

# Multifamily Tax Exemption 2021 Report

SEATTLE OFFICE OF HOUSING

APRIL 2022



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## SECTION I: INTRODUCTION

The City of Seattle’s Multifamily Tax Exemption (MFTE) program provides a property tax exemption to owners of multifamily rental properties and buyers of homes in multifamily developments. For rental properties, property owners are exempt from property taxes on residential improvements in exchange for limiting housing costs for income-qualified households on at least 20 percent of the units. For condominiums or other for-sale multifamily developments, the tax exemption accrues to the eligible buyer of each income- and price-restricted home. The property tax exemption, which is for up to 12 years unless extended according to [SB 5287](#), is for residential and related improvements in multifamily structures (not including land or non-residential uses).

### MFTE Programs

The City’s current MFTE program is codified in SMC Chapter 5.73. The Seattle City Council adopted MFTE in 1998 and reauthorized the program, with amendments, five times since then. MFTE’s unique iterations over time are commonly referred to as Programs 1 through 6.

**Table 1.0: MFTE Legislative History**

PROGRAM 1 <sup>1</sup>	PROGRAM 2	PROGRAM 3	PROGRAM 4	PROGRAM 5	PROGRAM 6
Ordinance 119237 1/1/1999 (P1.1)	Ordinance 121415 4/18/2004 (P2.1)	Ordinance 122730 8/6/2008 (P3.1)	Ordinance 123550 4/8/2011 (P4.1)	Ordinance 124877 11/1/2015 (P5.1)	Ordinance 125932 10/24/2019 (P6.1)
Up to 10-year MFTE	Up to 10-year MFTE	Up to 12-year MFTE	Up to 12-year MFTE	Up to 12-year MFTE	Up to 12-year MFTE

<sup>1</sup> MFTE Program 1 is codified in SMC Chapter 5.72. MFTE Programs 2 through 6 are codified in SMC Chapter 5.73.

**Table 1.0 (continued): MFTE Legislative History**

PROGRAM 1	PROGRAM 2	PROGRAM 3	PROGRAM 4	PROGRAM 5	PROGRAM 6
MFTE Unit Set-Aside varies depending on Residential Target Area	MFTE Unit Set-Aside varies depending on AMI limit	MFTE Unit Set-Aside = 20% of total units	MFTE Unit Set-Aside = 20% of total units	MFTE Unit Set-Aside = 20% or 25% of total units depending on number of 2+ BR units	MFTE Unit Set-Aside = 20% or 25% of total units depending on number of 2+ BR units
MFTE Unit AMI limits  40% @ 60% AMI in Pike-Pine urban center village  25% @ 80% AMI in other Residential Target Areas	MFTE Unit AMI limits  Rental 20% @ 60% AMI, or 25% @ 65% AMI, or 30% @ 70% AMI  Owner ≤ 80% AMI	MFTE Unit AMI limits  Rental 80% AMI or 90% AMI, depending on number of bedrooms  Owner ≤ 100% AMI or 120% AMI, depending on number of bedrooms	MFTE Unit AMI limits  Rental 65% AMI, 75% AMI, or 85% AMI, depending on number of bedrooms  Owner ≤ 100% AMI or 120% AMI, depending on number of bedrooms	MFTE Unit AMI limits  Rental 40% AMI, 65% AMI, 75% AMI, 85% AMI, or 90% AMI, depending on unit type  Owner ≤ 100% AMI or 120% AMI, depending on number of bedrooms	MFTE Unit AMI limits  Rental 40% AMI, 60% AMI, 70% AMI, 85% AMI, or 90% AMI, depending on unit size  Owner ≤ 100% AMI or 120% AMI, depending on unit size
Amendments  Ordinance 119371 2/16/1999 P1.2  Ordinance 120135 10/30/2000 P1.3	Amendments  Ordinance 121700 12/17/2004 P2.2  Ordinance 121915 9/22/2005 P2.3		Amendments  Ordinance 123727 10/12/2011 P4.2  Ordinance 124724 2/27/2015 P4.3 <sup>2</sup>		Amendments  Ordinance 126392 7/27/2021 P6.2  Ordinance 126443 9/27/2021 P6.3 <sup>3</sup>

<sup>2</sup> Ordinance 124724 amended MFTE Program 4 to require a higher-aside (25%) of projects' Small Efficiency Dwelling Units ("SEDUs") compared to other types of units and lowered the affordability/income limit for SEDUs to 40% AMI. This iteration of Program 4 is commonly referred to as P4.3.

<sup>3</sup> Ordinance 126443 authorizes 12-year extensions for properties with MFTE expiring on 12/31/2021 or 12/31/2022. See *Table 5.1: Current Rent Limits by Unit Type* for AMI limits for properties qualifying for MFTE extensions.

The Seattle Office of Housing administers the MFTE Program. SMC Chapter 5.73 outlines the minimum requirements for MFTE program applications, recorded agreements, and issuance of Final Certificates of Tax Exemption. Multifamily housing property owners must apply for a Final Certificate of Tax Exemption within 30 days of issuance of a temporary certificate of occupancy, or a permanent certificate of occupancy if no temporary certificate is issued.<sup>4</sup> Final Certificates approved by the Office of Housing are filed with the King County Assessor. The tax exemption begins on January 1 of the calendar year following the date of the Final Certificate of Tax Exemption.

