



**Seattle**  
Office of Housing

## **Affordable Housing Incentive Program Compliance Manual**

**Revised 2023**

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## Chapter 1. Introduction

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The following guidance applies to the City of Seattle Affordable Housing Incentive Programs (“Incentive Programs”): the Multifamily Tax Exemption program (MFTE), Incentive Zoning (IZ), and Mandatory Housing Affordability (MHA). It also applies to site-specific development agreements or other contractual arrangements that require property owners to produce and operate income- and rent-restricted rental units.

### Compliance Basics

When the owner (“Owner”) of any residential real estate asset (“Property”) participates in any of the Incentive Programs, the Owner is obligated to provide a certain number of affordable housing units for a specific period of time. For purposes of this manual, affordable housing is generally defined as any rental unit subject to maximum limits on tenant incomes and rents. Specific income- and rent-restricted rental housing units within a given Property are termed “Designated Units.”

The Office of Housing (OH) monitors all property owners’ compliance with their affordability obligations throughout the contractual term of affordability. An Owner’s obligation to provide income- and rent-restricted units takes effect as soon as lease-up begins and continues until the affordability obligation under any executed covenant, contract, or agreement is extinguished for all Designated Units within the Property. The Office of Housing’s program staff (“Program Staff”), who assist developers enrolling in the Incentive Programs, and asset management staff, who provide ongoing compliance monitoring, work closely to ensure that the obligation is met throughout the life of any governing documents. In some cases, affordability requirements for a single Designated Unit may be set under multiple Incentive Programs with different terms. In these cases, the Compliance Period continues until the longest-lasting obligation expires, as discussed later in this chapter.

The heart of the compliance monitoring process is an annual certification process. Most certification work is carried out via an annual report and supporting documents that the Owner or their designee submits annually to the Office of Housing. The monitoring process also includes periodic audits, such as site visits and reviews of tenant files and other documentation.

**The OH website provides links to most of the forms referenced in this manual. Unless another website is identified in the text, please use this [link](#) to obtain the latest copies of all forms and any supplementary guidance.**

### Governing Documents

The fundamental document establishing affordability and other Owner obligations is a contract, covenant, or other form of agreement signed by both the Owner and a representative of the City of Seattle. These agreements are recorded by the King County Recorder’s Office and generally run with the land. This means that the obligations continue even if the original Owner sells the Property or otherwise transfers ownership.

The form of agreement varies by program and is executed at varying stages of the development process. Most agreements track back to and cite affordability provisions established under the Seattle Municipal

Code or via ordinance. On occasion the Director of Housing issues rules (Director's Rules) to interpret Code or ordinances and establish supporting policies; OH also periodically issues guidance to interpret or clarify statutory requirements. Guidance and standard procedures are typically documented in manuals like this. Overarching state law, such as RCW 84.14, which authorizes local governments to establish MFTE programs, may also apply.

Compliance with Incentive Program requirements does not relieve any Owner responsibilities under fair housing, landlord-tenant, or other overarching law. The Office of Housing neither monitors compliance nor enforces these provisions; however, OH may refer questions to other City offices as appropriate. Such referrals could include the Seattle Office for Civil Rights on matters of fair housing and the Seattle Department of Construction and Inspections (SDCI) on matters of landlord-tenant law.

## Transition to Monitoring

The Office of Housing's Program Staff for the Incentive Programs are responsible for reviewing and approving applications, executing agreements and other documents, and carrying out other prerequisites to a Final Certificate of Tax Exemption under MFTE or land use permits, building permits, and/or certificates of occupancy under other Incentive Programs. Program Staff work closely with staff from OH's Asset Management Unit to ensure a smooth transition of oversight responsibilities as a Property moves from the development phase to ongoing operations.

For the MFTE program, each Property will be assigned a liaison ("Compliance Liaison") from the Asset Management Unit upon the execution of the Final Certificate of Tax Exemption. The Compliance Liaison will continue to ensure that the Property is meeting all of its obligations until all governing agreements expire ("Compliance Period"). The alignment of the Final Certificate of Tax Exemption with the start of the Compliance Period has implications both for the lease-up period and the timing of the Owner's access to the tax exemption benefit.

- **Lease-Up:** For some projects the Final Certificate of Tax Exemption may be issued after lease-up has begun. Program Staff and the pending Compliance Liaison will work together to ensure that pre-leasing activities and the lease-up process support program-compliant operations for the duration of the Compliance Period. Details appear in Chapter 2.
- **Tax Exemption Benefit:** Regardless of the timing of the Final Certificate of Tax Exemption's execution, tax exemption benefit to the Owner attaches to the calendar year rather than the leasing cycle. This may mean that the Compliance Period begins prior to the calendar year when the Owner first realizes the tax exemption and extends through any leases in effect upon the exemption's expiration.

For other Incentive Programs, the handoff and the start of the Compliance Period typically occurs as lease-up commences. As with MFTE, the Compliance Period extends through the expiration of any affordability obligation under the relevant program agreement(s).

## Program Overlap

Designated Units are considered "overlapping" if a single unit is regulated by more than one Incentive Program. Some programs prohibit overlapping units: MHA, for example, prohibits Owners from using the same unit to satisfy their obligations under both MHA and MFTE. Some Designated Units'

affordability obligations under Incentive Programs (most commonly MFTE) can also overlap with separate obligations established under various public subsidy programs.

In the cases where overlapping units are permitted, the unit must satisfy the most restrictive requirement in effect at the time.

***Example:** A MFTE studio, regulated at 65% AMI, is also a Designated Unit under IZ, regulated at 80% AMI. This unit must be income- and rent-restricted at 65% AMI for the duration of the 12-year MFTE Compliance Period. Upon expiration of the MFTE agreement, the restriction on the unit escalates to 80% AMI for the remainder of the 50-year IZ Compliance Period.*



## Chapter 2. Procedures for Initial Lease-Up and Filling Ongoing Vacancies

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The Office of Housing’s Asset Management Unit will start monitoring compliance as soon as a property initiates the lease-up process. Leasing staff should make all efforts to lease Designated Units to income-qualified households as soon as lease-up begins. This ensures that Designated Units are appropriately leased throughout the entire Compliance Period.

### Pre-Lease Inspections

Office of Housing Program Staff usually conduct pre-lease inspections for Properties participating in any Incentive Program. For some programs, including MFTE, the inspection is required for purposes of visually confirming that the proposed selection of Designated Units meets requirements for type, comparability, and distribution and then finalizing the roster of Designated Units.

To schedule a pre-lease inspection, Owners (or their property management staff – “PM Staff”) should contact the OH Program Staff they have been working with. This must happen at least 45 days before any leasing activities begin.

- For MFTE, PM Staff should provide a proposed list of Designated Units to the MFTE Program Staff. Program Staff will provide an Excel template for use in designating units. Proposed designations will be reviewed for consistency with OH guidance on comparability to the market-rate units, appropriate distribution throughout the building, and proper designation of unit types.
- Incentive Zoning and MHA performance units are designated in the housing covenants or agreements recorded prior to the issuance of the building permit. While the final unit designation may differ from the original due to subsequent changes to the number of units, breakdown of unit types, or unit features, any alternate roster of Designated Units will be subject to OH inspection and approval and may necessitate an amendment to any governing agreements.
- The timing for identifying Designated Units will vary for incentive projects developed under other types of standalone agreements.

The specific units selected for income and rent restriction must remain Designated Units throughout the entire Compliance Period, with exceptions only under the “next-available rule,” described in Chapter 4.

### Initiating Lease-Up

Owners/PM Staff must notify OH Program Staff as soon as they initiate pre-leasing activities.

- For MFTE projects, pre-leasing activities, such as affirmative marketing for Designated Units, closely follow the inspection. During the inspection and as needed thereafter OH Program Staff work with Owner/PM Staff to respond to general questions regarding the lease-up of Designated Units, affirmative marketing, and compliance training opportunities. Following execution of the Final Certificate of Tax Exemption Program Staff will notify the Owner/PM Staff

of their assigned Compliance Liaison; the Compliance Liaison will support any remaining lease-up activities as well as all compliance matters throughout the Compliance Period.

- For other Incentive Programs, the OH Program Staff's handoff to the designated Compliance Liaison will usually take place at the time that pre-leasing activities begin. Owners/PM Staff should notify Program Staff as soon as they initiate general advertising or other lease-up activities in order to receive a Compliance Liaison assignment. The Compliance Liaison will advise on affirmative marketing and other lease-up considerations for Designated Units.

## Affirmative Marketing at Lease-Up

Affirmative marketing helps to ensure all community members have access to a range of housing choices regardless of their race, color, religion, sex, national origin, familial status, disability, or other protected class status. Affirmative marketing actively reaches out to community members who may not know about vacancies, feel welcome to apply, or have traditional paths to access. Affirmative marketing also helps Owners rapidly lease Designated Units by directing advertising to intermediaries who can identify a pool of income-qualified tenants.

Owners/PM Staff should conduct affirmative marketing at least two weeks prior to initiating any advertising or marketing efforts that target the general public. The steps are as follows; all referenced affirmative marketing forms or resources are available [here](#).

1. **Complete the Special Outreach for Affirmative Marketing form.** This form includes information on the number of Designated Units at the property and the income- and rent-restrictions on those units, leasing and tenant selection criteria, and how the property intends to advertise vacancies.
2. **Identify three community-based organizations** to encourage applications from households who otherwise might be unlikely to apply for housing at the property. A list of approved Community-Based Organizations for Affirmative Marketing is available on the OH website. Supply each organization with information about vacancies and the leasing process using the Special Outreach for Affirmative Marketing form.
3. **Provide notice of the vacancies to the Seattle Housing Authority (SHA)** by e-mailing the Special Outreach for Affirmative Marketing form to: [LeasewithHCV@seattlehousing.org](mailto:LeasewithHCV@seattlehousing.org). The Seattle Housing Authority will share rental unit information with prospective tenants enrolled in SHA's Housing Choice Voucher program and direct eligible voucher holders to the participating properties for application.
4. **Document all efforts** using the Affirmative Marketing Lease-Up Report. Note this report requires records of your email correspondence. The Affirmative Marketing Lease-Up Report is a required attachment of the Final Certificate application for MFTE projects, which is submitted immediately before projects are given final approval to participate in the MFTE program. For MHA performance projects, the Affirmative Marketing Lease-Up Report must be submitted at the time of inspection.

Owners/PM Staff should record dates and retain documentation demonstrating that special outreach to community-based organizations and SHA occurred at least two weeks prior to general marketing. The documentation should be available for OH review upon request.

## Lease-Up Report

Owners/PM Staff must submit a lease-up report to each Property's Compliance Liaison. The process and due dates vary slightly by program.

### *MFTE Programs*

The Lease-up Report uses the same reporting form as the Annual Property Compliance Report and will contain the same information. This report can be found on the Incentive Program Compliance page. The due date is dependent on when MFTE units are fully leased:

- The report will be due within two weeks of completing lease up of 100% of MFTE units, unless
- If 100% of MFTE units have not been leased-up by January 15th of the first year of Tax Exemption, the report is due no later than January 31st of the Tax Exemption Period regardless of the percentage of MFTE units that have been leased.

### *All other Programs*

- The Lease-up report shall be filed with the Office of Housing within 90 days of issuance of the temporary certificate of occupancy for the multifamily housing, or permanent certificate of occupancy if no temporary certificate of occupancy is required, or SDCI final building permit inspection if no certificate of occupancy is required.

## Filling Vacancies

Extended vacancies of income- and rent-restricted rental units exacerbate Seattle's existing shortage of affordable housing. To ensure that Incentive Programs achieve their intent and vacancies are promptly filled, OH expects owners to conduct good faith efforts to promptly fill any vacant Designated Units throughout the full Compliance Period. During periodic audits and the annual certification process, OH Asset Management Unit staff will review the frequency and duration of vacancies occurring throughout the year to determine if the property is making a good faith effort to lease Designated Units. Sample actions that would evidence good faith efforts include:

- Lowering the asking rent
- Offering one-time or ongoing rent concessions
- Affirmative marketing through direct advertising to community partners appearing in the list of *Community-Based Organizations for Affirmative Marketing*, available [here](#)
- Listing vacancies with the [Housing Connector](#)
- Developing and tapping a waiting list for Designated Units.

Owners/PM Staff should communicate any 30-day vacancies to their Compliance Liaison. These notifications should come in writing under the subject line "Extended Vacancy." The notification should indicate the timeline and number of denied/canceled applications and any good faith actions taken to identify income-qualified tenants. The Compliance Liaison will use this information to help the Owner/PM Staff develop an action plan and boost communications with agencies seeking available units on behalf of their clients.

In the case of multiple vacancies that extend for 45 days or more, Owners/PM Staff will be encouraged to replicate the outreach procedures required at lease-up, including special outreach to three

community-based organizations and notice to SHA. Multiple extended vacancies and supplementary efforts to fill units should be documented using the Affirmative Marketing Supplemental Report, available [here](#), and submitted to the Compliance Liaison as soon as a second vacancy lasting more than 45 days occurs; evidence of this work should also be captured in the property's annual certification report.

## ADA Units and ADA Accommodations

Projects may have up to one ADA assigned unit for every 10 designated units. If an applicant makes a reasonable accommodation for an ADA assigned unit and the project does not have an ADA assigned designated unit available, the project may approve the accommodation request and switch the designated unit to the new ADA assigned unit. The property shall communicate the reasonable accommodation and proposed unit switch to OH prior to making the switch.

## Leases

Outside of income and rent limits, tenants occupying Designated Units should be treated identically to those occupying market-rate units in most respects. The Office of Housing expects the form of lease for Designated Units and market-rate units to be the same but for rent amounts charged and discrete sections that address lease provisions specific to Designated Units. Starting in 2020 those special provisions for Designated Units should appear in a separate lease rider rather than being embedded in the lease itself.

Special provisions appropriate for Designated Units address the following topics.

## Housing Costs

All leases should include the following disclosures related to move-in, one-time, and recurring housing costs. All fees and charges must be in writing in the lease rider, or, absent a lease rider, the lease itself or a notice on company letterhead.

- All move-in, one-time, and recurring fees, and whether they are refundable or non-refundable, required or optional, consistent with rules described in Chapter 6.
- All utilities paid for by the tenant and the method through which they are expected to pay (e.g., directly or through a third party). Common area utility expenses may not be included when properties bill back for utility expenses.
- Whether renter's insurance is recommended, required, or not required as a condition of occupancy. As noted above, if renter's insurance is required the rent for a Designated Unit must be adjusted accordingly -- regardless of who collects the premium. When renter's insurance is required but not offered by the owner, landlords can use a standard adjustment. This is based on the average cost to maintain renter's insurance as cited by the Office of the Insurance Commissioner for Washington State. For the current adjustment amount please refer to the OH website.
- Any other month-to-month lease fees required for occupancy.
- The final monthly rent amount, adjusted to reflect any utility allowance and credits to satisfy any recurring fees.

## *Holding Deposits*

Holding Deposits are not required for MFTE or other types of Incentive Program units. However, if an Owner/Property Manager desires to charge one, it may do so under the following conditions:

- Holding Deposits \$100 or more must be fully refundable if the applicant cancels their application for any reason or if they are determined to be ineligible.
- Holding Deposits less than \$100 may be non-refundable if the applicant cancels their application or becomes non-responsive. Non-responsive is defined as not responding to a request for documents or clarification for 3 days.
- Refundable Holding Deposits must be returned within 21 days of the date the applicant was declared ineligible or non-responsive.
- If the approved applicant signs a lease, the Holding Deposit must be applied towards their security deposit.

## Recertification and Requalification

Depending on Incentive Program, annual income recertification and/or situational income requalification may be required. The specifics of recertification and requalification are described in Chapter 4.

- Disclosure of annual income recertification requirements.
- Disclosure of income requalification requirements triggered by tenant actions.

## Prohibition on Subleases

- A prohibition on subleasing, including short-term rentals such as AirBnB.

## Audit

The full lease and lease rider or alternate program-specific addenda must be signed by the tenant and Owner before the tenant occupies a Designated Unit. All documentation must be made available to OH upon request and within a reasonable timeframe.

Owners/PM Staff can anticipate that OH staff will review the form of lease and specific items required for Designated Units throughout the life of the Compliance Period.

