligible for the P7 MFTE program?**

Correct. The initial P7 proposal is to pause the use of the tax exemption for development of very small units (i.e., 400 square feet or less).

**IX. Amenities for which Fees are charged**

**33) How would the proposal to exclude amenities for which residents are charged fees from the tax exemption impact parking, storage, and guest suites?**

OH considered excluding structured residential parking from the tax exemption since MFTE is a housing incentive, not a parking incentive. However, OH heard developer feedback that housing without structured parking may be financially infeasible to build in Seattle and took the parking exclusion off the table. Other amenities for which residents are charged fees (e.g., storage, gyms and recreation areas, movie rooms) would not be tax exempt under P7. Guest suites that operate like hotel rooms or Airbnb are commercial space and are already not eligible for the tax exemption.

**34) Would spaces that can be rented out every once in a while be eligible for the tax exemption?**

Spaces that are usually open to all residents at no cost but that can be reserved with fee for one-time events (e.g., private party) would continue to be tax exempt.

## X. Compliance

### 35) Would the proposed penalty fees for non-compliance offset the tax burden of non-exempt Seattle residents who shoulder the cost of MFTE?

No, the penalties would not reduce MFTE costs to non-exempt taxpayers. Penalties would be used to cover the City's administrative expenses for MFTE compliance monitoring.

### 36) How is a "Summary of Non-Compliance" initiated? By complaint? By annual audit? How does OH learn about non-compliance?

A Summary of Non-Compliance is typically issued after OH staff review a property's Annual Property Certification Report and determine the property is not complying with MFTE requirements. A Summary of Non-Compliance may be issued as the result of an audit of the property. OH works with properties to resolve non-compliance issues when they arise.

### 37) What is OH proposing to charge for compliance fees?

OH is considering an MFTE compliance fee similar to that required for Mandatory Housing Affordability (MHA), which is approximately \$200 per rent/income-restricted unit per year (adjusted annually for inflation).

## XI. Distribution of MFTE apartments

### 38) Does OH have data to show that MFTE units tend to be located on less desirable floors or places in MFTE buildings?

[Current criteria](#) require distribution of MFTE units as follows:

- For a 20% MFTE set-aside, no floor should contain more than 25% MFTE units.
- For a 25% MFTE set-aside, no floor should contain more than 30% MFTE units
- A [Director's Rule](#) addresses MFTE unit distribution in high rise developments.

Even with these distribution guidelines, few restricted MFTE units are ever located on the top floor of a tax-exempt building. Upper floors and units with views and more natural light tend to be more desirable and have higher rents. In OH's review of MFTE extension requests, uneven distribution of MFTE units is notable in buildings built under earlier versions of MFTE, which did not have comparability and distribution requirements.

## XII. Miscellaneous

### 39) Final Certificates of Tax Exemption prior to P6 do not include unit designation information. Also, Final Certificates are not recorded documents and can be difficult for new property owners and managers to find. Can Final Certificates be a recorded document?

The final certificates that OH issues for P6 include the unit ID number, unit type, square footage and AMI limit for each designated unit. Lack of documentation of designated MFTE units has been problematic for P3, P4, and P5. Please contact program staff at [OFH\\_IncentiveCompliance@seattle.gov](mailto:OFH_IncentiveCompliance@seattle.gov) if you need assistance finding the Final Certificate of Tax Exemption for your property or have questions about the restricted units.

**40) Is OH planning to create more programs for first-time homeowners?**

MFTE can be used for development of permanently affordable for-sale homes for income-eligible buyer households. Historic investments have been committed to OH homeownership programs, supported by increased investments from the Seattle Housing Levy, Payroll Expense Tax, and Mandatory Housing Affordability. Please see OH's website to learn about the City's programs supporting affordable homeownership, including for first-time homebuyers:

- [Affordable Homeownership Development Funding](#)
- [Homebuyer assistance, foreclosure prevention, home repair, and weatherization programs](#)

**41) Will OH be updating the 2025 TIC Passbook Savings Rate to 0.45% to align with HUD's updated 2025 rate?**

Yes.