In 2021, City Council adopted two ordinances amending the P6 MFTE program to address new provisions authorized or required by chapter 84.14 RCW, as amended by [SB 5287](#) that the state legislature passed in the 2021 legislative session.<sup>5</sup>

With Ordinance 126392, construction completion deadlines were effectively doubled from five years (which reflects the three-year deadline plus a two-year extension) to ten years. The new ten-year deadline for construction of a project was narrowly targeted to owners of projects with construction deadlines between February 15, 2020 and February 15, 2022 who demonstrated completion delays were due to COVID-19. This longer timeline enabled two projects to vest to higher AMI limits no longer allowed under P6. The rent limit for Cubix at Othello (all SEDUs), which opened in late 2021, is 65% AMI (currently \$1,316). The building permit has not been issued yet for the second project, located in Columbia City.

The second legislative bill, Ordinance 126443, amended SMC Chapter 5.73 to:

- Provide a 12-year extension option to MFTE properties expiring in 2021 and 2022;
- Provide a 20-year exemption option for permanently affordable homeownership projects; and
- Add minimum tenant protection requirements under the RCW.

Also in 2021, the Office of Housing published [Director's Rule 2021-02](#), as directed by SMC 5.73, to provide owners of residential towers measuring greater than 95 feet in height different requirements for MFTE unit distribution.

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<sup>4</sup> If no certificate of occupancy is required, the application for a Final Certificate of Tax Exemption is due within 30 days of the final building permit inspection.

<sup>5</sup> See *Section VI: State Legislative Changes* for more information.

## Definitions for Terms Used in this Report

“Approved application” means, as of December 31, 2021, the Office of Housing approved the initial MFTE application for the property. Properties with an approved application may have an MFTE status of pipeline, in service, expired, or opted out, each defined below.

“Final Certificates of Tax Exemption” means properties for which, as of December 31, 2021, the Office of Housing issued a Final Certificate of Tax Exemption. Properties with an issued Final Certificate of Tax Exemption may have an MFTE property status of in service, expired, or opted out. Pipeline properties, although they have approved applications, have yet to demonstrate eligibility for issuance of Final Certificates of Tax Exemption.

“Multifamily housing” means the residential uses in one or more residential or mixed-use structures, each of which includes at least four net new dwelling units, SEDUs, or congregate residence sleeping rooms designed for permanent residential occupancy. The property tax exemption accrues to the owner of eligible renter-occupied multifamily housing or to eligible buyers of homes in owner-occupied multifamily developments.

MFTE property status:

“Expired” means, as of December 31, 2021, the maximum 10- or 12-year term, as applicable, of the tax exemption ended and affordability/income requirements for MFTE units no longer apply.

“Extended” means properties for which MFTE expired on December 31, 2021 and the owners opted to extend their MFTE for an additional 12 years in exchange for agreeing to transition to current program requirements.

“In service” means, as of December 31, 2021, the Office of Housing issued a Final Certificate of Tax Exemption for the property and affordability/income requirements MFTE units are available for lease or sale according to terms of a recorded agreement with the City.

“Opted out” means, as of December 31, 2021, the property owner chose to relinquish the tax exemption prior to its expiration date and affordability/income requirements for MFTE units no longer apply.

“Pipeline” means, as of December 31, 2021, the Office of Housing approved an initial MFTE application for the property. Pipeline properties have not yet demonstrated eligibility for issuance of Final Certificates of Tax Exemption. Size and AMI limits for pipeline units are estimates until construction completion.

MFTE property type:

“Low-income housing” means MFTE properties that are City-funded and/or Low-Income Housing Tax Credit/bond-financed.

“Market-rate housing” means MFTE properties that are not subsidized beyond MFTE (i.e. not City-funded and/or Low-Income Housing Tax Credit/bond-financed.)

Unit type:

“MFTE Unit” means a unit with maximum rent or sales price and income limits for residents. MFTE Units are provided as a condition of the multifamily tax exemption.

“Unrestricted unit” means a unit in an MFTE property that is not restricted (i.e. units that are not MFTE Units).

## **Reporting Period**

The outcomes reported for purposes of the 2021 MFTE Annual Report reflect initial application approval and exemption status as December 31, 2021.





## SECTION II: MFTE PROPERTY ACTIVITY

Participation in the MFTE program has grown steadily since its adoption by the City of Seattle in 1998. Since 1998, as of the end of 2021, the number of approved applications totals 332 for rental multifamily housing and 217 for homes for income-eligible buyers. Of the 332 rental properties with approved applications, 266 are in service (including four with MFTE extensions), 55 are in permitting or under construction, and the exemption ended for 11. Of the 217 owner homes with approved applications, 62 are in service, 93 are in permitting or under construction, and the exemption ended for 62.