## Chapter 3. Eligible Tenants

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Qualifying prospective tenants for occupancy of Designated Units is an essential part of the leasing process, both at the point of lease-up and at unit turnover. This chapter addresses special eligibility considerations; income qualification procedures appear in Chapter 5.

### Household Composition – Occupancy Guidelines

Because the demand for family-sized income- and rent-restricted units far outstrips supply, Owners/PM Staff should apply a minimum occupancy standard to larger units, such that resident households consist of no fewer than one person per bedroom. (A pending birth or adoption can count toward the household size.) The occupancy guidelines effective starting in 2020 appear below.

Studio	One-Bedroom	Two-Bedroom	Three-Bedroom	Four-Bedroom
One Person Minimum	One Person Minimum	Two Person Minimum	Three Person Minimum	Four Person Minimum

Incentive Programs establish no maximum occupancy standards beyond those appearing in local building codes.

Following the date of move-in, a change to household composition will not necessitate remaining household member(s) to change units or move out, subject to ongoing income eligibility as discussed in chapter 4.

### Employees

While Owners can choose to offer on-site managers reduced rents as part of a compensation package, any unit designated for occupancy by an on-site manager cannot count towards the count of Designated Units; no manager unit can be used to satisfy a property owner’s obligation to provide a minimum number of Designated Units.

Other staff employed by the Owner or property management firm are eligible to occupy Designated Units so long as they meet all qualification criteria and the unit is not a condition of employment. However, rent discounts are a common add-on in company compensation packages and must be accounted for purposes of both tenant income and rent level, as follows.

- **Income.** Any compensation in the form of rent discounts or other credits against housing costs must be included as part of the tenant’s income, with the discount or credit appearing as a separate line item along with wage income during the income certification process.
- **Rent.** The amount of the discount or credit shall not be the mechanism for achieving the restricted rent level; any discount or credit availed to staff must drive rents below the affordable rent level required under the Incentive Program.

## Students

Unlike the Low-Income Housing Tax Credit (LIHTC) program, households with adult full-time students that meet certain eligibility conditions may be considered for occupancy of designated units, but only if they meet certain conditions and fully document their Financial Aid and income eligibility as outlined below. As with all other MFTE applications, uncorroborated statements of zero income will not suffice for the qualification process.

To be considered for occupancy of a Designated Unit, a full-time student must have completed a:

- Free Application for Student Aid (FAFSA) **or** a Washington Application for State Financial Aid (WASFA)
  
- Have received a Student Aid Report (SAR) and be receiving need-based financial aid such as:
  - Federal Pell Grant
  - Washington College Grant (formerly known as the State Need Grant)
  - William D. Ford Subsidized Federal Direct Loan
  - Teacher Education Assistance for College and Higher Education (TEACH) Grant
  - GI Bill or VR&E benefits (Veteran Readiness and Employment Chapter 31)
  - or another need-based loan or grant awarded through the FAFSA or WASFA process

International students can be considered eligible. International students must have an I-20 Certificate of Eligibility for Nonimmigrant Student Status, which includes their F1 or J1 visa, and they must have completed a WASFA and be receiving need-based financial aid.

Graduate or PhD students can be considered eligible. While it is less likely for them to have completed a FAFSA or WASFA prior to their application for housing, it is possible. They can be considered by completing a FAFSA/WASFA and have accepted one or more forms of need-based financial aid.

Graduate students often come with additional fellowships or stipends, which are not typically need-based in nature. OH, considers these forms of income as non-exempt and must be included in the household's projected income calculation.

### Qualifying a Student:

Before completing an income eligibility screening, students must first be a qualified student.

- (1)** Review the Student Aid Report (SAR) produced by the FAFSA or WAFSA aid process
  - Students can access this information from the FAFSA or WAFSA portal and print off.
  
- (2)** Verify the student's full-time status/registration
  - The student should provide a registration print off confirming the credit hours for the term. If not accessible online the student should visit their Registrar Office.

**(3)** Verify the student's financial aid income (listed on the financial aid award letter as issued by the educational institution) to verify need-based aid and determine what, if any, in their Financial Aid package will be deemed exempt.

- Financial Aid award letters are issued by the accredited educational institution of enrollment. If the student does not have this award letter, they should visit their school's Financial Aid Office or online system. Students must have accepted one or more of these need-based financial aid. For examples of common need-based aid, see below. If you require additional assistance, please contact OH.

**(4)** If 1,2, and 3 are true, continue the income eligibility for income/assets that are not need-based Financial Aid (e.g., employment, Social, gift income, funds verified in the I-20 form for International Students).

Common need-based aid:

- GI Bill or VR&E benefits (Veteran Readiness and Employment Chapter 31)
- Federal Pell Grant
- Washington College Grant (formerly known as the State Need Grant)
- Teacher Education Assistance for College and Higher Education Grant
- Willim D Ford Subsidized Federal Direct Loan
- Other need-based loans or grants

Not considered need-based aid:

- Stipends
- Fellowships
- Unsubsidized loans (i.e., Unsubsidized Direct Plus Loans)
- Residencies
- Graduate Service Appointments
- Employment in exchange for financial award
- Foreign government support for schooling in the United States (International Students)

While student aid income will be exempt, it must still be documented and verified. The steps for documenting and verifying student status are as follows, with additional detail on calculation and verification appearing in Chapter 5.

1. **Complete and review the forms.** Applicants who indicate full-time student status on the cover page of the Income Declaration form must complete a Student Status Certification available via the OH website. This form asks several questions around student status and student aid which help substantiate if the student has a financial need. Owners/PM Staff will need to pay attention to the anticipated graduation date and anticipate wages if graduation is within the following 12 months.
2. **Calculations.** The Student Status Certification should show both need-based aid, which is considered exempt for purposes of the income qualification process, as well as all other sources of income, regardless of whether those sources are exempt. Property Management Staff should calculate and project any income other than need-based student aid over the



following 12-month period and include all sources of income on the Income Declaration form (ID) and Tenant Income Certification (TIC). Total exempt and non-exempt income should be calculated and entered on the bottom of the Student Status Certification. Non-exempt income listed on the Student Status Certification should also be listed on the ID and TIC, following the annual/quarterly calculations listed on page 2 of the Student Status Certification. All other income identified throughout the certification process shall be calculated and projected over the following 12-month period. All non-exempt income must be listed on the TIC.

## Guarantors

Guarantors are not included towards the household size nor is any of the guarantor's income included in the certification of the household.

## Exempt income

Student income listed directly on the financial aid award letter shall be exempt.

## Non-Exempt Income

Any monies received not listed on the financial aid award letter will not be considered exempt and must be counted in full towards the total household income. Gifts or monies received from family or any other community organizations not connected directly to the financial aid office must be counted in full towards the total household income.

*The Office of Housing's current student status policy took effect on November 1, 2020. Students already residing in one of the Incentive Programs units will be vested under the previous compliance guidelines. Students residing in a Designated Unit prior to November 1, 2020 and who must recertify their income due to a change in the household composition will not be vested and must follow the current compliance requirements. If there has not been a change to household composition and the property does require annual recertification (MFTE P5+, MHA) the household will be recertified under the compliance guidelines used at move-in.*

## Rent Subsidy Recipients

Prospective tenants who receive any kind of rent subsidy for low-income households are eligible and encouraged to apply for Designated Units under any of the Incentive Programs.

Applicants should be screened like any other tenant regardless of subsidy status; however, the income-to-rent ratio should be determined using the following method and example:

Gross Monthly Rent:	\$1,918	(85% 2bed)
minus Monthly Subsidy:	\$1,586	(confirmed by tenant provided subsidy award letter)
<hr/>		
Tenant responsibility/portion	=	\$332
Income/rent ratio of 2.5 = (\$332 x 2.5) \$830 minimum monthly income needed		

The most common housing subsidies include federally funded Housing Choice Vouchers, administered by SHA; Shelter-Plus-Care, administered by local nonprofit organizations; and Rapid Rehousing and HEN, also administered by local nonprofit organizations.

None of these publicly funded subsidies should be considered income for purposes of income eligibility calculations. However, these amounts should be included in the tenant file and included on page two of the TIC for informational purposes and reported to the OH as part of the annual reporting process.

## Household Demographics

In 2020, OH began collecting demographic information for households residing in units governed by Incentive Programs consistent with other assistance programs. This information will be used to help ensure our programs are accessible to all members of the community. Each household must complete a Resident Demographic Form prior to move-in. There is no penalty for tenants who do not wish to provide the requested information, however all adults (18 years or older) must sign and date at the bottom of the form to confirm that the option to disclose was made available. Household demographic data will be reported during the Annual Property Certification Report. Signed Resident Demographic Forms must be kept on file for review during on-site audits for all households that moved into Incentive Program units on or after the start of 2020. Properties that leased on or after the start of 2020 must have a signed Resident Demographic Form on file for every household living in a Designated Unit.

## Subleases

Designated Units are intended for residential use by the income-eligible household only. As noted in Chapter 2, Incentive Program lease riders for these units must include a prominent prohibition on subleases to a substitute tenant; renters appearing on the lease for Designated Units are expected to maintain permanent occupancy in their leased units with exceptions made only short-term absences such as vacations. Short-term rental (e.g., Air BnB) of Designated Units are also prohibited.

## Chapter 4. Income Certification, Annual Recertification, and Tenant-Driven Requalification

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The Owner has ultimate responsibility for renting Designated Units to income-eligible occupants. Households are deemed income-eligible if the household income is equal to or lower than the amounts that OH publishes on its website. The maximum incomes for prospective tenants are a function of the required percentage of Area Median Income (AMI) for the Designated Unit that the household seeks to move into (“Affordability Classification”) and household size. Note that specific income limits under identical Affordability Classifications can vary by program, so it is important to select the schedule for the correct Incentive Program.

Income eligibility is calculated on a prospective basis, subject to a 12-month income projection period. Initial certification occurs at the point of occupancy, and tenant households must be income-qualified prior to executing a lease. The certification process must account for income from all sources, though the qualification process may exclude some income sources (e.g., a public subsidy such as a Housing Choice Voucher) when determining whether a household’s income meets the income-eligibility standard. A household’s income must be certified using source documentation to verify all amounts anticipated to be earned over the income projection period.

Households must be income-qualified for residency not only at the point of move-in but also, under certain circumstances, periodically throughout their tenancy. In addition, certain tenant actions, such as a change to the adult household composition or requested unit transfers, will trigger income requalification.

As noted in Chapter 2, lease riders for Designated Units should clearly disclose requirements for annual income recertification when applicable and circumstances that would trigger requalification.

This chapter provides step-by-step guidance on how to conduct income certification both at move-in and at any point that triggers recertification or requalification. Forms for income eligibility reviews can be found on the OH website. We encourage property management to use documents directly from the website to ensure the newest version is being used.

### Income Projection Period

The income projection period is the 12 months following the anticipated initial lease start date. Current income amounts will be projected forward over the 12-month period unless there is verifiable evidence of an anticipated change, such as a raise, change in position, cost of living adjustment, etc. If there is a history of receiving income (bonuses, tips, commissions), this will be projected forward if it could reasonably be anticipated to continue, even if the employer cannot guarantee it will be received. Lapses in income resulting from voluntary leave, medical leave, or a voluntary reduction in hours will not be taken into consideration in the income calculation; income will be annualized as if it will be received.

All households applying to lease Designated Units must be certified as income-eligible prior to signing a lease. Income certification and qualification must be conducted no more than 120 days prior to the initial lease start date to be considered valid. Certifications occurring more than 120 days in advance of the lease start date are no longer considered valid projections and will not be accepted. Households may

not sign a lease for a Designated Unit based on a partial or preliminary income certification. Properties that complete income certifications after signing a lease, or that base eligibility on a certification older than 120 days, will receive compliance findings and may jeopardize their participation in the program. For more information on this please refer to Chapter 7.

## Initial Occupancy – Income Certification Process

There are four basic steps for the income certification process at the point of move-in. Again, all should be completed prior to the tenant signing the lease.

1. **Income Disclosure.** Adult applicants disclose all income and assets anticipated to be available to the household for 12 months following the lease start date.
2. **Income and Asset Verification.** Property obtains income and asset documentation to verify all sources disclosed by applicants on the ID.
3. **Income Calculation.** Property calculates total household income based on verified documentation (and not applicant’s self-disclosed amounts).
4. **Eligibility Determination.** Property compares total household income to income cap for household/unit and makes eligibility determination.

For applicants with a Section 8 voucher, these steps are abbreviated, so long as the applicant carries an SHA Calculation Summary with an effective date no greater than 120 days from the lease start date. OH allows the Calculation Summary to be used in lieu of all other income verification documents. For specific details please refer to Appendix A.

Each of the above steps is described in detail below.

1. **Income Disclosure.** Owner will obtain an ID for the applicant, to be completed by each adult household member. The ID is the applicant disclosure of all anticipated income sources and assets available to the household over the twelve months following the anticipated initial lease start. The ID must be completed even if no income sources are anticipated to be available to an applicant. The applicant also agrees to notify the project in the event of any changes to their declared household income. To be accepted, the property must ensure the following:
  - The ID must be completed in full to be considered a valid disclosure. Each income and asset source must have a “Yes” or “No” response. If a “Yes” response, the associated gross annual income or asset value must be entered.
    - If an applicant has an asset with a current value of \$0, the applicant should answer “Yes” and enter \$0 for the value. It is not acceptable to leave a field blank.
  - Gross annual income (before taxes) will be reported in all instances except for self-employment income where the net earned from the business will be used.
    - Applicants may not omit information on bonuses, tips, and commissions on account of them not being “guaranteed” by an employer. If there is a history of receiving income from any of these sources, they must be disclosed.

- The Owner is responsible for ensuring the ID provides the requested information. For example, if the applicant enters “\$15.00” as the gross annual income from employment, a clarification should be requested. It should not be assumed that \$15.00 is the hourly wage or that employment is full-time.
  - The property and the applicant(s) will sign the ID prior to collecting any income or asset documentation. Once complete and signed, move on to step 2.
2. **Income and Asset Verification.** The Owner/PM Staff must request documentation to support all amounts disclosed on the applicant’s ID. Each income source disclosed by the applicant must be supported by documentation. The documentation will be the basis for the final household income calculation.
- Employment income must be verified by the property Owner/PM Staff using OH’s Employment Verification Form, sent directly to the employer, and returned to the Property directly by the employer. The Office of Housing recommends obtaining at least one current paystub to supplement the information provided by the employer. When returned incomplete, a written clarification must be requested of the employer.
    - Once two or more documented attempts have been made to obtain an Employment Verification Form from the applicant’s employer with no success, Owners/PM Staff may instead verify income based on the six most recent consecutive paystubs. If paystubs are not available due to the applicant having recently started the position, management may then document income through an employment offer letter.
  - All forms of unearned income (Social Security, child support, alimony, unemployment benefits, etc.) must be verified. Please note: The City of Seattle has expanded fair housing protections for renters who use alternative sources of income and subsidies to pay for housing costs. Among other things, this means prospective tenants who otherwise qualify for the program cannot be denied housing because their income comes from unemployment insurance, even if that is their only source of income.
  - All assets must be verified. Only the income earned from assets in the form of interest, dividends, or other recurring distributions will count as income, not the value of the asset (e.g., the interest on a savings account would count as income, not the current account balance or withdrawals). Once all income for all income sources is available, move on to step 3.
    - The Office of Housing is no longer accepting the “Under \$5,000 in Household Assets Certification Form” for income qualification under the Incentive Programs.
3. **Income Calculation and Eligibility Determination.** The Owner will calculate the total gross household income based on the verified income documentation and enter information into the TIC.
- Move-in household income is always based upon current income, annualized and projected forward for the next 12 months after the initial lease start date. Any verifiable anticipated changes, such as raises, seasonal employment, cost of living adjustments, bonuses, etc. must be incorporated into the 12-month projection.