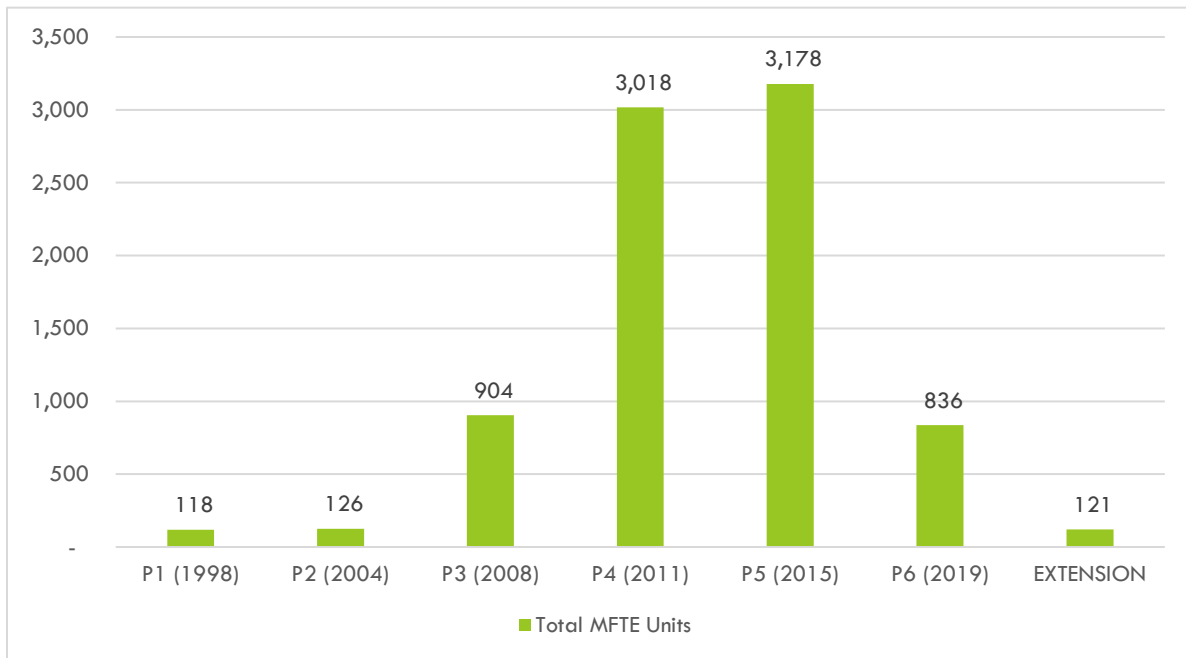
**Table 2.1: Approved Applications, by MFTE Status<sup>6</sup>**

	RENTER-OCCUPIED			OWNER-OCCUPIED
MFTE STATUS	TOTAL PROPERTIES	TOTAL UNITS	MFTE UNITS	MFTE UNITS
IN SERVICE	262	27,944	5,746	62
IN SERVICE (EXTENDED)	4	596	121	0
PIPELINE	55	10,224	2,128	93
EXPIRED AND OPTED OUT	11	1,236	306	62
<b>TOTAL UNITS</b>	<b>332</b>	<b>40,000</b>	<b>8,301</b>	<b>217</b>

<sup>6</sup> Unless expressly stated otherwise, MFTE activity for rental properties in this 2021 Annual Report is exclusive to for-profit owned, market-rate housing. It does not include the 710 MFTE units in 30 low-income rental housing properties for which MFTE only serves as a backstop to a different exemption those properties already qualify for directly through the State of Washington.

All ownership developments using MFTE to date are reflected in the report. Every MFTE unit for owner occupancy is non-profit organization-sponsored and City-funded.

**Chart 2.A: Approved Applications, by MFTE Program (MFTE Rental Units)**



MFTE Program 6 became effective on October 24, 2019. The MFTE application deadline for Program 6 is extended significantly compared to prior MFTE programs. Whereas an initial application previously was due prior to issuance of the first building permit for a project, applications now can be received any time up to six months prior to issuance of a temporary certificate of occupancy. The additional time allows property owners several more years to weigh whether or not to pursue MFTE.

As of December 31, 2021, the Office of Housing approved applications under Program 6 for 18 rental properties that could potentially include approximately 733 MFTE units. In addition, the Office of Housing approved MFTE extensions for four rental properties originally built in 2008 and 2009. Those four properties include 121 MFTE units.

The MFTE pipeline also includes 93 for-sale homes in four developments (in Loyal Heights, Lake City, Capitol Hill, and Othello).

**Table 2.2: Approved Applications, by MFTE Program and Status (Rental Units)**

MFTE PROGRAM AND MFTE STATUS	TOTAL UNITS	MFTE UNITS
P1 – TOTAL	<b>454</b>	<b>118</b>
EXPIRED	291	<b>77</b>
OPTED OUT	163	<b>41</b>
P2 – TOTAL	<b>475</b>	<b>126</b>
EXPIRED	475	<b>126</b>
P3 – TOTAL	<b>5,065</b>	<b>1,025</b>
EXPIRED <sup>7</sup>	278	<b>56</b>
IN SERVICE	4,191	<b>848</b>
P4 – TOTAL	<b>14,741</b>	<b>3,018</b>
IN SERVICE	14,741	3,018
P5 – TOTAL	<b>15,396</b>	<b>3,178</b>
IN SERVICE	8,564	1,777
PIPELINE	6,803	1,395
OPTED OUT	29	6
P6 – TOTAL	<b>3,869</b>	<b>836</b>
IN SERVICE	448	103
PIPELINE	3,421	733
IN SERVICE (EXTENDED)	596	121
<b>GRAND TOTAL</b>	<b>40,000</b>	<b>8,301</b>

<sup>7</sup> Does not include units in four properties in which the P3 agreements were released and new agreements were adopted authorizing extension of for an additional 12 years. The units in those properties appear in the “In Service – Extended” row toward the bottom of the table.

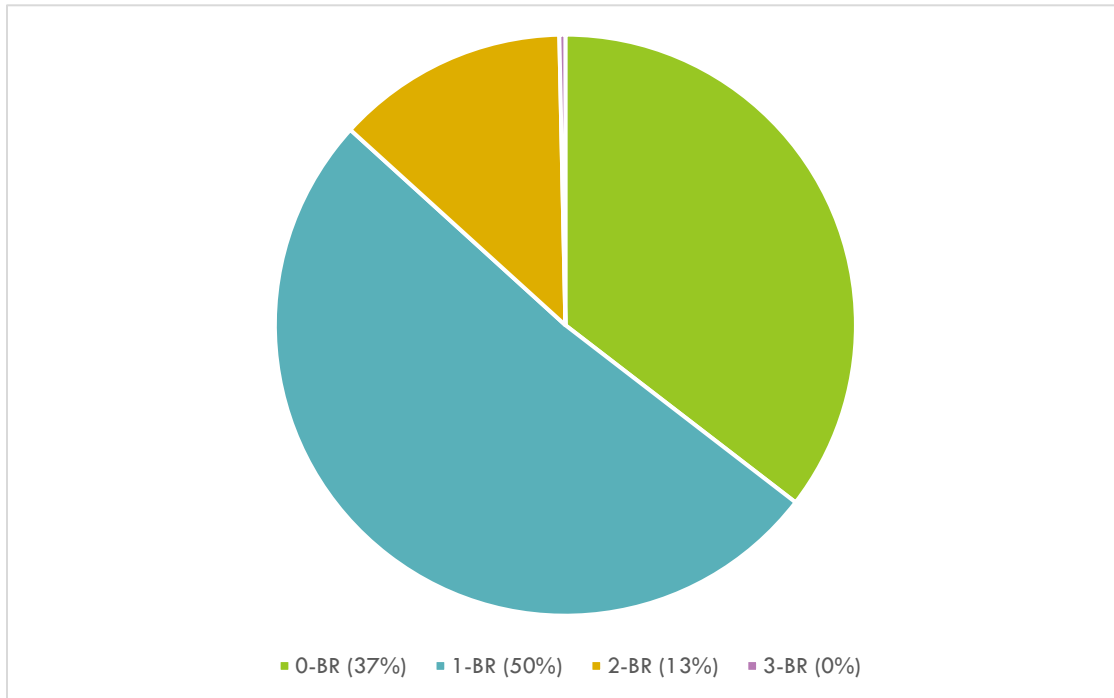
**Table 2.3: Approved Applications, by MFTE Program and Status (Ownership Units)**

MFTE PROGRAM AND MFTE STATUS		MFTE HOMES FOR LOW-INCOME BUYERS
P1	EXPIRED	24
P2		0
P3	IN SERVICE	50
	OPTED OUT	23
	EXPIRED	15
P4	IN SERVICE	4
P5	PIPELINE	68
P6	IN SERVICE	8
	PIPELINE	25
<b>GRAND TOTAL</b>		<b>217</b>

The percentage set-aside and affordability/income limits of MFTE Units vary by MFTE program depending on SMC Chapter 5.73 at the time of initial MFTE application. The affordability/income limit applicable to each MFTE Unit is determined by its size (e.g. SEDU, 0-BR, 1-BR, etc.), as verified by the Office of Housing prior to issuance of a certificate of occupancy.

A lower set-aside percentage may apply if the property includes a minimum number of units with two or more bedrooms. For Program 6, a 20% set-aside (versus 25%) is conditioned on at least 8 percent of total residential units having two or more bedrooms. To date, in properties for which the Office of Housing issued a Final Certificate of Tax Exemption, 13% of total MFTE rental units have two or more bedrooms. As a comparison, about one-quarter of total units in City-funded low-income rental housing (in service as of 12/31/2021) are sized for families with children. All owner-occupied housing using MFTE is also City-funded. Roughly eight in ten of those owner-occupied homes have two or more bedrooms.

**Chart 2.B: Final Certificates of Tax Exemption, by Unit Type (MFTE Rental Units)**



The following are the affordability limits for Program 6, the current MFTE program:

- Congregate Residence sleeping room 40% AMI
- SEDU<sup>8</sup> (if in building with mix of unit types) 40% AMI
- SEDU (if in building with 100% SEDUs) 50% AMI
- 0-Bedroom 60% AMI
- 1-Bedroom 70% AMI
- 2-Bedroom 85% AMI
- 3 or more Bedroom 90% AMI

For owner-occupied developments, if OH received a P6 MFTE application prior to October 27, 2021 (the effective date of Ordinance 126443), income and affordability limits are 100% AMI for 0-bedroom and 1-bedroom units and 120% AMI for units with a larger number of bedrooms. The 100% AMI and 120% AMI ownership limits are the same as for P3, P4, and P5 MFTE properties. For P6 MFTE applications received after October 27, 2021, the maximum AMI for family-size units (two or more bedrooms) is either 115% AMI for standard twelve-year exemptions or 80% AMI for 20-year exemptions conditioned on permanently affordable ownership. Those reduced AMI limits are reflected in the MFTE authorizing statute as amended with the state legislature’s adoption of [SB 5287](#).

Per SMC Chapter 5.73, replacement housing units must be provided in addition to MFTE units if at any time during the 18 months prior to application for the land use permit or, if a land use permit is not required, prior to application for the building permit for the project, a

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<sup>8</sup> SEDU means a unit permitted by SDCI as a Small Efficiency Dwelling Unit.