- When calculating the total household gross income, add all income (regardless of earned, unearned or from assets) in exact amount down to the cent, then round only the final gross amount. If 49 cents and below, round down, if 50 cents and above round up to next dollar.
  - All income calculations will be documented by the Owner/PM Staff and retained on file for review during an audit. Owners/PM Staff may choose whether they use the City-published income calculators or their own (calculator tape, management company calculation sheets, etc.) however, the inputs must be shown, and the formulas must be identical to those required by OH. Once the TIC is complete with all documentation and calculations supporting a final household income figure, move on to step 4.
4. **Income Qualification / Eligibility Determination.** All information will be entered by the property into the TIC. If the total household income calculated in the TIC is at or below the maximum income for the unit, the household is eligible for the program. The applicants and property must sign the TIC for it to be effective. Once the TIC has been completed in full, demonstrates eligibility, and has been signed by both parties the applicant may sign a lease for a Designated Unit. The TIC signature and the lease start date should be the same. The lease start date must be no later than 5 –days after TIC signing. If the TIC demonstrates that the household income is too high to qualify, refer to the following section on ineligibility.

Further detail on verifying and accounting for income and asset information appears in Chapter 5 and Appendix A.

## Ineligibility: Disqualifying Households at Move-In

When an Owner denies an over-income applicant to a Designated Unit, a notice of the determination should be provided to the applicant and all income certification documentation collected to date should be retained on file. An Owner/PM Staff should:

- Provide written notice of adverse action (RCW 59.18.257) to the applicant; explain why they were determined ineligible for the unit.
- Provide the final income calculations from the TIC to the applicant and explain the calculations if requested.
  - It is not appropriate to send the applicant to OH to explain the calculation conducted by the property. If there is an area of contention, the Owner/PM Staff should contact OH directly with a specific compliance-based question.
- Establish basic grievance procedures allowing applicants to clarify income or otherwise provide context that they believe may impact their ineligibility determination.
  - Grievances must be based on a clarification of an applicant’s income that may impact the eligibility determination. Clarifications should never be understood as allowing an exception to established program rules. The Incentive Programs do not allow for exceptions to the income eligibility criteria or methods under any circumstance, including but not limited to financial hardship, medical expenses, wage garnishments, need for emergency housing, provided notice to current landlord, etc.

- **Example:** *The Owner determines that applicant is income ineligible based on full-time employment income entered into the Employment Verification form by an employer. Upon reviewing TIC, applicant notes that they only work part-time, not full-time, and the employer made a mistake. To resolve, the Owner requests written clarification from employer as to future amounts anticipated and may request further support for part-time hours by obtaining paystubs and/or employment offer letter. Applicant is confirmed to work part-time and is determined income-eligible based on documented clarifications under existing program rules that clearly establish the need for a correction to original calculation.*

## Income Recertification and Requalification

Three events can trigger a requirement to income-recertify or requalify households occupying Designated Units.

1. **Scheduled annual recertification.** Some Incentive Programs require annual income recertification as a general practice. The below table shows the move-in and annual recertification requirement by the program.

	MFTE P3	MFTE P4	MFTE P5	MFTE P6/P6X	MHA	IZ
Move-in Certificate	Yes	Yes	Yes	Yes	Yes	Yes
Annual Income Certificate	No	No	Yes	Yes	Yes	See Covenant

Annual recertification requirements for Designated Units regulated under development agreements or other standalone arrangements will vary depending on the terms of the governing agreements between the Owner and the City of Seattle.

2. **Requalification due to changes to household composition.** Increases to the number of adult household members after move-in require that a new certification be completed. This is true in almost all cases; limited exceptions apply and should be discussed with staff from OH's Asset Management Unit.
3. **Requalification due to transfer between certain Designated Units.** Designated Units within a single Property often have different Affordability Classifications. Tenants who seek to move between Designated Units of different Affordability Classifications must be income-requalified prior to moving into the desired Designated Unit. If the household cannot qualify for the requested unit's Affordability Classification, the household must be given the option to remain in the original unit.

## Scheduled Annual Income Recertification Process

For Properties subject to annual income recertification, Owners/PM Staff should take the following four steps to income-requalify existing tenants of Designated Units.

1. Determine the recertification effective date.



2. Determine the Recertification Cap. The Recertification Cap is the maximum income that a Designated Unit's existing tenant household can have in order to continue to occupy an income- and rent-restricted unit within the Property.
3. Complete income recertification. The recertification process is similar to the process used at the point of move-in. The Office of Housing does not allow Incentive Program tenants to self-certify at this time.
4. Eligibility determination. If the total household income calculated in the TIC is at or below the Recertification Cap for the unit, the household is eligible for the program. All information will be entered by the property into the TIC. The applicants and property must sign the TIC prior to signing a lease for it to be effective.

Each of the above steps is described in detail below.

1. **Determine the recertification effective date.** The recertification effective date is the anniversary of the initial lease start date for as long as the tenant remains in the unit (or the Compliance Period expires). The Owner/PM Staff may income-recertify households at any point within the 120-day period prior to the recertification effective date for that household.
  - The certification can be completed at any point in the 120 days prior to the recertification effective date and is an income projection of the 12 months after the recertification effective date.
  - At the Owner's option, the recertification effective date may be moved forward to the 1st of that month.
  - The recertification effective date determines when the recertification is required to be completed each year. The end of a lease term does not dictate when an annual recertification is required.

***Example:** If the initial lease commenced on 8/25/2019, the first recertification effective date is 8/25/2020. The Owner could opt to use 8/1/2020 as the recertification effective date instead, but not 9/1/2020. The income recertification could be completed at any point in the 120-day period prior to either 8/25/2020 or 8/1/2020.*

2. **Determine the Recertification Cap.** The Recertification Cap varies by Incentive Program. Tenants continue to be income-eligible for a Designated Unit if the household annual income calculated at annual recertification falls within the Recertification Cap established under the relevant Incentive Program. If their income exceeds the Recertification Cap they are no longer eligible for rent restrictions under the applicable Incentive Program and a new Designated Unit must be selected. The Recertification Cap for specific Incentive Programs are as follows.
  - MFTE Programs 5 and Beyond. Tenants in Designated Units are no longer eligible for program participation when their household income exceeds 1.5x the income limit applicable to the unit on the recertification effective date, taking into account the income limit for the household's size under the appropriate Affordability Classification upon the recertification effective date.
    - A household's eligibility to remain in the unit, subject to the 1.5x Recertification Cap, does not alter the base Affordability Classification for the Designated Unit.



- Mandatory Housing Affordability Performance. Tenants in Designated Units at properties that elected the MHA Performance option are determined income ineligible dependent on the recertification % AMI (see below), which is based on the square footage of the unit.
    - For units with net unit area of 400 square feet or less with an income limit set at 40% AMI, the household is ineligible once income exceeds the 60% AMI limit effective upon annual recertification.
    - For units with net unit area greater than 400 square feet with an income limit set at 60% AMI, the household is ineligible once income exceeds the 80% AMI limit effective upon annual recertification.
    - A household's eligibility to remain in a unit, subject to the Recertification Cap of 60% AMI or 80% AMI, does not alter the base Affordability Classification for the Designated Unit. The units will remain at their initial 40% AMI or 60% AMI designation for the purpose of income-qualifying new tenants throughout the full Compliance Period.
  - Incentive Zoning. Designated Units regulated under Incentive Zoning may or may not carry an annual recertification requirement; the Owner/PM Staff should review the Property's Housing Bonus Covenant (available through an online record search of the King County Recorder's Office website or from OH) to determine requirements.
3. **Complete income recertification.** Annual income recertifications should follow steps 1-3 of the move-in income certification described earlier in this chapter. The income recertification is valid only if completed within the 120 days prior to the recertification effective date and is intended to capture income anticipated to be earned over the 12 months after the recertification effective date.
- The annual income recertification requires a new and current ID income disclosure, new and current income and asset documentation, and an updated TIC based on the newly obtained information. Prior income verification documentation (employment verifications, bank statements, etc.) cannot be reused, even if the income sources are the same.
  - It is recommended that the income recertification process be started at least 120 days before the recertification effective date.
  - Tenants that do not respond to the Owner/PM Staff's requests to provide required recertification documents may be issued a lease violation if the property is unable to complete recertification by the effective date (anniversary of initial lease commencement). This assumes that the Owner/PM Staff has included appropriate disclosures in the Incentive Program lease or lease rider and has provided adequate notice to the tenant of the requirement to recertify income eligibility. Owners/PM Staff should retain all communications with the tenant regarding the annual recertification process.
  - Seattle Housing Authority voucher holders may not provide their SHA Calculation Summaries in lieu of other income and asset verification, but rather must complete a full Income Declaration and supply all income and asset verification documents as needed to complete the recertification.

4. **Eligibility determination.** The annual recertification will lead to one of two outcomes.
- Within the Recertification Cap. If the household’s total annual income at recertification is at or below the Recertification Cap, the household will remain in the program and continue to pay the restricted rent. The rent restriction will remain in place until the household moves out, fails an income recertification, or reaches the end of a lease term following the conclusion of the Compliance Period.
  - In Excess of the Recertification Cap. If the household’s total annual income at recertification exceeds the Recertification Cap, the household is entitled to remain in the same unit. The Owner/PM Staff shall immediately notify their Compliance Liaison and designate the next available unit of the same type as a Designated Unit. At that point the now-ineligible household will no longer occupy a Designated Unit. See the “Next Available Unit” section appearing later in this chapter for more detail on this process.

Mathematical examples appear below.

## Calculation Examples for Annual Recertification

### *Sample Recertification Calculation, MFTE Program 5*

Tenant A is a 1-person household applying for a 75% AMI 1-bedroom unit at a building participating in MFTE Program 5. The lease will commence on 7/15/2017, so the move-in maximum income is \$50,400 (2017 Schedule). The household income certifies at \$45,000, is deemed income-eligible at move-in, and signs a lease. The first annual income recertification must be completed no later than the recertification effective date of 7/15/2018. The property management can bump the date back to the first of the month at their option, in this example 7/1/2018. The annual income recertification can then take place at any point in the 120 days prior to the adjusted recertification effective date of 7/1/2018.

The 2018 75% AMI 1-person income maximum applicable at the time of the annual income recertification is \$52,650. The income Recertification Cap for annual recertification is 1.5x that amount, or \$78,975.

If the applicant got a new job since move-in and is determined to have an anticipated household annual income of \$70,000 upon recertification, they are still eligible. However, if the income earned was \$80,000 on recert, the household is now ineligible due to exceeding 1.5x the income limit effective upon recertification. If the tenant is ineligible, the property must contact OH for approval of the next available unit of the same type (a 1-bedroom in this case), which would be designated immediately upon vacancy. Once this occurred, Tenant A would revert to market-rate at the next available opportunity (lease renewal or month-to-month status) once the required written notice of a rent increase was provided by Seattle Landlord-Tenant law.

### *Sample Recertification Calculation, MHA Performance Option*

Tenant B is a 1-person household applying for a 385 square foot studio designated for the MHA performance program. The unit is rent/income restricted at 40% because it is less than 400 square feet in net area. Based on a lease commencement date of 6/25/2017, the 2017 income and rent schedule applies and the move-in maximum income is \$26,880. The household income certifies at \$25,000 so is deemed income-eligible and allowed to sign a lease. The first annual income recertification must be complete no later than the recertification effective date of 6/25/2018. The property management can

move the date forward to the first of the month at their option and does so in this example to 6/1/2018. The income recertification can then take place at any point in the 120 days prior to the adjusted recertification effective date of 6/1/2018.

In MHA, ineligibility limits at recertification are based on the unit AMI restriction. A 40% AMI unit will have a 60% AMI ineligibility restriction and a 60% AMI unit will have an 80% AMI ineligibility restriction. As this example is an annual recertification, the 2018 60% AMI 1-person income maximum of \$42,150 is applicable.

If the applicant obtained different employment since move-in and earns \$38,000 upon recertification, the household is still eligible. However, if the income earned was \$45,000 upon recertification, the household is now ineligible. If the tenant is ineligible, the property must contact OH for approval of the next available unit of the same type (a studio in this case), which would be designated immediately upon vacancy. Once this occurred, Tenant B would revert to market-rate at the next available opportunity (lease renewal or month-to-month status) once the required written notice of a rent increase was provided. MHA requires a 6-month notification period once the affordability designation has transferred before a rent increase can take effect.

## Notice of Ineligibility Upon Recertification

An income ineligibility determination upon recertification does not provide justification for an eviction and does not necessitate transferring the household to another unit. An ineligibility determination does not confer a right to the Property to increase the rent during a fixed term lease and all applicable law related to notification requirements must be followed when the Owner intends to increase the rent.

The Owner may increase the ineligible household's rent to market-rate only upon designating the next available comparable unit as a replacement Designated Unit. Once the new Designated Unit is in place and the income-ineligible tenant's fixed-term lease is approaching expiration, Owners/PM Staff must provide required written notice of a rent increase as follows.

- MFTE Program 5 and Program 6 and Incentive Zoning units: Follow standard notification periods for rent increases in the City of Seattle: 180 days written notice for an increase in periodic or monthly rental rate (SMC 7.24.030A).
- MHA Performance Option: Upon the transfer of the affordability restriction to a new Designated Unit (i.e. the day it becomes vacant or is leased to a new income-eligible occupant), the Owner shall give the ineligible household six months notice prior to any rent increase (SMC 23.58C.050.C.6.f.).

## Tenant-Driven Actions that Trigger Income Requalification

Separate from scheduled annual income recertifications discussed in the previous section, two circumstances can trigger income requalification under all Incentive Programs: (i) a change in the adult household composition, or (ii) a tenant's elective move to a Designated Unit of a different Affordability Classification. Some limited exceptions apply, discussed below.

Income requalification due to these changes do not consider the Recertification Cap used during a scheduled annual recertification (such as 1.5x current cap for MFTE Programs 5 and 6), but instead use the current income limit for the Designated Unit, just as if the household were a new move-in.

## Timing the Requalification

Unless an exception applies (see below), Owners/PM Staff must complete income requalifications for households in Designated Units prior to the change in household composition or a unit transfer. The date of the change to the household’s composition or the date of the unit transfer will be the household’s new income certification effective date. If the Owner is required to complete annual income recertifications, the first recertification will be due on the anniversary of this date.

- **Example:** Household AB is determined to be income-eligible and moves in on 4/1/2019. The household intends to add household member C on 10/1/2019. The Owner will complete an income requalification for ABC based on the 3-person income limit effective 10/1/2019 and only makes the change if the household is eligible. The new recertification effective date will be 10/1 each year going forward.

## Conditions Triggering Requalification - and Exceptions

Type of Change	Requalification Required	No Requalification Required
<b>Change to Household Composition</b>	<ul style="list-style-type: none"> <li>• Add adult</li> <li>• Change adult</li> </ul>	<ul style="list-style-type: none"> <li>• Changes to the number of minors living in the unit</li> <li>• Changes due to following conditions: <ul style="list-style-type: none"> <li>○ A restraining order, stalking or domestic violence situation involving household member</li> <li>○ Death, illness, or disability of a household member</li> <li>○ Call of household member to military service</li> <li>○ Divorce or legal separation</li> </ul> </li> </ul>
<b>Transfers between Designated Units</b>	<ul style="list-style-type: none"> <li>• Transfers between Designated Units of different Affordability Classification</li> <li>• Transfers between Designated Units regulated under different Incentive Programs</li> </ul>	<ul style="list-style-type: none"> <li>• Transfers between Designated Units of identical Affordability Classification</li> <li>• Transfers between Designated Units when triggered by reasonable accommodation under the Americans with Disabilities Act</li> </ul>

## Examples

- Addition of an adult household member
  - Income-eligible household member A requests the addition of new household member B. An income requalification of household AB at the current income maximum for unit is required prior to making the change.
- Change of adult household member
  - Income-eligible household AB wants to release B from the lease, adding adult household member C. An income requalification of household AC at the current income maximum for unit is required prior to making the change.