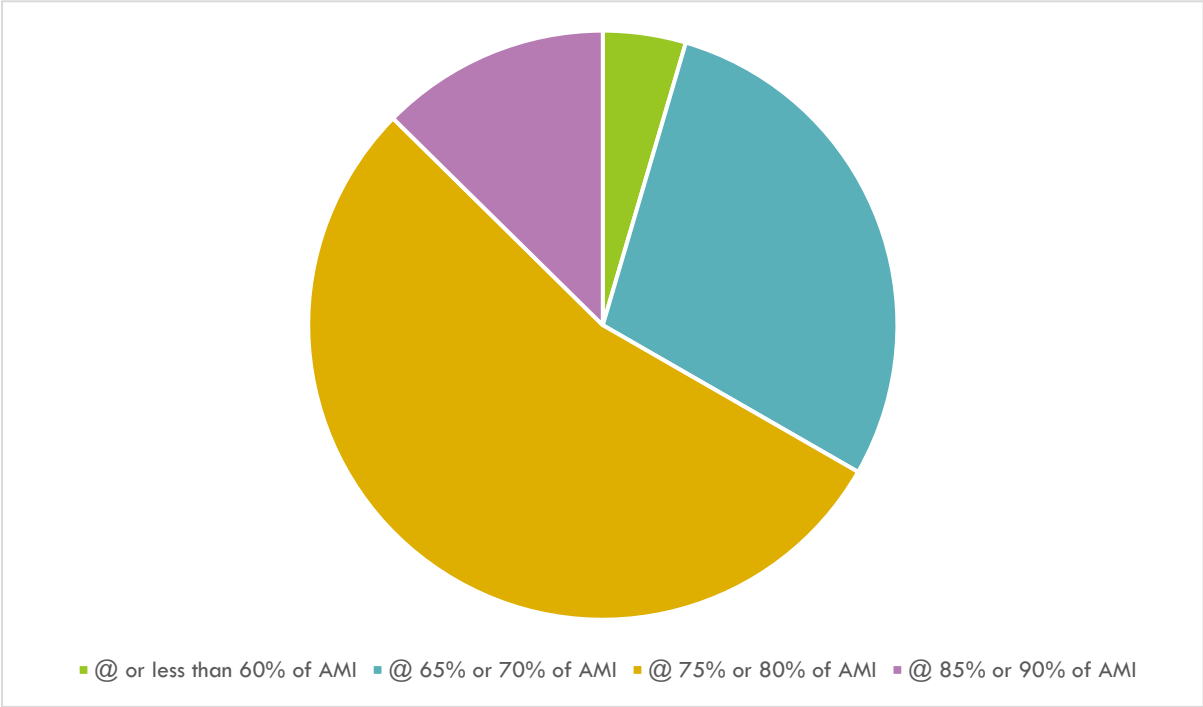
tenant or tenants receiving or eligible to receive a tenant relocation assistance payment under Chapter 22.210 resided in a four or more unit structure to be demolished on the lot of the MFTE development. Replacement rental units must be leased at affordable rents to households with incomes at or below 50% AMI for the duration of the multifamily property tax exemption. To date, owners of nine rental properties have each provided replacement units (between one and three at each property).

**Table 2.4: Approved Applications, by MFTE Status and AMI Limit (MFTE Rental Units)**

MFTE STATUS	40% AMI	50% AMI	60% AMI	65% AMI	70% AMI	75% AMI	80% AMI	85% AMI	90% AMI
PIPELINE	216	0	175	391	274	737	0	313	22
IN SERVICE EXTENDED	0	29	69	0	0	23	0	0	0
IN SERVICE	139	10	20	1,669	18	2,427	723	604	136
EXPIRED	0	0	35	0	91	0	126	0	7
OPTED OUT	0	0	0	0	0	0	41	6	0
<b>TOTAL</b>	<b>355</b>	<b>39</b>	<b>299</b>	<b>2,060</b>	<b>383</b>	<b>3,187</b>	<b>890</b>	<b>923</b>	<b>165</b>

Within MFTE rental properties with issued Final Certificates of Tax Exemption, MFTE Units are restricted as follows: 4% @ or less than 60% AMI, 29% @ 65% or 70% AMI, 54% @ 75% or 80% AMI, and 13% @ 85% or 90% AMI. Size and AMI limits for pipeline units are estimates until construction completion. The shares of MFTE units @ or less than 60% AMI and @ 65% or 70% AMI might slowly increase as MFTE Program 6 pipeline properties are placed in service.

**Chart 2.C: Final Certificates of Tax Exemption, by AMI Limit (MFTE Rental Units)**





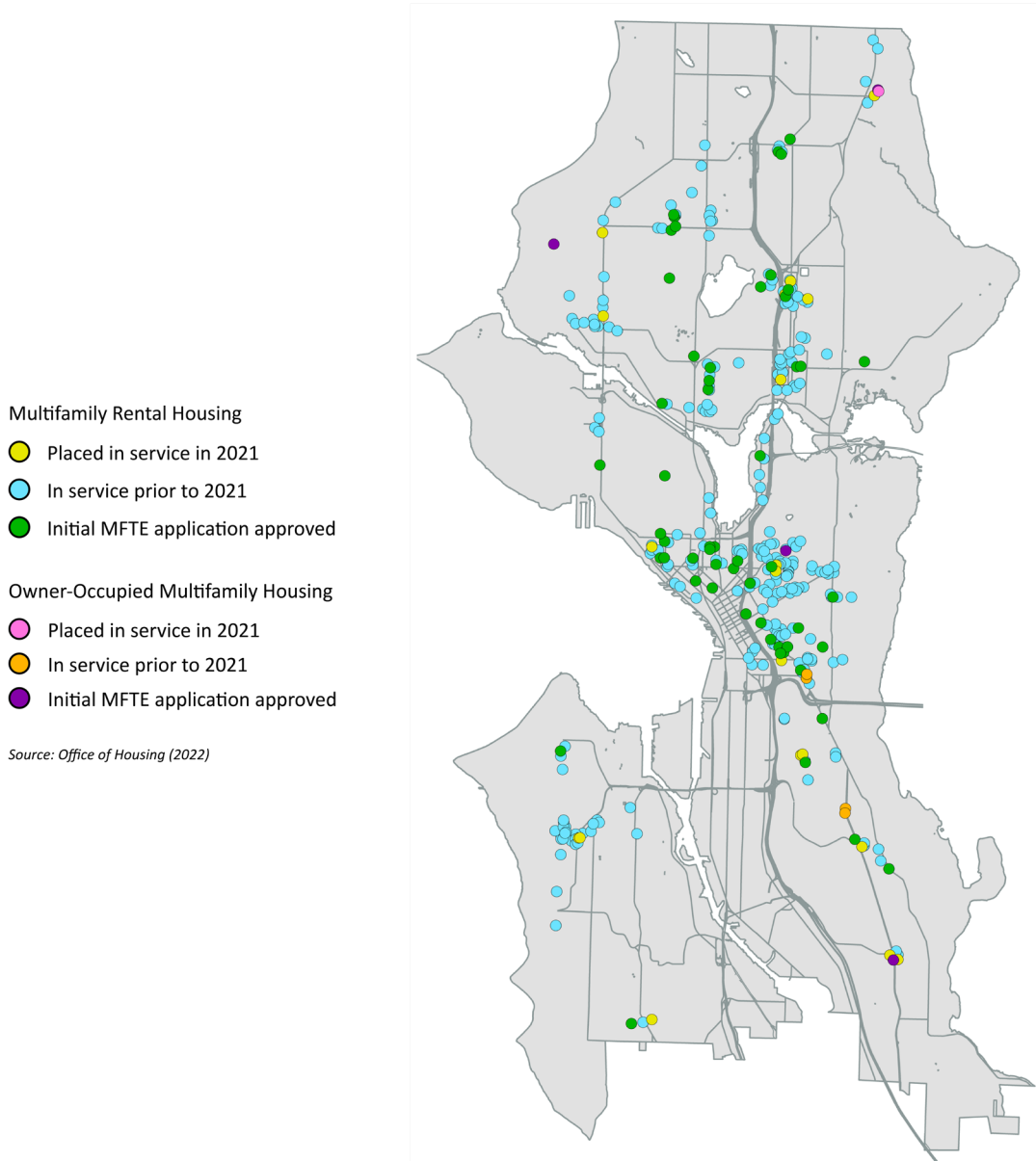
## SECTION III: LOCATION OF MFTE PROPERTIES

To be eligible for a property tax exemption under SMC Chapter 5.73, the multifamily housing must be located in a residential targeted area, as designated by the jurisdiction consistent with Washington state statute requirements. For purposes of SMC Chapter 5.73, the Residential Targeted Area is comprised of all parcels in Seattle zoned to allow multifamily housing according to Title 23.

The map on the following page shows the location of MFTE properties as of 12/31/2021.



## Map: MFTE Properties as of 12/31/2021



## SECTION IV: 2021 FINAL CERTIFICATES OF TAX EXEMPTION

In 2021, OH issued Final Certificates of Tax Exemption for 20 multifamily housing properties in neighborhoods throughout Seattle. Multifamily properties receiving Final Certificates in 2021 total 2,322 rental units (including 494 MFTE units) and 8 ownership units. Exemptions for properties with Final Certificate issued in 2021 became effective on January 1, 2022.

**Table 4.1: Multifamily Housing Issued Final Certificates of Tax Exemption in 2021**

PROPERTY NAME	NEIGHBORHOOD	TOTAL UNITS	MFTE UNITS
ANDER NORTH @ CAPITOL HILL STATION	CAPITOL HILL	150	30
BEAM APTS	23RD & UNION-JACKSON	321	65
BODE LAKE CITY	LAKE CITY	160	40
CENTERLINE	BALLARD	235	47
COLINA EAST	NORTH BEACON HILL	99	20
COLINA WEST	NORTH BEACON HILL	40	8
CUBIX AT OTHELLO	OTHELLO	85	22
EDRIC, THE	WESTWOOD-HIGHLAND PARK	32	7
FREYA	CROWN HILL	78	20
LAKE CITY PH. I (HABITAT FOR HUMANITY HOMES)	LAKE CITY	8	8
IRON FLATS (WEST)	ROOSEVELT	226	46
KARSTI APARTMENTS	BALLARD	52	13
KIRIN APTS	UPTOWN	95	19
MARIS (BUILDING A)	WEST SEATTLE JUNCTION	239	46

**Table 4.1 (continued): Multifamily Housing Issued Final Certificates of Tax Exemption in 2021**

PROPERTY NAME	NEIGHBORHOOD	TOTAL UNITS	MFTE UNITS
MODERA BROADWAY NORTH	CAPITOL HILL	133	27
ORENDA AT OTHELLO SQUARE	OTHELLO	176	36
SORA	UNIVERSITY DISTRICT	54	14
VALE STUDIOS	COLUMBIA CITY	40	10
VIVID ROOSEVELT	ROOSEVELT	57	12
<b>TOTAL</b>		<b>2,330</b>	<b>502</b>



## SECTION V: COMPLIANCE MONITORING, EXPIRATIONS, AND OPT OUTS

### Compliance Monitoring

As of March 1, 2022, the Office of Housing’s Asset Management Division received 229 annual compliance reports for the 2021 reporting period from owners and property managers of MFTE properties. This response rate for reports due was almost 82%. OH continues to work with property owners on submittal of remaining reports, some of whom requested an extension due to a new reporting format.

In addition, Asset Management staff completed four property file audits and held eight virtual training sessions for more than 75 attendees in 2021.

### MFTE Extensions

As noted in the Introduction, Ordinance 126443 provides an extension option for owners of properties for which MFTE expires on December 31<sup>st</sup> of 2021 and 2022. This section is the Office of Housing’s 2022 Quarter 1 report on the status of expiring MFTE properties, as required by accompanying Resolution 32017.

The table on the following page shows the AMI limits for (1) expiring MFTE P3 projects, (2) new MFTE P6 projects, and (3) MFTE properties given a 12-year extension for the tax exemption.