- Household requests the removal of an adult household member 12 months after the initial lease commencement, an income requalification is not required. However, any addition of a new adult household member will require an income requalification.
- Transfer between Designated Units of different bedroom types.
  - Household AB requests a transfer from a 1-bedroom at 75% AMI unit to a 2-bedroom at 85% AMI unit, or a transfer from a 1-bedroom at 75% AMI unit to a 65% AMI studio unit. An income requalification is required in both cases prior to making the change.
  - Household AB requests a transfer from an open 1-bedroom MFTE unit to a 1-bedroom MFTE unit. If the original open 1-bedroom is classified as a 65%AMI studio, income recertification is required. NOTE: If the original open 1-bedroom was classified as a 75% AMI 1-bedroom, then no income requalification is required.
- Transfer between Designated Units of the same bedroom type, including transfers between Incentive Programs and special considerations for open 1-bedrooms.
  - Household AB requests a transfer from an open 1-bedroom classified as a 65% AMI MFTE studio to an open 1-bedroom classified as a 75% AMI MFTE 1-bedroom. Requalification is required.
  - Household AB requests a transfer from an MHA studio regulated at 60% AMI to an MFTE studio unit regulated at 65% AMI. Requalification is required.
  - Household AB requests a transfer from an MFTE 1-bedroom regulated at 75% AMI to an MHA 1-bedroom regulated at 60% AMI. Requalification is required.
  - Household AB requests a transfer from an IZ 1-bedroom regulated at 80% AMI to an MFTE 1-bedroom regulated at 75% AMI. Requalification is required, despite the units having identical income limits.<sup>1</sup>

## Determination of Ineligibility

If a tenant's requested change to household composition or move to another unit would cause the household to become ineligible after the change is made, the household can elect to not make the change and remain in the existing Designated Unit. If the household chooses to proceed with the change and convert to a market-rate lease, the Owner/PM Staff must designate the next available unit of the same type as a replacement Designated Unit following the procedures described in the "Next Available Unit" section appearing later in this chapter.

The Office of Housing does not approve changes of household members or unit transfers; OH only establishes the point at which income requalification is required to determine continued program eligibility. Income-eligible occupants who do not report household changes (including additions,

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<sup>1</sup> Owners/PM Staff should pay special attention to income limits for MFTE one-bedrooms. Because MFTE assumes 2-person occupancy of a 1-bedroom, the income limit associated with a 75%AMI Affordability Classification under MFTE roughly equates to the income limit associated with an 80%AMI unit under any other Incentive Program.

changes, subleases, use of unit or room for Airbnb, etc.) to Owners/PM Staff will forfeit their eligibility for a Designated Unit and should be removed from the program at the next available opportunity. References to prior program rules, or unfamiliarity with the current program rules, will not be the basis for an exception so long as the Incentive Program lease rider discloses such requirements.

## Designating “Next Available” Replacement Units

When the annual recertification process or an unscheduled requalification identifies an over income household and the tenant wishes to remain in place as a market-rate tenant, the Owner/PM Staff must designate the next available market-rate unit of equivalent type as a replacement Designated Unit.

The replacement unit must be of a comparable size and type as the previous Designated Unit and be regulated to the same (or lower) income and restrictions as the previous Designated Unit. The Owner/PM Staff must lease this replacement unit to an income-eligible household as soon as practicable. The newly designated and previously market-rate unit effectively replaces the now-ineligible household’s unit as one of the required Designated Units.

The initial roster of Designated Units is reviewed by OH staff to ensure comparability and distribution prior to leasing. Designated Units under the IZ and MHA programs are listed in each project’s recorded Housing Covenant. MFTE units for projects approved in the fall of 2019 and later are listed in each project’s Final Certificate of Tax Exemption. MFTE units for older projects are considered approved as listed in each project’s most recent approved Annual Report.

Deviations from the original roster are allowable only when triggered by the need to identify a next-available replacement unit due to the recertification or requalification process. Office of Housing staff should be notified in writing and will respond to confirm that the next available unit is an appropriate substitute. The Owner/PM Staff may be asked to provide a record of any unit changes approvals when their Annual Report is being reviewed or during the audit process.

## Chapter 5. Verifying & Calculating Income and Assets

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The process for income and asset verification and projection for eligibility review is the same for all Incentive Programs. Each program may employ different Affordability Classifications and income limits, but the income qualification and eligibility certification procedures remain the same.

### Overview – What Is Income?

Income is the sum of all gross amounts (before any taxes or deductions) either through direct income or payments on the behalf of all members of the household from a source outside of the household. The total household income used for Incentive Programs is the projected/anticipated income for the 12 months or 365 days after lease commencement. All sources of income must be verified before initial occupancy as well as annually for MHA and MFTE Program 5 and subsequent MFTE programs.

### Verification Process

For each source of income listed on the ID, a corresponding verification must be in the file. All verifications must be dated with 120 days prior to the initial lease start date. If a verification is older than 120 days new verification must be obtained.

Income and asset verifications have a hierarchy.

Generally, information received from employers, banks, or any other 3rd party verification is the priority documentation of the hierarchy. If attempts to obtain 3<sup>rd</sup> party verification are documented but unsuccessful, the Owner may move to accept another option for verification.

### 3rd Party Income /Asset Verification

Forms are available on the OH Affordable Housing Incentive Program Compliance website. Owners/PM Staff are required make at least two (2) attempts to obtain this information directly from the employer, agency, or financial institution. They include:

- Employment Verification
- Public Assistance
- Child Support
- Savings/Checking Accounts
- Unemployment Verification
- Self-Employment Affidavit

Forms must be sent directly from property management and may not be “hand-carried” by the applicant or tenant. Forms need to be reviewed for:

- Full information, including YTD, anticipated raises, etc.
- Completed by a person at the agency/institute that has the authority to release the requested information.
- Any questions not answered should be followed up on by the PM Staff and appropriately documented.

- The Work Number: Some employers will only provide income verification via The Work Number. It is not required, but encouraged, for PM staff to purchase a subscription to this service to verify employment. If the Owner/PM Staff chooses not to purchase this and the employer only verifies income through The Work Number then six (6) consecutive paystubs should be obtained from the applicant. If it is new employment, obtain a letter of employment offer to project earnings.
- Self-Employment applicants and tenants must complete the Self-Employment Verification form, and provide either the most current IRS tax return or Profit or Loss statement if the business is new.
  - This includes Uber, Lyft, Post Mates, Wag, etc. People who provide services through these companies are considered independent contractors and therefore should be filing as a business.
  - If a household does not file tax returns for their self-employment earnings, review bank statements where payments are made for the past 6 months and annualize. In this instance, the household should also complete the Self Employment Affidavit forms.

## Tenant-Provided Documents

These documents are provided directly by the applicant or tenant and are the secondary priority in documentation of income. They include:

- 6 consecutive pay stubs from current employment
- New hire letter if employment is recent or projected and paystubs cannot be obtained
- Award letters verifying current year award for Social Security, SSI, pensions, life insurance and other monthly recurring benefit income
- 6 months bank statements, savings and checking
- Current statement from investments (401K, bonds, IRA, etc.) that state the YTD earnings from the investment
- Court ordered child support
- Section 8 Calculation Summary

## Verification of Common Types of Income and Assets

**Detailed procedures for verifying and calculating common types of income and assets appear in Appendix A of this Manual.**



## Chapter 6. Rent Restrictions

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All Designated Units are subject to maximum gross rent limits as published by OH [here](#). The Office of Housing sets no minimum rents. The maximum monthly rent for a given type of unit (e.g., one-bedroom vs two-bedroom) is generally set to 30% of the maximum allowable income for a presumptive household residing in that unit, which itself depends on an assumed number of household members that would typically occupy a unit of that type.

Rent limits geared to a given percentage of median income may vary by program due to differing program requirements and differences in assumed occupancy. For this reason property Owner/PM Staff should be careful to select the correct program when identifying the governing limit on gross monthly rent. In cases where a single unit is governed by multiple programs, the maximum gross rent should match to the lowest published number.

The published rent limits apply to gross rent, inclusive of any mandatory recurring fees and utility costs or allowances.

### Treatment of Mandatory Recurring Fees

Rent is any amount that a tenant is required to pay for occupancy of a unit. For example, if the standard form of lease requires renter's insurance as a condition of occupancy, the insurance premium must not drive monthly housing costs for the tenant of a Designated Unit above the maximum gross rent. The same holds true for any other fees or charges required of all tenants, to include utility costs, King County sewer capacity charges, required parking or amenity fees charged to the tenants of a building, or any other mandatory fee.

Month-to-month leases are permitted for Designated Units; however, any associated month-to-month fees are considered a mandatory fee. The fee cannot drive monthly housing costs above the Designated Unit's maximum gross rent.

Failure to incorporate required renter's insurance and the Sewer Capacity Charge are the most common errors in calculating rents. Should OH staff determine that the property owner has charged a gross rent that exceeds the maximum allowable, a reimbursement will likely be required for the property to reestablish compliance.

### Fees for Optional Services

Fees for optional services or amenities are not counted towards the maximum rent for Designated Units; fees for pets, for example, are acceptable. A fee can be considered optional only to the extent that the tenant has the right to reject the service or amenity and the service or amenity is not necessary for the tenant's safety or the unit's basic functionality.

### Restrictions on One-Time or Up-Front Charges

The Office of Housing limits up-front fees and deposits\* charged to Income Eligible Occupants.

- Security deposits and cleaning fees, if any, must be refundable and, collectively, must not exceed the Designated Unit's monthly restricted rent, net of any fees or recurring charges.
- Fees for applications, transfers, pets, parking, storage, and amenities are allowed so long as a uniform fee schedule applies to all units in the building.
- Fees for credit checks are allowed so long as a uniform fee schedule applies to all units in the building.
- No applicant for a Designated Unit may be charged fees for income verification or reporting requirements.
- No other fees may be charged to Eligible Households without prior written approval by the Office of Housing. Administrative fees and move-in fees are prohibited.

\*Owners/PM Staff should also consult overarching City requirements appearing at <https://www.seattle.gov/rentinginseattle/renters/moving-in/move-in-costs>.

## Rent Concessions

If rent or any other type of concessions are offered to unrestricted units, these concessions must also be available to Designated Units. There are no regulations around if they must be offered as a one-time move-in special or if they may be broken down over an extended period of time. The rule of thumb is, if it is available to unrestricted tenants, it must be made available to all tenants.

## Utility Allowances

When property owners pay all utility costs on behalf of the tenants with no subsequent bill-backs, no rent reduction via utility allowance is required.

When tenants of Designated Units are expected to pay for any portion of their utilities, the applicable utility allowance must be deducted from the gross rent schedule. Utility allowance schedules are prepared by SHA and updated approximately every two years; SHA publishes the schedule [here](#). The deduction is required in all cases in which tenants of Designated Units must pay out of pocket for utilities, including arrangements where utility charges are assessed through a third-party billing service. The utility allowance will be received by the tenant as an adjustment to the maximum rent chargeable in all cases.

**Example:** *If a tenant moves into a studio unit on July 1st, 2019, and they are expected to pay for all utilities, the maximum rent charged would be \$1,020 (max rent) - \$125 (2019 utility allowance) = \$895 maximum contract rent.*

The Office of Housing will strive to notify all property management contacts when the utility allowance changes; however, Owners/PM Staff should check the SHA website at least once every 90 days to see if limits have been changed. Changes to the allowance must be implemented immediately for new residents after the effective date and within 90 days of the effective date for existing residents. Utility allowance increases will often require an adjustment (decrease) to rents, even if mid-lease. Provided that the tenant agrees to the rent decrease, the adjustment presents no conflict with landlord-tenant law.

Further information on utility allowances appears on the OH website [here](#).

Special note on Ratio Utility Billing: Ratio Utility Billing is a practice where a building will take the total utility bill and break it down to back bill to tenants by either the number of occupied units or the number of leaseholders in a unit. If a building chooses to use this method, the denominator must remove any utilities caused by common area and or commercial space usage. Buildings that fail to remove these utility charges may owe a back payment to tenants, regardless of the Utility Allowance used.

Special note on King County Sewer Capacity Charge: The Sewer Capacity Charge does not meet the definition of being a utility consumed by the tenant and is therefore not covered by the utility allowance. While the fee may be passed on to the tenant, it must be deducted from the maximum gross rent in addition to any required utility allowance adjustment. The Sewer Capacity Charge is separate from wastewater treatment, which is usually billed by the gallon and covered by a corresponding utility allowance if charged to the tenant. More information about the Sewer Capacity Charge can be found on King County's website.

***Example:** If the maximum rent allowable under MFTE is \$1,020 (max rent) - \$125 (utility allowance) -\$35 (Sewer Capacity Charge), the rent that could be charged would be \$860.*

## Required Disclosures

To ensure transparency on rent-setting practices, lease documents for Designated Units should include a separate section or standalone lease addendum. Required rent-related disclosures appear in the "Leases" section of Chapter 2.

## Rent Increases Upon Lease Renewal

The City-published rent limit that is effective at the time of the anticipated first day of occupancy shall establish the gross maximum rent that can be charged for a given Designated Unit throughout the term of the lease. Upon lease renewal, and subject to any other requirements pursuant to Seattle's landlord-tenant laws, the Owner may adjust the rent to the maximum effective at that time, provided that the limit has increased. In cases where the US Department of Housing and Development reports a reduction to the area median income and the OH-published income and rent limits decrease as well, Owners shall reduce rents accordingly upon lease renewal.

Owners/PM Staff should be aware that maximum allowable MFTE rents may vary between different versions of the program. Year-over-year rent increases for properties participating in MFTE Program 6 are limited to no more than 4.5%. In cases where the 4.5% increase is less than the published rents for other program iterations, OH will publish a separate income and rent chart for properties participating in MFTE Program 6. In cases where the published rents reflect an increase of less than 4.5%, the published chart shall apply to all properties regardless of program version.

## Chapter 7. Compliance Activities

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Office of Housing Asset Management Staff will monitor compliance through the expiration of the income and rent restrictions established under any recorded agreements; this chapter describes the major activities that take place throughout the Compliance Period. While monitoring activities will cease at the end of the Compliance Period, leases that are still in effect at the conclusion of the Compliance Period must be honored until the lease expires.

For units subject to multiple overlapping incentive programs, the Compliance Period will extend to the expiration of the program with the longest term, with income and rent restrictions adjusted as necessary.

Compliance requirements – annual reporting, site visits, and file audits – will be in effect throughout the Compliance Period.

### Annual Property Certification Report

Owners/PM Staff must submit the Annual Property Certification Report to OH each year by January 31. The report covers all rental activity at the property for the period of the calendar year (January 1 to December 31), and the information presented must be able to be corroborated by the tenant files located on-site.

The Annual Property Compliance Report will be reviewed by OH staff by May 31. During this time, staff will make a determination of compliance with program requirements based on a review of the report(s). The review will address, at minimum, the following criteria.

- Actual Designated Units align with the most recent OH-approved roster of Designated Units
- Household incomes fall under the OH-published limit for the governing Area Median Income percentage as adjusted for household size
- Annual incomes at recertification are within the applicable income limit
- Gross rent charged, inclusive of any mandatory fees, is at or below the maximum gross rent
- Correct utility allowances are utilized
- Demographic data for households have been recorded
- Extended vacancy has been reported and addressed, including completing the Affirmative Marketing Supplemental Report

The Property will receive a Performance Letter detailing any findings, areas of concern, and any necessary follow up actions.

When OH determines the submitted report and/or corrective actions taken based on report findings are satisfactory, OH will issue a current Certificate of Compliance.

In the event OH is unable to complete a review of the submitted report, it will not issue a new Certificate of Compliance. OH will however continue to consider the project to be in compliance until it

reviews a subsequent Annual Property Compliance Report. In these instances, the status of the residential property tax exemption will remain unchanged.

## Site Visits, Audits, and File Review

The Office of Housing will schedule the first on-site tenant file review within the first six months of the Compliance Period. The primary purpose of this initial file review is to ensure that new properties are correctly qualifying and documenting income-eligible households. OH will work with the landlord to correct any deficiencies related to:

- Tenant backup documentation
- Inconsistencies with annual report
- Incorrect income verification determinations

OH will place projects on a review cycle based on the level of compliance and accuracy of the annual report and results from the initial on-site file review. Criteria used to determine the review cycle for an individual property includes:

- Failing to submit the Lease-up Report
- Lease-up Report submitted does not reflect tenant files (if requested)
- Failing to income-qualify or income-verify households occupying Designated Units
- Tenant files missing required supporting documentation
- Failing to properly designate and lease the appropriate number of Designated Units
- Actual Designated Units differ from pre-approved Designated Units, or evidence substantial differences in comparability or distribution as confirmed during the prior annual reporting cycle
- Failing to charge rents that all within maximum allowable gross rents for Designated Units
- Other criteria as determined by OH.

## Interim Site Review

If issues arise during the course of the year, an interim on-site review or request for tenant file documentation may be required as often as OH staff deem necessary.

## What Is in a File

The tenant income certification files are reviewed by OH Asset Management staff and State Auditors during a file audit. Files will consist of mandatory forms as well as situational forms. The file given to the Compliance Liaison should consist of final iterations of documents only.

### Mandatory Forms for Every File

1. Tenant Income Certification (TIC)
2. Calculation Worksheet
3. Income Declaration (ID)
4. Demographic Form

## 5. Lease Rider

### Situational Corresponding Documentation

1. Income
  - a. Wage information
  - b. Self-Employment information
  - c. Non-employment/Unemployment information
  - d. Gift information
  - e. Fixed Income
    - i. Social Security
    - ii. Public Assistance
    - iii. Child Support
  - f. Student Income Information
2. Assets
  - a. Checking and Savings
  - b. Retirement Accounts
  - c. Stocks/Bonds/Investments
  - d. Real Estate
3. Student Status
4. Reasonable Accommodation Approvals (only if the reasonable accommodation is in direct relation to an Incentive Program policy or regulation)

### File Set Up Best Practices

The goal of an audit is to have the auditor agree with and understand your calculations, agree with who was approved to move in or who was denied, and to exit your building with no follow up questions or concerns. A file is the “story” of your tenant, so it should be easily readable and points should easily connect so that anyone reading it will come to the same conclusion.

- Follow the outline above when setting up a file. This makes it consistent for auditors so that they can easily locate information as well as reduce the occurrence of missed information.
- Do not include co-signer information in the tenant income certification packet. In the case of a co-signer/guarantor, keep all of their documentation in a separate location, tab, or separated with a colored piece of paper clearly labeled “co-signer/guarantor.”
- Consider labeling/tapping specific forms, using highlighter to specific figures used, or write on the forms in a red pen why a figure was used instead of another. If an auditor has a question, it will generate follow up.
- Consider having someone who did not complete the packet review and construct the packet. The second set of eyes helps to ensure that another person who does not know the story can easily read the story in the file.
- Many properties have company policies that every version of every form should be kept. In these cases, we ask that those copies be held either separately, or at the end of the packet behind a “Drafts” notification. Unfinalized documents lead to miscalculations and questions resulting in unneeded audit findings.

- It is a good idea to pre-audit all of your own files. This helps to ensure that you identify missing documentation prior to the arrival of an auditor. Make sure that page two of the TIC matches your lease and ledger.
- After the purchase of a building or the change in management company, it is always a good idea to go through and make sure that the files are complete and accurate. A pre-audit that identifies missing items is easier to complete than a City audit that has strict timelines for tenant provided data.

## Rounding

When entering financial figures into the TIC, apply standard rounding practices so that whole numbers are being used on the final figure.

## Scope of Review

### On-Site Review Scope

- For the first on-site review (occurring in first 6 months), all tenant files will be reviewed.
- For in-cycle on-site reviews, a minimum 30% or 15 current tenant files will be reviewed, whichever is higher. For properties with fewer than 15 units, all tenant files will be reviewed. The Office of Housing may review more files at their discretion.
- Interim on-site file review does not require that a minimum number of current tenant files be reviewed.
- In cases where a percentage of units are reviewed, a representative sample of units will be chosen by OH staff through a random sample stratified by unit type (studio, 1-bedroom, 2-bedroom, etc.).

### On-Site File Compliance Review: Designated Units

Owners/PM Staff must have the following documents available on site during the on-site review:

- All current resident files, containing:
  - Signed ID on file that demonstrates the household has declared all sources of income
  - Income verification forms that support the income disclosed in the ID
  - Signed TIC that shows all final figures from the income verification process, including calculations. Properties may use the income calculation available in the TIC workbook or their own tools, however notes should be made for clarity when needed.
- All current resident leases
- Copy of current lease template used for market-rate tenants and addendums given to residents
- In the case of multiple extended vacancies, a copy of Special Outreach for Affirmative Marketing form for Incentive Programs with Affirmative Marketing requirements
- All files for applicants who were denied (did not income qualify or were otherwise denied)

- While properties were encouraged to use WSHFC’s compliance forms in the past, OH forms are required as of 10/1/2015. As long as adequate income documentation is available for units leased prior to this date, there is no need to request additional documentation from current tenants. Please collect this documentation going forward.

The on-site tenant file compliance reviews will focus on the following areas:

- Completeness of ID
- Required household income and asset verifications
- Completeness and accuracy of TIC, including:
  - Income and rent maximums
  - Utility Allowance in accordance with SHA’s published Utility Allowance Schedule
  - Calculations of maximum rents, including utility allowance and any mandatory fees deducted
- Alignment between actual Designated Units and those listed on the Annual Compliance Report
- Satisfactory backup for utility allowances
- Mandatory fees are being accounted for in the rent calculations
- Most recent report (Lease-up or Annual) information is accurate based on contents of tenant file
- Annual reports submitted to OH should reflect documentation available in the TIC

## Non-Compliance

The Office of Housing will notify the Owners/PM Staff of any instances of non-compliance identified during an Annual Report review or site visit. The notification will give direction on steps to bring the property back into compliance, including corrective actions and requirements that the Property demonstrate that deficiencies have been cured by a certain due date.

The following are specific issues of non-compliance and the corresponding corrective action OH will require the project to take:

### **Tenant household over-income at move-in.**

Approving an over-income household to move into a “restricted” unit automatically triggers OH’s Next Available Unit rule, which requires an additional, comparable unit to be newly restricted.

Even after that new unit is designated, the unit occupied by an over-income household must continue to be treated as restricted until the date on which that household’s tenancy ends. Efforts, active or passive, to coerce the household to vacate the unit are strictly prohibited. The property owner must immediately provide OH’s notice of the ongoing restrictions and terms to the unit’s tenant household.

The following is required until the over-income household’s tenancy voluntarily ends:

- Monthly housing costs must remain at or below the applicable %AMI limit;
- Income recertification must be completed annually for that tenant household;
- Annual property certifications must reflect as “restricted” both the unit occupied by the over-income household and the additional, comparable unit newly designated according to the “next available” rule and include all information required as such; and



- Ledgers must be submitted to OH proving that the over-income household's rent is at or below the amount allowed per the applicable %AMI limit.

Under no circumstances may a unit's status change from restricted to market without prior approval by OH. That approval is conditioned on full compliance with recorded regulatory agreement(s).

OH may approve a specific restricted unit to lease at market rent after it is vacated or upon renewal of the lease, if applicable, provided that:

- The number of units leased at restricted rents *exceeds* the minimum required per the recorded agreement(s); and
- One of the following applies:
  - o An over-income tenant household has notified the property manager of their voluntary intent to move-out of a restricted unit; or
  - o The annual income of a tenant household that was over-income at move-in is determined by the property manager and OH to exceed the recertification limit for a restricted unit.

#### **Missing or incomplete household income certification documentation.**

Missing or incomplete income certification documentation for a tenant household in a "restricted" unit automatically triggers OH's Next Available Unit rule, which requires an additional, comparable unit to be newly restricted.

Even after that new unit is designated, the unit occupied by a household for whom satisfactory income certification documentation has not been provided must continue to be treated as restricted until the date on which that household's tenancy ends. Efforts, active or passive, to coerce the household to vacate the unit are strictly prohibited. The property owner must immediately provide OH's notice of the ongoing restrictions and terms to the unit's tenant household.

The following is required until the household without satisfactory income certification voluntarily ends their tenancy:

- o Monthly housing costs must remain at or below the applicable %AMI limit;
- o Income recertification must be completed annually for that tenant household;
- o Annual property certifications must reflect as "restricted" both the unit occupied by the uncertified household and the additional, comparable unit newly designated according to the "next available" rule and include all information required as such; and
- o Ledgers must be submitted to OH proving that the uncertified household's rent is at or below the amount allowed per the applicable %AMI limit.

Under no circumstances may a unit's status change from restricted to market without prior approval by OH. That approval is conditioned on full compliance with recorded regulatory agreement(s).

OH may approve a specific restricted unit to lease at market rent after it is vacated or upon renewal of the lease, if applicable, provided that:

- o The number of units leased at restricted rents *exceeds* the minimum required per the recorded agreement(s); and
- o One of the following applies:

- A previously uncertified tenant household has notified the property manager of their voluntary intent to move-out of a restricted unit;
- Within 12 months of move-in, the annual income of a previously uncertified tenant household is determined by the property manager and OH to be no higher than the limit upon which lease of a restricted unit is conditioned; or
- The annual income of a previously uncertified tenant household is determined by the property manager and OH to exceed the recertification limit for a restricted unit.

If the property fails to respond or make the corrections necessary, OH will issue a Notice of Non-Compliance to the Owner.

In the case of the MFTE program, a failure to cure deficiencies within 30 days of this Notice of Non-Compliance may result in OH notifying the King County Assessor's Office to remove the residential property tax exemption benefit. In the case of cancelation of the exemption, Owners/PM will be required to maintain affordable rents through any tenant's lease term. If Owners/PM Staff elect to increase rents beyond MFTE limits at the end of the lease term due to cancelation of the exemption, they must provide MFTE tenants with sufficient notice that the MFTE agreement is no longer in effect and a resulting rent increase is pending.

A property that has an MHA or IZ covenant that is not performing in accordance with the signed agreements may be subject to legal action by the City.

## Changes in Ownership/Management

Owners must communicate with OH staff prior to any transfer of ownership or sale. Owners must also notify OH staff in the event of a change in property management companies. Property management companies must notify OH staff of new contact information should a position change.

## Record Retention

Owners/PM Staff may establish their own protocols for retaining digital or hard copy files so long as all records can be readily produced for OH review upon request. All records must be kept for no fewer than 7 years after a tenant's application denial or move out.

To eliminate confusion, Owners/PM Staff should build permanent files that include only final documents, not earlier drafts. Prior iterations of documents and extra copies of correspondence should be kept separate from the final income certification file.

## Compliance Fees

The Office of Housing will levy annual compliance monitoring fees on properties depending on Incentive Program; the fee schedule, if any, is specified in the governing agreements between the City and the Property Owner. As of 2020 no fees are levied for projects participating solely in the MFTE program or for Designated Units required under the City's Tenant Relocation Assistance Ordinance ("TRAO"). Per-unit fees are levied on Designated Units that are restricted under the performance option for either MHA or IZ.

Annual compliance monitoring fees are payable to OH. The Office of Housing will send invoices to properties by May 1 each year with payment due no later than June 30 of that year.

## Publicly Funded Projects

Properties in which Designated Units are governed not only by Incentive Program agreements but also affordability requirements that attach to public funding will be monitored to the most restrictive affordability limitation that applies to the Designated Units.

- Properties that have received City of Seattle funding. Properties in the OH loan portfolio will be monitored in accordance with procedures that accompany any other City-funded project.
- Properties that have received financial support from other public funders (e.g., the Washington State Housing Finance Commission (WSHFC)) will be monitored by WSHFC. Publicly funded properties need only to complete the WBARS annual report and not the OH Annual Property Certification Report. However, if the public funder determines that a Property is not meeting its requirements, OH will begin monitoring activities to determine if the Property is also not meeting its obligations under the Incentive Program.

## Chapter 8. Expiration of Unit Affordability Requirements

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### Compliance Period

The term of affordability and associated Compliance Period varies by Incentive Program.

- **MFTE:** The affordability term for Designated Units under the MFTE program expires on December 31 of the twelfth year of tax exemption. The requirement to provide Designated Units does not extend for 12 years from the date of initial occupancy, but rather from the first year of the tax exemption.
  - **Example:** A building receives its Final Certificate of Tax Exemption approval on June 15, 2020, at which point the Compliance Period commences. The tax exemption period will not start until January 1, 2021; the obligation to provide Designated Units will extend until December 31, 2032 absent an earlier affirmative decision by the Property to no longer receive the exemption.
- **IZ:** The affordability term for Designated Units under the IZ performance option expires 50 years after the latter of the Property's Certificate of Occupancy or execution of the Bonus Covenant.
- **MHA:** The affordability term for Designated Units under the MHA performance option expires 75 years after Certificate of Occupancy is received by the building.
- **Standalone Agreements:** Affordability terms will vary under other programs, standalone development agreements, etc.; in all cases the agreement(s) establishing the affordability obligation will govern the term.

### Program Extension

The City of Seattle began allowing expiring MFTE P3 projects to extend for an additional 12 years. In order to extend, the project recertifies all existing MFTE households to determine their new eligibility level. There are three possible scenarios for each household that depend on their new certified income:

1. **The household qualifies at a lower income level and gets bumped to the P6 program.** The household is now considered a P6 household for the life of its tenancy, including the lowered rent caps and the lower income levels that trigger ineligibility. It cannot ever return to P3.
2. **The household does not qualify for the lower P6 level but is still low enough to remain a P3 household.** The household remains a P3 household unless during a subsequent recertification, it certifies at an income level low enough to bump it into the P6 program. Then, the household is now considered a P6 household for the life of its tenancy, including the lowered rent and lower income levels that trigger ineligibility. It cannot ever return to P3.
3. **The household is over income for P3 or the household refuses to certify.** In these instances, the household is now considered ineligible. The project will notify the household, the unit will turn to Market and the project will apply the Next Available Unit rule

Example #1. Unit 101 certifies at the P6 income level. Effective Jan. 1 the unit will need to have new P6 rent limits in place. Unit 101 recertifies annually and will continue to remain so long as their income remains below 150% of the P6 max limit.

Example #2. Unit 201 certifies at the P3 income level. P3 rent limits remain in place. Unit 201 recertifies every year, never really changing until they move out. Unit 201's next household will then need to qualify under P6 rent and income limits.

Example #3. Unit 301 certifies at the P3 income level. P3 rent limits remain in place. At the next recertification, Unit 301's income has gone down significantly enough to qualify them for a P6 designation. At the lease anniversary, the unit will need to have new P6 rent limits in place. Unit 301 continues to recertify annually and will continue to remain so long as their income remains below 150% of the P6 max limit.

## Expiration

Prior to expiration, OH will alert project owners of any extension opportunities. If no opportunities are available or if the owner elects not to extend, property managers will need to do the following:

- Contact the Seattle Department of Construction & Inspections (SDCI) alerting them to the change in program and to determine if there will be any Tenant Relocation Assistance Ordinance (TRAO) requirements.
- Provide notice to the tenants of the Designated Units regarding the end of the program and what options they have for remaining in their unit including whether or not TRAO assistance will be available. If TRAO assistance is available, owner shall provide information on how to apply for it.
- Honor the rent as stated in the signed and effective lease for tenants of the designated units. In no case may the expiration date of a designated unit supersede the terms of an effective lease.

## Affordability Terms vs Effective Leases

Property managers must plan for the expiration of the Program affordability period. Property Managers must:

- Honor the rent as stated in the signed and effective lease for tenants of Designated Units; in no case may the expiration date of an affordability term supersede terms of an effective lease.
- Provide notice of an increase of rent pursuant to the local and state laws or requirements.
- Provide notice to the tenants regarding the end of the Program.

## Change of Use

Demolishing or converting a Property to nonresidential use does not absolve the Owner from meeting Incentive Program requirements, which typically run with the land. Owners/PM Staff must notify their Compliance Liaison of any planned change of use to determine follow-up actions in accordance with governing Code and program agreements. Owners/PM staff must contact SDCI to determine if a Change of Use license is required.

As with expired term projects, a change of use may trigger TRAO. Owners/PM staff will need to contact SDCI to determine if this is the case.

## Final Report

Following the expiration of any Incentive Program, including standalone projects with affordability requirements subject to development agreements or other instruments, the Property must complete a final Annual Property Certification Report. This report is due no later than January 31 of the year following the expiration.

OH will review the report and issue a final Certificate of Compliance that will serve to close the compliance period and sunset the residential property tax exemption period. Should the owner desire to update any title report or other documents mentioning the expired tax exemption, it will be at the owner's expense.

## Appendix A. Income and Asset Verification and Calculation

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This appendix to the Affordable Housing Incentive Program Compliance Manual inventories the common types of income (Section 1) and assets (Section 2) and explains how Owners/PM Staff shall verify and otherwise account for each type of income and asset for purposes of determining a prospective tenant's eligibility to rent a Designated Unit.