**Table 5.1: Current Rent Limits by Unit Type<sup>9</sup>**

UNIT TYPE	RENT LIMIT FOR EXPIRING PROJECTS (PROGRAM 3)	RENT LIMIT FOR NEWLY BUILT PROJECTS (PROGRAM 6)	RENT LIMIT FOR 12-YR EXTENSIONS
CONGREGATE RESIDENCE SLEEPING ROOM	80% AMI	40% AMI	30% AMI
SEDU (SOME UNITS IN PROJECT)	80% AMI	40% AMI	30% AMI
SEDU (ALL UNITS IN PROJECT)	80% AMI	50% AMI	40% AMI
0-BEDROOM	80% AMI	60% AMI	50% AMI
1-BEDROOM	80% AMI	70% AMI	60% AMI
2-BEDROOM	90% AMI	85% AMI	75% AMI
3+ BEDROOM	90% AMI	90% AMI	80% AMI

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<sup>9</sup> To allow ongoing occupancy of MFTE units by existing tenants who, while they qualify as eligible households under pre-extension contracts, do not qualify as eligible households according to subsection 5.73.090.D.2.a, and to steadily transition multifamily housing to full compliance with extended exemption requirements, for each MFTE unit occupied on December 31, 2021, the affordable rent according to the current tenant's lease agreement as of January 1, 2022 and thereafter is: (1) No greater than the Extensions rent limit if the annual income of the tenant household is less than one and one-half times the Extensions limit for the MFTE unit; or (2) No greater than the P3 rent limit if the annual income of the tenant household is less than one and one-half times 80 percent of median income or 90 percent of median income, depending on the unit type, and at least one and one-half times the Extensions limit. If the annual income of a tenant household equals or exceeds one and one-half times 80 percent of median income or 90 percent of median income, depending on unit type, the tenant is no longer an eligible household and the next available residential unit of the same unit type must be newly designated as an MFTE unit and promptly leased to an eligible household. MFTE units that were vacant on December 31, 2021 must be promptly leased at an affordable Extension rent to an eligible household.

**Table 5.2: Status of Properties with MFTE Expirations on 12/31/2021**

PROPERTY NAME	ADDRESS	MARKET-RATE OR LOW-INCOME HOUSING	OPTED FOR EXTENSION	TOTAL MFTE UNITS
SQUIRE PARK	1700 S JACKSON ST	LOW-INCOME HOUSING	YES	12
PRATT PARK	1800 S JACKSON ST	MARKET-RATE HOUSING	YES	49
MURAL APARTMENTS	4727 42ND AVE SW	MARKET-RATE	YES	28
ALTAMIRA	4540 42ND AVE SW	MARKET-RATE	YES	32
TRESSA	14100 LINDEN AVE N	LOW-INCOME HOUSING	NO	96
THORNTON PLACE	308 NE THORNTON PLACE	MARKET-RATE	NO	56

The three market-rate housing developments that opted to extend MFTE (Pratt Park, Mural Apartments, and Altamira) include 109 MFTE units. As of December 31, 2021, six of the 109 MFTE units were vacant and the income certifications for eight occupied MFTE units were still being processed.

Based on income certifications, tenants of 85 of the remaining 95 occupied units qualified for the lower rents shown in the “Rent Limit for 12-Yr Extensions” column in Table 5.1. Incomes of the 85 qualifying households average roughly 58% AMI. Incomes of five households whose MFTE units will continue to rent at the higher Program 3 levels average roughly 89% AMI. For those units, the 12-Year extension rent limits do not go into effect until unit turnover.<sup>10</sup> Five other households are no longer eligible to lease an MFTE unit due to their high incomes, averaging roughly 151% AMI. Property owners must designate five new MFTE units to replace ones occupied by ineligible households.

**Table 5.3: Income Levels of 95 Households by Type of MFTE Unit Occupied**

UNIT TYPE	HOUSEHOLDS NO LONGER ELIGIBLE (AVERAGE INCOME 151% AMI)	HOUSEHOLDS WITH P3 RENT LEVELS (AVERAGE INCOME 89% AMI)	HOUSEHOLDS WITH LOWER RENT LEVELS (AVERAGE INCOME 58% AMI)
0-BEDROOM	1	3	16
1-BEDROOM	2	2	52
2-BEDROOM	2	0	17
<b>TOTAL</b>	<b>5</b>	<b>5</b>	<b>85</b>

Of the 95 households with completed income certifications, 78 voluntarily provided race/ethnicity information for a head of household: 56% identify as white and 44% identify as people of color and/or mixed race.

Thornton Place is the only market-rate property that opted not to extend MFTE for an additional 12 years. The following is the average AMI level for the most recent households occupying MFTE Units in that building (based on annual income upon initial occupancy as certified by Thornton Place for their 2021 MFTE report to OH): 59% AMI in 80% AMI units and 66% AMI in 90% AMI units.

## MFTE Opt Outs

Since MFTE’s inception in 1998, owners of three rental properties opted out of MFTE after issuance of the Final Certificate of Tax Exemption, prior to expiration of the tax exemption. Two of those rental properties, which converted to owner-occupied condominiums, included 41 Program 1 MFTE units prior to opt out. The third included six Program 5 MFTE units.

To date, MFTE opt outs also include 23 condominium units at the Pontedera (827 Hiawatha PI S, completed in 2010) where the property tax exemption ended upon sales to non-eligible buyers.

<sup>10</sup> See Footnote 9 for *Table 5.1: Current Rent Limits by Unit Type* for detail about transitioning multifamily properties from high P3 rents to lower rents required as a condition of MFTE extensions.