The following appendix provides real-world examples of how the calculations should be performed.

### Section 1. Income

Below are several categories of income that are commonly found on applications. Sections 1 and 3 of the HUD occupancy Handbook 4350.3 is used as a guide, however, OH determines the final decision on what is considered income for the Programs and what verification is required to determine eligibility.

Generally, Owners/PM Staff must use current circumstances to anticipate projected income. This includes a review of income received over the prior 6-month period to confirm/predict if recent income should be anticipated.

The below list is not exhaustive, but a good guide for most income situations.

#### Wages

Wages are funds received in exchange for working for an employer. A person earning wages would receive a W2 at the end of the year for tax purposes.

This is the most common form of income. When determining wages, you will include all regular wages, premium pay, tips, shift differential, overtime, training, and bonus pay.

- Verification: Obtain 3<sup>rd</sup> party verification
  - Verification of Employment (must be complete) and most recent paystub.
  - Employers may also require The Work Number verification. This is not required for properties to utilize this service.
  - If neither option above is available collect 6 current and consecutive pay stubs
- Note: While it is not required, best practice is for Owners/PM Staff to collect a single pay stub to cross reference information provided on the Verification of Employment Many owners/PM's go a step farther and collect the six most recent consecutive statements up front to minimize potential delays resulting from non-responsive employers.

Determining income for regular fulltime employment, the following figures are used:

- Hourly wages by 2080
- Weekly wages by 52
- Bi-weekly wages by 26
- Semi-monthly by 24
- Monthly wages by 12

The Household Eligibility Certification Excel (Tab 2-4) workbook offers three different methods of projecting income.

1. Annualized Periodic Income: Complete this table with the information as obtained through the 3<sup>rd</sup> Party Employment Verification. There are lines to input any commission, tips, or raises. This can also calculate annual income from monthly sources such as Social Security or gift income.
2. Annualized Periodic Income by Paystub: Complete this table when an applicant supplies 6 consecutive paystubs. Pay Period Length will be required to indicate whether the income is paid weekly, bi-weekly, bi-monthly etc.
3. Annualized Year to Date (YTD) Income: This table is used when YTD is obtained via 3<sup>rd</sup> Party Employment verification OR when paystubs are available, and it is verified the income began on or before January 1 of the given year.

All tables should be as complete as possible given the verification received. For instance, if 3<sup>rd</sup> Party Employment Verification was received table #1 and table #3 should be completed and the highest calculation used as the annual income.

#### *Annual/Projected Increases (Raises)*

A pay raise that the applicant will receive within the certification year must be included when determining income. If an employer indicates a possible range (e.g. 2.4%) the highest amount (4%) would be used in projecting increases.

A Cost of Living Adjustment (COLA) is received by many employees who are employed in the public sector such as teachers, police, nurses and medical staff, City and government staff, postal carriers, etc. COLAs often range between 2 and 4% and are effective on the 1<sup>st</sup> of the year.

#### *Overtime*

If an employer indicates on the 3<sup>rd</sup> Party Employment Verification form that employee works overtime and a range of hours is given (e.g. 3-5 hours per week) and efforts to clarify with the employer fail, apply the highest amount (e.g. 5 hours) to calculate annual income. Overtime is also seen on pay stubs.

- Verification: Overtime should be confirmed via the 3<sup>rd</sup> Party Employment Verification form and/or reviewing paystubs for an overtime line item.

#### *Bonuses and Commissions*

If an employer or pay stub indicates the applicant receives bonuses or commissions, determine the frequency of these sources and annualize.

- Verification: Employers may report bonuses or commissions on the 3<sup>rd</sup> Party Employment Verification form. If this information is not available from the employer review six (6) consecutive paystubs OR use projected bonuses or commissions available on the annualized income calculation tool of the TIC.



### *Tips*

Income received from employment including but not limited to, service or gaming industries. If an applicant works in an industry that generally uses a tip model such as food service, tips must be factored in unless the applicant can provide official documentation from their employer (preferably the HR department or employee handbook) stating explicitly that their position does not receive tips or patron gifts.

- Verification: Employers may report tips on the 3<sup>rd</sup> Party Employment Verification form. If this information is not available from the employer review six (6) consecutive paystubs for tips information OR use projected tips available on the annualized income calculation tool of the TIC.

### *Year-to-Date*

The YTD should be included on the 3<sup>rd</sup> Party Employment Verification form. If not and you are unable to clarify with the employer, utilize the YTD on the most recent pay stub and calculate the income projection so long as the start date is verified on another pay stub and/or the beginning date of the first pay period of the current calendar year is verified on another pay stub. In some cases, this may require collecting an additional pay stub. It is demonstrated that the applicant had been employed since the beginning of the YTD period.

### *New Job*

If an applicant does not have a current job, or has been hired but not started yet, collect an offer letter and use the information in the letter to forecast income. This letter must include start date, pay rate, and hours worked per week. Factor in any commission, bonuses, etc. whenever possible.

#### EXAMPLE

An Employment Verification form **has been** received for an applicant with the following information:

- First Date of Employment: 11/1/2019
- Current Gross Wages/Salary: \$20/hr
- Average Hours Worked per Week: 30-35
- Frequency: Per Hour
- Year to Date Earnings: \$10,045, From 1/1/2020 to 3/15/2020
- # of Pay Periods included in YTD: 5
- Overtime: \$0
- Shift Differential: \$0
- Commissions, Bonus, Tips: \$1200 per month
- Included in YTD above: Yes
- Raises anticipated in the next 12 months: 3%, effective 11/1/2020
- Participates in 401(k): No
- Can Access 401(k): No

Given this information the Annualized Income calculation and the YTD calculations should both be used and the higher. The below calculations show the YTD as the highest and this is what would be entered into the TIC.

	Hourly Rate	Gross weekly rate	Gross bi-weekly rate	Gross bi-monthly rate	Gross monthly rate	Gross quarterly rate	Gross yearly rate	# of hours per week	# of weeks per year	# of months per year	Annual Total
<b>1.) Annualized Periodic Income</b>											
Base Pay	\$20.00							35	52		\$36,400.00
Overtime	\$30.00							0	52		\$0.00
Annual											\$0.00
Monthly rate										12	\$0.00
Bi-monthly rate									24		\$0.00
Bi-weekly gross									26		\$0.00
Weekly gross									52		\$0.00
SSI/Pension Cola Increase											\$0.00
Raise 01/01/23 03/15/23								35	10.43		\$0.00
Raise on OT (hrly raise x 1.5)	\$0.00							0	10.43		\$0.00
Shift Differential									52		\$0.00
Bonus, commissions, tips per month				\$1,200.00						12	\$14,400.00
Bonus, commissions, tips bi-monthly									24		\$0.00
Bonus, commissions, tips bi-weekly									26		\$0.00
Bonus, commissions, tips per week									52		\$0.00
Bonus, commissions, tips quarterly										4	\$0.00
If in industry that tips, but tip amounts were not disclosed or verified by employer: ----->	Industry										Subtotal \$50,800.00
											Imputed Tips (if applicable) 0
											Annual Total \$50,800.00

<b>3.) Annualized Year To Date (YTD) Income</b>	
YTD From:	1/1/2020
YTD Thru:	3/15/2020
# of weeks worked	10.71
YTD Earnings	\$10,045.00
Average Weekly Wage	\$937.91
# of weeks per year	52
Annualized YTD	\$48,771.24
Annual Raise	450.03
Annual Raise on OT	
Annual Bonus, Comm, Tips	
Annual Total	<b>\$49,221.27</b>

**Wood, Jamie:**  
This is use from the information above as the YTD would not have raise information factored in.

**Wood, Jamie:**  
This is left blank in this example as employer stated it was in the YTD calculation.

An Employment Verification is **not** received by the employer, after two attempts 6 consecutive paystubs can be used as detailed below:

**2.) Annualized Periodic Income by Paystub**

Pay Period Length (required field) ----> Bi-monthly

	Pay Period Start	Pay Period End	Gross Period Pay
<b>Paystub #1</b>	3/1/2020	3/15/2020	\$1,750.00
<b>Paystub #2</b>	2/15/2020	2/29/2020	\$1,890.00
<b>Paystub #3</b>	2/1/2020	2/14/2020	\$2,003.00
<b>Paystub #4</b>	1/15/2020	1/31/2015	\$2,100.00
<b>Paystub #5</b>	1/1/2020	1/14/2020	\$1,898.00
<b>Paystub #6</b>	12/15/2019	12/31/2019	\$2,300.00

**Wood, Jamie:**  
CAUTION: Bi-monthly is paid 2x per month. Bi-weekly is paid every other week.

<b># of paystubs entered</b>	6
<b>Average per pay period</b>	\$1,990.17
<b>Annual Subtotal</b>	\$47,764.00
<b>Annual Raise</b>	
<b>Annual Raise on OT</b>	
<b>Annual Total</b>	<b>\$47,764.00</b>

**Wood, Jamie:**  
Enter this information as known.

You should complete as many calculations as the information you have been provided will allow, and no less than 2. Always use the highest calculation on the TIC to determine income eligibility.

## Self-Employment

Self-employed individuals file a tax return in order to report their income.

**Net** income from business that is owned/operated by the applicant is what is used for the final income projection. This includes freelancing contractors, taxi and ride share drivers, etc.

- Verification: The applicant must complete the Self Employment Form.
- If the business is established, the applicant must provide the previous year’s tax return, including the Schedule C (Profit and Loss) of the tax return. If the previous year’s return has not been filed, the year before that’s return will suffice so long as it isn’t after April 15, unless the applicant can provide proof they have filed for an extension. For example, if it is May 1, 2023, and the 2022 tax return has not been filed, the 2021 tax return will suffice only if the applicant can supply proof they have filed for an extension for the 2022 return.
- If the business is new a Profit and Loss should be obtained. These are downloadable accounting forms that can be completed by an applicant or their CPA.
- When determining **net** income, use best judgement on deductions. It would be *reasonable* for a taxi driver to deduct vehicle depreciation. It would not be *reasonable* for a credit repair specialist who works from home to deduct vehicle depreciation as their business does not require the use of a vehicle.

- Note: It is not required to review business account bank statements, unless there is a concern for fraud/accuracy, or there are significant transactions between business and personal accounts.

## Contract Work

Contractors pay is a sum of income paid for completing a specific job or series of jobs. A person who is a contractor, will receive a 1099 at the end of the year for tax purposes. Income reported on a 1099 is gross income. It is up to the person to take care of all of their own expenses and taxes.

- Verification: An individual who is a contractor will complete the same process as a person who is self-employed including providing a profit and loss statement.

### EXAMPLE

Household member is a Uber driver who makes \$5,000 in gross monthly income, the business has monthly expenses of \$1,000 (gas, car washes, oil changes), the expenses are deducted from the monthly gross amount and the net income of \$4,000 is used as the actual monthly income.

<b>Profit and Loss Statement</b>		Period	12/31/2019
<b>Company Name</b>		<b>Email</b>	
Great Taste Company		theorg@thecompany.com	
<b>Address</b>			
1745 My Drive New York, New York, 10013			
<b>Income</b>			
Sales			\$200,000
Services			\$90,334
Other Income			\$10,000
<b>Non Recurring Expenses</b>			
Furniture			\$1,000
Gifts			\$2,000
Others			\$100
<b>Expenses</b>			
Salaries and Benefits			\$20,000
Rent Expenses			\$1,000
Operational Expenses			\$14,000
Depreciation Cost			\$10,000
Subscriptions			\$900
Administrative Expense			\$13,000
Others			\$10,000
<b>Gross Income</b>			<b>\$300334</b>
<b>Total Expenses</b>			<b>\$72000</b>
<b>Tax Rate</b>			<b>10.00 %</b>
<b>Tax Amount</b>			<b>\$22833.40</b>
<b>Earnings before Taxes</b>			<b>\$228334</b>
<b>Net Earnings</b>			<b>\$205500.60</b>

## Seasonal Employment

Applicants employed in seasonal work such as construction, tax preparation, etc. and may collect unemployment benefits during their off months.

- Verification: If the applicant is currently not employed at their seasonal employment the Non-Employment form should be completed. Income should be projected by the applicant using data from their past seasonal employment or market averages. If the household is receiving unemployment obtain a pay statement or award from Washington Employment Security Department.

## Unemployment

Weekly income from the state Employment Security Office after the loss of employment. As individuals may apply for appeals and extensions, the weekly benefit amount shall be multiplied by 52.

- Verification: Complete the *Verification for Unemployment*. If ESD does not respond, you may accept a print off from the applicants Secure Access Washington (SAW) account.

### EXAMPLE

An applicant receives unemployment benefits totaling \$567/week. Total unemployment income for the year will be \$29,484 ( $\$567 \times 52$  weeks). Utilize the Annualized Periodic Income section on the TIC Income tab to perform the calculations and include in the certification file.

## Gift Income

Gift income is considered countable income and is applied to the annual gross income for the household. Any gifts received by an applicant over the last 6 months shall be annualized and included in their income calculation. If a one-time gift is in the amount of \$1,000 or greater it shall be annualized and included as income.

- Verification: The gift giver shall complete the *Gift Affidavit*. The person(s) giving the gift must complete the form outlining how often gifts are given and sign.
  - If the person(s) giving the gift resides in the United States, the form must be notarized. If possible, the Gift Affidavit should be notarized, regardless of whether the gift giver is foreign or local.
  - If the person(s) giving the gift resides outside of the United States and no other notary is possible the gift giver must supply a copy of their identification along with the signed gift affidavit.

### EXAMPLE

An applicant receives gifts to assist in starting a business and living expenses. A 6-month lookback demonstrates that the applicant has received \$10,000 in this gift income. The \$10,000 would be annualized ( $\$10,000 \times 2 = \$20,000$ ) and included as income under "Other Source" on the TIC.

## No Longer Receiving a Gift

If an applicant has historically/recently received gift income, that income will be counted going forward unless a full 6-month period has passed without receiving that gift. If an applicant’s gift income puts them over the income threshold for a particular unit, the applicant must discontinue the gift and wait 6 months if they wish to reapply. If an applicant states they will cease receiving a gift solely to qualify for a Designated Unit, they must wait 6 months before reapplying without the gift income.

## Student Income

Students often have a variety of income sources to support the cost of their education and in some cases living expenses. Below is a list of exempt and non-exempt student income sources:

<i>Exempt Student Income (document in file but do not include in income projection)</i>	<i>Non-exempt Income (include in income projection)</i>
<ul style="list-style-type: none"> <li>• Pell Grant, State Need Grant</li> <li>• Subsidized &amp; Unsubsidized loans</li> <li>• Earnings from work study</li> <li>• GI Bill funding</li> </ul>	<ul style="list-style-type: none"> <li>• Support from family members, including paying rent</li> <li>• Government support received by International Students</li> <li>• Regular earnings from employment that is not work study</li> <li>• Stipends that are not a part of the financial aid award package</li> </ul>

- Verification: Applicant completes the *Student Status Certification* and provides the following:
  - FASFA or WASFA worksheet for the current school year (during the summer months the coming school year)
  - Registration/Class Schedule detailing tuition and fees charged
  - Financial Aid award letter from school of attendance
  - F1 in cases where student is international student
- Recording: Non-Exempt income should be recorded on page 1 of the TIC. Exempt income should be documented to the file but is not listed as income on the TIC.

### EXAMPLE

Student household member is an international student and is able to provide a F-1 or J-1 award letter. Under “Personal funds” is listed \$51,056 these sources shall be counted in full towards the household’s income.

Department of Homeland Security U.S. Immigration and Customs Enforcement		I-20, Certificate of Eligibility for Nonimmigrant Student Status OMB NO. 1653-0038	
<b>SEVIS ID: N0004705859</b>			
SURNAME/PRIMARY NAME Sample STEM		GIVEN NAME Student	CLASS <b>F-1</b>  ACADEMIC AND LANGUAGE
PREFERRED NAME		PASSPORT NAME	
COUNTRY OF BIRTH UNITED KINGDOM		COUNTRY OF CITIZENSHIP UNITED KINGDOM	
DATE OF BIRTH 05 FEBRUARY 1987		ADMISSION NUMBER	
FORM ISSUE REASON CONTINUED ATTENDANCE		LEGACY NAME Jay SamOne	
SCHOOL INFORMATION			
SCHOOL NAME SEVP School for Advanced SEVIS Studies SEVP School for Advanced SEVIS Studies		SCHOOL ADDRESS 9002 Nancy Lane, Fb. Washington, MD 20744	
SCHOOL OFFICIAL TO CONTACT UPON ARRIVAL Helene Robertson EDSO		SCHOOL CODE AND APPROVAL DATE BAL214F4444000 02 APRIL 2015	
PROGRAM OF STUDY			
EDUCATION LEVEL BACHELOR'S	MAJOR 1 Mechanical Engineering 14.1901	MAJOR 2 Forest Engineering 14.2401	
NORMAL PROGRAM LENGTH 24 Months	PROGRAM ENGLISH PROFICIENCY Required	ENGLISH PROFICIENCY NOTES Student is proficient	
PROGRAM START DATE 01 SEPTEMBER 2011	PROGRAM END DATE 30 MAY 2015		
FINANCIALS			
ESTIMATED AVERAGE COSTS FOR: 4 MONTHS		STUDENT'S FUNDING FOR: 4 MONTHS	
Tuition and Fees	\$ 1	Personal Funds	\$ 5
Living Expenses	\$ 2	Funding.School.Remarks	\$ 6
Expenses of Dependents (0)	\$ 3	Funding.Other.Remarks	\$ 7
Expense.Other.Remarks	\$ 4	On-Campus Employment	\$ 8
TOTAL	\$ 10	TOTAL	\$ 26

## TANF & ABD

Monthly income to support low-income families administered by Washington State Department of Social and Health Services (DSHS).

- Verification: Send *Public Assistance Verification* to DSHS. After 2 documented attempts obtain DSHS letter of award addressed to applicant.
  - Food Assistance is exempt and not counted towards income.

### EXAMPLE

Household member receives TANF maximum amount of \$363 per month for a family size of 2 people, \$363 x 12 = \$4,356 annually.

Household member receives ABD in the amount of \$197 per month, \$197 x 12 = \$2,364 annually.

In both cases, utilize the Annualized Periodic Income section on the TIC Income tab to perform the calculations and include in the certification file.



## Seattle Housing Authority Section 8 Voucher Holders

OH allows the Calculation Summary to be used in lieu of all other income verification documents\*.

- Verification: Section 8 Calculation Summary form. Must be no older than 120 days from the lease start date. Property must contact Case Manager to confirm the Calculation Summary is current and correct. If the household has provided SHA with an update, the property will require SHA to provide an updated Calculation Summary to the applicant for verification.

**Transfer income totals, not including any noted deductions, from the Calculation Summary into Part III of the TIC. If assets have been included on the Calculation Summary, transfer those amounts into Part IV of the TIC.**

### EXAMPLE

<b>Calculation Summary</b> (t0055922)										
Head Of Household :		██████████, ██████████		Tenant Phone :		██████████				
Control Number :		233331		Project Number :						
Program :		Section 8 Voucher		Caseworker :		George Noriega				
Special Program Settings :		HCV		Date Modified :		03/30/2022				
Unit Address :		██████████		Mailing Address :		██████████				
Action Type :		2		Admit Date :		04/24/2015				
Effective Date :		04/01/2022		Date Waitlisted :						
Next Re -exam Due :		04/01/2023		Zip Code at Admission :						
Status :		Current		Move-In Date :		08/07/2019				
<b>Family Members:</b>										
#	Last Name	First Name	Birth Date	Age	Sex	Relation	Citizen	Disabled	Race	Ethnicity
1	██████████	██████████	██████████	60	F	H	EC	N	1	2
<b>Assets :</b>										
Family Member	Type Of Asset	Description	Cash Values Of Asset		Anticipated Income					
██████████	Home in hawaii		\$251,619		\$0					
<b>Totals :</b>			\$251,619		\$0					
Passbook Rate :		0.0006		Imputed Income :		\$151				
				Final Asset Income :		\$151				
<b>Income:</b>										
Family Member	Income Code	Description	Dollars per Year	Income Excluded	Income after Exclusion	Deduction Type	Dollars per Year			
██████████	N		\$18,000	\$0	\$18,000		\$0			
Total Annual Income :					\$18,151	Total Deduction :	\$0			

Using the above Calculation Summary, enter \$18,000 into Part III and \$251,619 into Part IV of the TIC:



PART III. GROSS ANNUAL INCOME (use annual amounts)				
Mbr #	(A) Employment or Wages	(B) Social Security/Pension	(C) Public Assistance	(D) Other Income
1				\$ 18,000.00
TOTALS:	\$ -	\$ -	\$ -	\$ 18,000.00
<i>Add totals from (A) through (C), above</i>				<b>TOTAL INCOME (E):</b> \$ 18,000.00

  

PART IV. INCOME FROM ASSETS				
Mbr #	(F) Type of Asset	(G) Current or Imputed	(H) Cash Value of Asset	(I) Annual Income from Asset
1			\$ 251,629.00	
			<b>TOTALS:</b> \$ 251,629.00	\$ -
<i>Column (H) Total if over \$5,000</i>		<i>Passbook Rate</i>		
\$251,629		X	0.06%	= Imputed Income (J): \$150.98
<b>TOTAL INCOME FROM ASSETS (K):</b>				\$150.98
<i>Enter the greater of the total of column I or J:</i>				
<b>(L) TOTAL ANNUAL HOUSEHOLD INCOME from all Sources [Add E + (K)]</b>				\$ 18,150.98

\*This is for initial certification ONLY. The Calculation Summary may not be used in lieu of income and asset verification documents for recertifications.

## Social Security

Monthly income from the Social Security Administration (SSA), including pension, disability, SSI, survivor benefits. This includes benefits for minors.

- Verification: Current year’s award letter issued from Social Security Administration stating gross monthly benefit.

### EXAMPLE

Household member receives \$783 per month in SSI

Move-in date is October 1, 2020.

Calculate income from Move in Date to end of year (3 months) \$783 x 3 = **\$2,349**

Apply Cost of Living Adjustment (COLA) of 3% to determine payment as of 1/1/21, \$783 x 1.03 = \$806.49, rounded to \$806. for all months in 2020.

There will be 9 months of receiving \$806 (1/1/21 - 9/30/21), therefore \$806 x 9 = **\$7,254**

Add the 2019 projected amount and the 2020 projected amount during the certification year, \$2,349 + \$7,254 = **\$9,603**. Utilize the Annualized Periodic Income section of the TIC Income tab as such to calculate and include in the certification file.

	Hourly Rate	Gross weekly rate	Gross bi-weekly rate	Gross bi-monthly rate	Gross monthly rate	Gross quarterly rate	Gross Yearly rate	# of hours per week	# of weeks per year	# of months per year	Annual Total	
<b>1.) Annualized Periodic Income</b>												
Base Pay									52		\$0.00	
Overtime	\$0.00										\$0.00	
Annual											\$0.00	
Monthly rate					\$783.00					3	\$2,349.00	
Bi-monthly rate									24		\$0.00	
Bi-weekly gross									26		\$0.00	
Weekly gross									52		\$0.00	
SSI/Pension Cola Increase											\$0.00	
Raise								0	0.00		\$0.00	
Raise on OT (hrly raise x 1.5)	\$0.00							0	0.00		\$0.00	
Shift Differential									52		\$0.00	
Bonus, commissions, tips per month					\$806.00					9	\$7,254.00	
Bonus, commissions, tips bi-monthly									24		\$0.00	
Bonus, commissions, tips bi-weekly									26		\$0.00	
Bonus, commissions, tips per week									52		\$0.00	
Bonus, commissions, tips quarterly										4	\$0.00	
If in industry that tips, but tip amounts were not disclosed or verified by employer: ---->	Industry										Subtotal	\$9,603.00
											Imputed Tips (if applicable)	0
											Annual Total	\$9,603.00

## Pensions

Monthly income from employment related retirement pensions, disability or death benefits, or other similar periodic income, including Veterans Admin benefits (disability or retirement)

- Verification: Current monthly benefit statement or current year award letter stating gross monthly benefit.

### EXAMPLE

The Household member receives \$1,645/month from their pension.

Pension \$1,645 x 12 = \$19,740.

Utilize the Annualized Periodic Income section of the TIC Income tab as such to calculate and include in the certification file.

## Alimony and Child Support

Monthly or other recurring income for the care of a child or continued support from a former spouse.

- Verification: One of the following:
  - Alimony: Separation Agreement/Divorce Decree with amount of Alimony OR notarized letter from former spouse paying support
  - Child Support: MFTE/IZ *Child Support Affidavit*

- AND print out from DSHS/Office of Support Enforcement OR notarized letter from parent paying support.

**EXAMPLE**

An applicant reports receiving child support directly from the non-custodial parent. The non-custodial parent provides a notarized statement that they provide monthly support in the amount of \$400.

\$400 x 12 = \$4800 annually.

Utilize the Annualized Periodic Income section on the TIC Income tab to perform the calculations and include in the certification file.

### Military Pay

Military income is paid on a semi-monthly basis. The Leave and Earnings Statement (LES) verifies Base Pay, Basic Allowance for Subsistence (BAS) and Basic Allowance for Housing (BAH). Base Pay and BAH are included as income. BAS is considered exempt income but should be entered on the 3<sup>rd</sup> page of the TIC.

Non-Exempt Income (Count on Page 1 of TIC)	Exempt Income (Record on Optional Page 3 of TIC)
<ul style="list-style-type: none"> <li>• Basic Pay</li> <li>• Basic Allowance for Housing (BAH)</li> <li>• Family Separation Allowance</li> </ul>	<ul style="list-style-type: none"> <li>• Basic Allowance for Subsistence (BAS)</li> <li>• Clothing Allowance</li> <li>• Dislocation Allowance (DLA)</li> <li>• Family Subsistence Supplemental Allowance</li> <li>• Combat Pay</li> </ul>

- Verification: Two consecutive LES statements stating gross pay. If receiving other income two consecutive statements to verify gross income.

**EXAMPLE**

The LES on the following page provides the Base Pay of \$2,247.30, BAS of \$294.43 and BAH of \$1725.00, each paid semi-monthly.

DEFENSE FINANCE AND ACCOUNTING SERVICE MILITARY LEAVE AND EARNINGS STATEMENT															
ID	NAME (Last, First,MI)			SOC. SEC. NO.	GRADE	PAY DATE	YRS SVC	ETS	BRANCH	ADSN/DSSN	PERIOD COVERED				
	[REDACTED]			[REDACTED]	E5	040211	04	100210	AF	[REDACTED]	1-31 JUL 08				
ENTITLEMENTS				DEDUCTIONS				ALLOTMENTS				SUMMARY			
Type	Amount			Type	Amount			Type	Amount			+Amt Fwd			
A	BASE PAY	2247.30			FEDERAL TAXES	88.46			DISCRETIONARY ALT	1521.00			+Tot Ent		4266.73
B	BAS	294.43			FICA-SOC SECURITY	139.33			TRICARE DENTAL	11.58			-Tot Ded		1570.22
C	BAH	1725.00			FICA-MEDICARE	32.58							-Tot Allt		1532.58
D					SGLI	27.00							=Net Amt		1163.93
E					AFRH	.50							-Cr Fwd		.00
F					FAMILY SGLI	5.50							=EOM Pay		1163.93
G					TSP	112.37									
H					MID-MONTH-PAY	1164.47									
I															
J															
K															
L															
M															
N															
O															
TOTAL				4266.73				1570.22				1532.58			
LEAVE	BF Bal	Ermd	Used	Cr Bal	ETS Bal	Lv Lost	Lv Paid	Use/Lose	FED TAXES	Wage Period	Wage YTD	M/S	Ex	Add'l Tax	Tax YTD
	25.5	25.0	11	39.5	85.5	.0	.0	.0	2134.93	13682.36	M	02	.00	.00	493.01
FICA TAXES	Wage Period	Soc Wage YTD			Soc Tax YTD	Med Wage YTD	Med Tax YTD	STATE TAXES	St	Wage Period	Wage YTD	M/S	Ex	Tax YTD	
	2247.30	14402.50			892.94	14402.50	208.83	AK	.00	.00	.00	N	00	.00	
PAY DATA	BAQ Type	BAQ Depn	VHA Zip	Rent Amt	Share	Stat	JFTR	Depns	2D JFTR	BAS Type	Charity YTD	TPC	PACIDN		
	WDEP	SPOUSE	08641	.00	1	R		0			.00				

Base Pay \$2,247.30 x 24 = \$53,935.20.

BAS \$294.43 x 24 = \$7061.76 This income is exempt and will not be recorded on the TIC or used for eligibility determination.

BAH \$1750 x 24 = \$42,000.

Annual Base Pay + Annual BAH = \$95,935.20.

Utilize the Annualized Periodic Income section of the TIC Income tab as such to calculate and include in the certification file.

	Hourly Rate	Gross weekly rate	Gross bi-weekly rate	Gross bi-monthly rate	Gross monthly rate	Gross quarterly rate	Gross yearly rate	# of hours per week	# of weeks per year	# of months per year	Annual Total	
<b>1.) Annualized Periodic Income</b>												
Base Pay									52		\$0.00	
Overtime	\$0.00							0	52		\$0.00	
Annual										12	\$0.00	
Monthly rate											\$0.00	
Bi-monthly rate				\$2,247.30					24		\$53,935.20	
Bi-weekly gross									26		\$0.00	
Weekly gross									52		\$0.00	
SSI/Pension Cola Increase											\$0.00	
Raise								0	0.00		\$0.00	
Raise on OT (hrly raise x 1.5)	\$0.00							0	0.00		\$0.00	
Shift Differential									52		\$0.00	
Bonus, commissions, tips per month										12	\$0.00	
Bonus, commissions, tips bi-monthly				\$1,750.00					24		\$42,000.00	
Bonus, commissions, tips bi-weekly									26		\$0.00	
Bonus, commissions, tips per week									52		\$0.00	
Bonus, commissions, tips quarterly										4	\$0.00	
If in industry that tips, but tip amounts were not disclosed or verified by employer: ----->	Industry										Subtotal	\$95,935.20
											Imputed Tips (if applicable)	0
											Annual Total	\$95,935.20

## Selling of Goods

Income received by selling goods and not being considered self-employed. If the applicant does report the selling of goods to the IRS as a business, they would be considered self-employed. See Self Employment section above.

- Verification: Deposits made into the applicants checking, savings or other digital forms (Venmo/PayPal/CashApp)

## VENMO/PAYPAL/CASHAPP

Deposits from online cash apps such as Venmo, PayPal or similar. Often these deposits are due to the repayment of a loan or the splitting of a bill, however it is also very common that these payment channels are used to pay for goods or services. If an applicant has deposits of these nature, they shall be counted and projected forward unless the applicant can provide supporting documentation to show that this is not the case. The account statements often show what the payment is for. Applicants may also include receipts connecting payments to repayments.

- Verification: Six (6) consecutive months statements from each source reviewed for recurring deposits that should be included as income. Applicants should make statements and provide any substantiating documentation for deposit larger than \$300 and claimed to be repayment (such as rent splitting, vacation splitting, etc.).
- To calculate income, annualize anything identified as income.

## Rental Income

Monies received for rent of a property owned or co-owned by applicant. This includes money given directly to the applicant or directly to the mortgage holder of the residence.

- Verification: Applicant completed Real Estate Valuation form and IRS Form 1040 with Schedule E (Rental Income) and a statement from lessee or a copy of the Lease Agreement.

The Real Estate Valuation form has embedded formulas and includes instructions on where to input data into the TIC.

Rental Income will need to be extracted from the Schedule E in order to be entered into Part III of the TIC as Other Income.

## Employee Rent Concessions

Monthly discounted rent for employees of the owner or property management company. As rent discounts are a common add on in company compensation packages, employees who lease a Designated Unit must include any rent reduction, discount, or credits towards their overall income calculation. This monthly discount shall be a separate line item listed with wage income. See Chapter 3 regarding the administration of these units.

- Verification: Rent ledger for applicant-employee that demonstrates the monthly discount in rent. This is included as income.

EXAMPLE

The Household member receives \$700/ month in rent credit.

Rent Credit  $\$700 \times 12 = \$8,400$ .

Utilize the Annualized Periodic Income section of the TIC Income tab as such to calculate and include in the certification file.

## Income Changes – Recent Changes to Income

Applicants may not lower their hours and/or quit their jobs to income qualify for a rent restricted. If an applicant is found to have affected their income solely for the purpose of income qualifying for the Affordable Housing Incentive Programs, they may not reapply for the program for a minimum of 6 months.

Changes in income are seen by looking at income retroactively for the prior 3 months. If there is a question or concern about hours worked and/or additional employment contracts, Owners/PM Staff may request a statement from the Employment Security Office which notates hours claimed to the State for employment/wage/tax purposes.

## Trusts: When the Applicant is the Beneficiary.

- Verification. Disbursement statement.

Utilize the Annualized Periodic Income section of the TIC Income tab as such to calculate and include in the certification file.

### EXAMPLE

The applicant provides a statement that shows they receive \$1,500/month from their trust.

$\$1,500 \times 12 \text{ months} = \$18,000$ .

Utilize the Annualized Periodic Income section of the TIC Income tab as such to calculate and include in the certification file.

When the applicant is the grantor of a trust, please refer to page 66.

## Additional Income Information

### *LIVE IN AID*

If a property management approves a Reasonable Accommodation for a Live-in Aid, or if the Housing Authority approves a Live In Aid for a voucher holder, property management shall not include the income for a live in aid. It is the buildings responsibility to screen potential live in aids.

### INCOME FROM MINORS

Wages from minor shall be exempt and not counted toward household income. However, TANF, Social Security, Trust disbursements, etc. shall be counted toward household income.

- Verification: See each individual example above.
- Recording: Non-Exempt income should be recorded on page 1 of the TIC. Exempt income should be recorded on the Optional Page 3 Exempt Income form for the TIC.

### FOSTER CARE INCOME

Foster care income is public assistance in return for the care of a child in the foster system.

- Verification: Complete a *Public Assistance Verification* and submit to DSHS or the private agency providing services
- Recording: Non-Exempt income should be recorded on page 1 of the TIC. Exempt income should be recorded on the Optional Page 3 Exempt Income form for the TIC.

### INCOME FROM TEMPORARILY ABSENT FAMILY MEMBERS

Owners must count all income of family members approved to reside in the unit, even if some members are temporarily absent. If the owner determines that an absent person is no longer a family member, the individual must be removed from the lease and household composition.

If the spouse or a dependent of the person on active military duty resides in the unit, that person's income must be counted in full, even if the military member is not the head, or spouse of the head of the family. The income of the head, spouse, or co-head will be counted even if that person is temporarily absent for active military duty.

### LUMP SUM RECEIPTS

Lump sum amounts are generally not included as income but treated as an asset. This includes, but is not limited to, inheritances, one-time lottery winnings, insurance settlements or lump sums due to a delay in certain benefits, e.g., Unemployment or Social Security. However, if the income is expected to continue for any reason besides the one-time pay out, it should be considered income.

- Obtain 6 months bank statements if the lump sum has been deposited and consider it an asset.

### ZERO INCOME

Any adult that claims to have zero/no income, even if another household member does have income, must complete an *Affidavit of Non-Employment*. The household member must indicate their current situation, how they are planning on covering living costs, and their plan for income within the compliance period. This form must be completed when an applicant indicates they are living on savings.

If there is a concern that the plan is not *reasonable*, Owners/PM Staff may not approve a file until the applicant can provide an adequate and reasonable scenario on how they will cover living arrangements.

If an applicant indicates they are currently not working, but plan on obtaining a job, current wage statistics for the area must be imputed and counted towards household income. Current occupation projections for the prior year may be found at <https://esd.wa.gov/labormarketinfo/occupations>.

Owners/PM Staff will obtain a print off to be used for verification and calculation purposes. The median income projection will be the figure used in income calculations.

If an applicant completes an *Affidavit of Non-Employment* stating that they have no intent on obtaining employment within the next 12-month period, and later it is found that the applicant did obtain a job within 90 days, Owners/PM Staff may determine that the applicant manipulated their paperwork in order to qualify for the program. In this case Owners/PM Staff may take action to remove the restriction status of the unit or follow other procedures used for dealing with fraudulent files.

## Section 2. Assets

Assets are items of value that may be turned into cash. While OH does not count the value of the asset when determining a prospective renter's eligibility for a Designated Unit, any gains from assets will be counted towards the overall household income. OH also does not set limits on asset values.

Types of income include:

- Interest: Money paid regularly at a particular rate for the use of money lent, or for delaying the repayment of a debt.
- Capital Gain: A profit from the sale of property or an investment.
- Dividend: A dividend is a distribution of profits by a corporation to its shareholders. When a corporation earns a profit or surplus, it is able to pay a proportion of the profit as a dividend to shareholders.
- Equity of real estate: The difference between the fair market value of the property and the amount of money you owe on the mortgage.
- Disbursements: The payment of money from a fund.

When recording assets on the TIC, the Building will record the cash value (total current value *less* penalties and costs to liquidate) in Part IV. If the applicant cannot/does not provide documentation as to the liquidation penalties, the total value shall be used.

When calculating the income from an asset, there are two ways to do that and OH requires the greater of the two to be included as income.

Current vs. imputed:

- Current income earned from assets reflects the actual realized gain from an asset. This is most easily calculated on bank or credit union accounts such as checking and savings or money market accounts that explicitly state the rate of return on the monthly statement.
- Imputed amounts are calculated based on the HUD passbook rate. The current rate is .06%, but this may change. Owners/PM Staff must look at both the current and actual gains as well as the imputed gains.
- The Owner/PM Staff should use the higher of the current or imputed income to calculate income from assets.

Below is a list of common types of assets and the types of verification required for each asset. This is not an exhaustive list.



## Checking Accounts

Checking accounts are assets held with a financial institute that can receive deposits and withdrawals. Generally, has a low or no interest earnings.

- Verification: Six (6) consecutive statements prior to move-in. Owners/PM Staff should review for any deposits and obtain further verification for any deposit over \$300.
- To calculate income, average the ending balance for the six statements and impute in the TIC Part IV.
- If the checking account bears interest, annualize actual interest earned.

## Savings Accounts

Savings accounts are assets held with a financial institute that can receive deposits and account owners can withdrawal from account.

- Verification: Six (6) consecutive statements prior to move-in. Owners/PM Staff should review for any deposits and obtain further verification for any deposit over \$300.
- To calculate income, first average the ending balance for the six statements. Then annualize actual interest earned as noted on the statements.

## Stocks/Bonds/Treasury Bills/Certificates of Deposit/Money Market Accounts

The primary income from these types of assets is interest and dividends. Income can also be gained from the sale of either stocks or bonds for profit.

- Verification: Quarterly statements that show the value of the asset. When possible, get a completed Annuity, Stock and 401(k) Verification from their stockbroker as to the new amount a family or household would receive if they liquidated the asset, less any penalties/fees for early withdrawal.
- First calculate the value of the asset. This can be done by using the value of the account on the statement. If applicant provides a statement allowing for the quantification of any penalties or fees to liquidate, deduct this amount and enter the net amount in the TIC.
- Next, calculate the income from the asset by annualizing any dividends, disbursements or other payments noted in the statement.

### EXAMPLE

A household provides a quarterly statement valued at \$50,000 and the statement shows a dividend in the amount of \$250. No other statement related to liquidation expenses is provided.

Enter \$50,000 as the cash value in Part IV of the TIC.

Income from asset = \$250 x 4 quarters = \$1000.



Statements should reflect gains from the previous statement period to the next. If the applicant does not provide documentation of penalties, withdrawal fees, or restrictions, count the full value. To calculate income, apply the same protocol as you would a Stock/Bond/etc. above.

## Trusts: When the Applicant is the Grantor.

A trust is a legal arrangement regulated by state law in which one party holds property for the benefit of another. A trust can be cash or other liquid assets, or real or personal property that could be turned into cash. There are two types of trusts, revocable and irrevocable.

- **Revocable Trusts:** The grantor of a revocable trust can change this type of trust as often as they wish and therefore has access to this asset at any time. When an applicant grants this type of trust for another, it is considered an asset and should be included in Part IV of the TIC.
- **Irrevocable Trusts:** This trust agreement allows an individual to permanently transfer the asset during their lifetime to someone else. Trust which are irrevocable by or under the control of any member of the household are not considered assets and should not be included in Part IV of the TIC.

To calculate income, apply the same protocol as you would a Stock/Bond/etc. above.

As long as the trust exist, the actual income distributed to the household from such a trust must be included as income when determining eligibility. If not, income is distributed to the household then do not count income from the trust.

- **Verification:** Obtain a copy of the trust document.

## Life Insurance

There are multiple types of life insurance policies. In most cases, the applicant has to access to the money in the policy, as it will pay out to their beneficiary after their death. Universal Life insurance, however, builds a “cash value” that may be withdrawn. Policies must be reviewed to see if they are Term or Whole Life, or Universal Life.

- **Verification:** For Whole life and Universal Life policies only: Utilize the Insurance Verification form to determine the asset value to impute income.

## Real Estate Owned

The value of the real estate is included as an asset, minus any unpaid balance on loans and reasonable costs incurred to sell the asset (broker fees, penalties, etc.)

- **Verification:** Household must complete the Real Estate Valuation Form and supply any additional information as directed by the form.

## Personal Property / Collectibles Held as Investment

This is for actual goods that are obtained and retained as an investment, such as gems, jewelry, coin collections, antique cars, etc. A household's wedding ring would be considered personal jewelry and other personal items are not included as assets.

- Verification: Insurance valuation of the personal property/collectible held as an investment OR current market-rate for given item. Impute increase in value.

## Annuity

A fixed sum of money paid to someone on a yearly basis.

As an investment, the regular annual payment shall be counted towards the annual income, as well as the interest earned on the total amount.

- Verification: Obtain the annuity contract.

## Cash on Hand / Funds Not Held in a Financial Institution

Monies not kept in a financial institution but is available to the applicant.

- Verification: Applicant completed Cash on Hand Affidavit for amounts \$1,000 or more only.

## Assets Disposed of for Less than Fair Market Value

Applicants who dispose of assets for less than fair value have, in essence, voluntarily reduced their ability to pay for housing. This is looked at similarly as someone who changes their income in order to qualify for the program. Any assets found to have been sold for less than fair market value should be included in the annual income projection. To determine the amount used he will determine the market value of the asset and reduce by the actual sales price. The difference shall be listed on the TIC as "other" income.

## Transactions Found in Statements

All applicants are required to submit six (6) consecutive months of statements for each and all of their asset accounts for verification and documentation purposes. While reviewing statements, any and all deposits coming in must be noted and identified, as well as coincide with the information listed on the Income Certification. If while reviewing these statements an applicant is found to have deposits that do not match what is disclosed in the Income Certification, they must be counted as income unless:

Any given amount is less than \$300.

Or

The deposit is from the US Treasury in the form of a tax return.

Or

The applicant can match transactions to receipts for dinners/purchases made as a group and the incoming transactions are from group purchase members.

Or

The applicant is self-employed. Review the profit and loss statement. Some deposits may be business related and thus business-related expenses are applicable. If deposits project out to be higher than receipts disclosed during the Self-Employment income verification process, re-review the information disclosed with the applicant.

### Withdrawal of Cash or Assets from an Investment

Any asset disbursement payments shall be totaled over a six (6) month period and projected forward (doubled). The entire amount of asset disbursements shall be counted as income.

### Joint Assets

If an applicant is named on an asset account, and they have access to the resources in the account, the account in its entirety shall be counted.

## Appendix B. Abbreviations and Defined Terms

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Common terms used throughout this manual are defined below. Please note that these definitions are *specific to usage in this manual* specifically and do not necessarily align with the terms' usage in other contexts or documents.

**Affirmative Marketing:** A plan for marketing available affordable housing units in a project to ensure compliance with the MFTE/IZ/MHA programs and federal, state, and local fair housing laws governing the prohibition of discriminatory housing practices.

**Affordability Classification:** The maximum income and associated rent threshold assigned to any household occupying given Designated Unit, expressed as a maximum percentage of the area median income.

**Affordable Housing:** Any rental unit subject to upper limits on tenant incomes and rents. Also known as income- and rent-restricted housing.

**Annual Income Certification:** Income and asset certification for the entire household that must be completed annually and effective on the date of the household's anniversary date.

**Annual Report Certification:** Information required to be submitted to OH annually, including information regarding units, rents, incomes for affordable housing residents, and other as determined by OH. Reports are due January 31 for the period of January 1 – December 31 of the previous calendar year.

**Area Median Income (AMI):** The median income for the metropolitan statistical area in which an affordable housing unit is located, as determined by the U.S Department of Housing and Urban Development. This is published by HUD from time to time aligns with the Affordability Classifications for specific Designated Units.

**Certification Period:** The 12 months, or 365-day period commencing on the day of the initial lease start date. This is the period looked at for projecting income on an initial income certification.

**Compliance Fee:** Annual fees due to OH for units under certain Incentive Programs.

**Compliance Period:** The period of time that a building is required to follow all applicable criteria outlined in the executed agreements and covenants pertaining to the Incentive Programs.

**Designated Unit:** A residential unit that subject to income- and rent-restrictions under one or more of the Incentive Programs.

**Eligible Household:** A household that has completed an initial income certification and has been determined to have an income no greater than the applicable income limit. The household shall remain eligible until determined otherwise.

**Gross Income:** The gross amount (before taxes or deductions) or wages, salaries, overtime pay, commissions, fees, tips, bonuses, and other compensation of all of the adults of the household.

**Household:** The combined total of one or more applicants/tenants who occupy residential unit.

**Incentive Programs:** City of Seattle programs that provide a property tax exemption, opportunities to build more intensively, or other distinct opportunity to real estate developers in conjunction with an obligation for developers to support the production of affordable housing within the City.

**Incentive Zoning (IZ):** Land use programs under which developers of commercial or residential properties could tap extra (or “bonus”) height and/or floor area when contributing to affordable housing production either through payment to OH or an on-site or off-site performance option. As of 2020 Incentive Zoning for affordable rental housing production has been replaced with Mandatory Housing Affordability.

**Income Certification (IC):** Application completed by the applicant for consideration of eligibility of an income and rent restricted affordable housing unit. This form is completed by the applicant household and reviewed with Property Management.

**Initial Income Certification:** Income and asset certification for the entire household that must be completed before a lease for a Designated Unit can be signed.

**Lease Rider:** Disclosures and other information that differentiate a Designated Unit lease from the form of lease for market-rate units. As established in this manual, Owners shall attach to each resident lease and rental agreement for all Designated Units.

**Mandatory Housing Affordability (MHA):** Land use programs, codified at SMC 23.58B and SMC 23.58C, that provided contributions to affordable housing production in locations zoned for additional height and/or floor area through triggering land use actions. MHA offers developers both payment and performance options.

**MFTE:** Multi-Family Tax Exemption, codified at SMC 5.73.

**Noncompliance:** A failure to observe or perform any covenant, condition, or term of any agreement between the Owner and The Office, or failure to meet the requirements of SMC that governs the program.

**OH:** The Seattle Office of Housing.

**Owner:** The legal owner of record for a Property participating in an Incentive program. The Owner holds sole responsibility for upholding the agreements that establish the Owner’s and the City’s mutual rights and responsibilities.

**PM Staff:** Property management staff. As used in this manual, can include leasing agents or any other personnel employed or contracted by the Owner for the purposes of day-to-day administration of a Property.

**Property:** The entire real estate asset, inclusive of building and land, that participates in a City Incentive Program.

**SDCI:** The Seattle Department of Construction and Inspections.

**SHA:** Seattle Housing Authority.

**SMC:** Seattle Municipal Code.

**SOCR:** Seattle Office for Civil Rights.

**Subsidy:** Ongoing or time limited financial support from a federally or locally funded agency in the form of monthly rental payment (either rent in its entirety or a partial payment towards rent). Common forms of subsidy are the Housing Choice Voucher (Section 8) or HEN (Housing & Essential Needs) among others.

**Tenant Income Certification (TIC):** Form completed by a property's property management staff and signed by the household which details the household's total income, determination of eligibility, and gross rent.

**TRAO:** The City's Tenant Relocation Assistance Ordinance.

**The City:** The City of Seattle.

**WSHFC:** Washington State Housing Finance Commission.