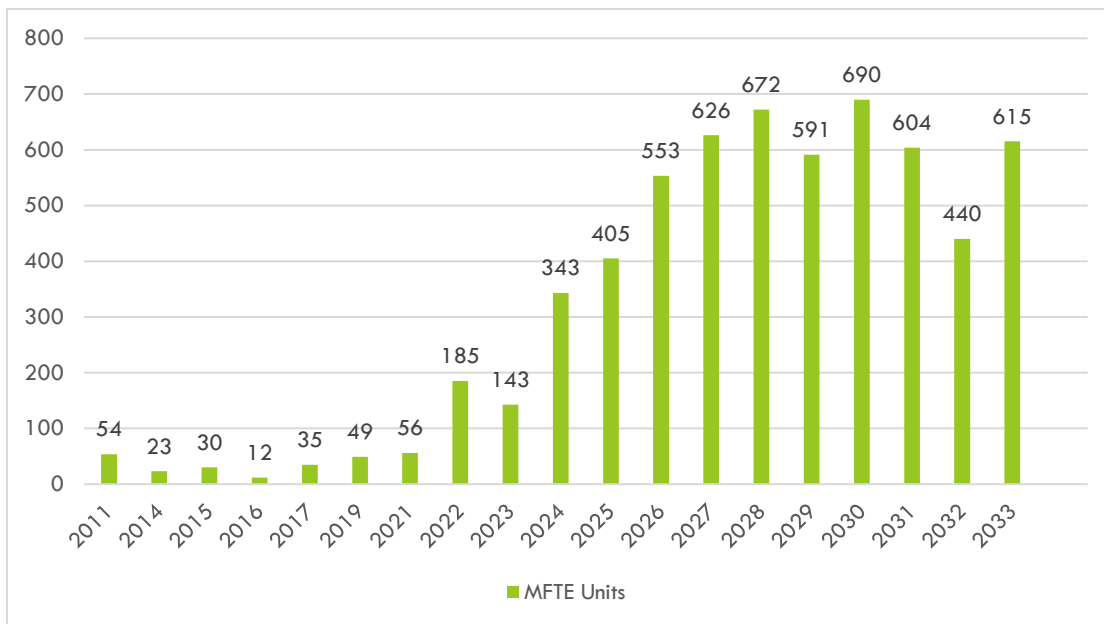
## MFTE Expirations

As of 12/31/2021, the multifamily property tax exemption expired for eight rental properties totaling 259 MFTE units, plus 39 owner-occupied units. The inventory of rental multifamily housing with a set-aside of MFTE units in service currently totals 266 properties and 5,867 MFTE units (including the four properties provided MFTE extensions). The property tax exemption for those properties expires in years 2022 through 2033. In the next five years (2022-2026), tax exemptions are scheduled to expire for the owners of 75 multifamily rental housing properties with 1,629 MFTE units.

In 2022, MFTE is scheduled to expire for five rental properties with 185 MFTE units. It is likely that most of these MFTE units are already being leased at market-rate rents (the rent/income limits are 80% AMI and 90% AMI).

Table 4.A below shows the number of expired MFTE units as well as the growing number of in service MFTE units in multifamily rental properties for which the property tax exemption is scheduled to end in the coming years.

**Chart 5.A: Expirations by Year (MFTE Rental Units)<sup>11</sup>**



<sup>11</sup> Does not include pipeline projects or properties for which Office of Housing issued a Final Certificate of Tax Exemption that opted out prior to expiration of the property tax exemption.





## SECTION VI: MFTE TAX IMPACTS

Seattle's MFTE program has two different types of tax impacts. The first is reduced tax revenue due to exclusion of the new construction value of MFTE properties from Seattle's tax base. Lost property tax revenue means that MFTE has budget impacts, including for special levies for low-income housing, schools, and transportation. The second impact is higher tax bills for many due to owners of multifamily properties' taxes being shifted to non-exempt taxpayers.

### Reduced Tax Base & Foregone Revenue

Washington state law limits tax increases in individual taxing districts, such as Seattle's, to one percent annually plus taxes generated by certain improvements, including new construction. Since all or a portion of the new construction value for any given MFTE property is typically deferred, it cannot be included as part of Seattle's tax base until the tax exemption for the property ends (12 years, or even as long as 24 years for certain properties, from the date when the housing first opens).

As of December 31, 2021, the King County Assessor has deferred nearly \$3.3 billion of new construction value for Seattle's MFTE rental properties. As a result of that deferred new construction value, \$29.5 million of property tax revenue will be lost in 2022 alone. For tax years 2010 through 2022, the total amount of lost property tax revenue is \$145.1 million. This amount only reflects the foregone revenue for properties that currently have MFTE. It does not include lost revenue from properties for which MFTE has already ended due to expiration or opt out.

### Shifted Tax Burden

The majority of the property taxes for which multifamily property owners are exempt is absorbed by non-exempt taxpayers, including homeowners. The value of properties that currently have MFTE totals \$7.6 billion. For 2022 alone, that translates into \$66.6 million of tax savings for owners of those properties being shifted to and paid by non-exempt taxpayers. The cost of Seattle's MFTE program to a Seattle homeowner in 2022, assuming Seattle's median home value of \$760,000, is roughly \$72 of additional property taxes. This does not account for additional taxes paid by property owners due to tax shift impacts of other King County cities' MFTE programs.



## SECTION VII: STATE LEGISLATIVE CHANGES

The Washington state legislature recently adopted legislation amending [Chapter 84.14 RCW](#), the authorizing statute for MFTE. Detailed information about [SB 5287 - 2021/2022](#) is available online. Primary changes to the state's multifamily property tax exemption statute are the following:

- Authorization of a 12-year extension of MFTE provided properties meet local affordability requirements;
- Authorization of a new 20-year property tax exemption for new permanently affordable homes;
- Authorization for local governing authorities to require prevailing wage, apprenticeship, and contractor inclusion as a condition of MFTE;
- Requirement for some properties with expiring MFTE to provide tenant notification and tenant relocation assistance requirements; and
- Authorization for local jurisdictions to extend project completion deadlines, allowing certain projects to finish construction up to 10 years after MFTE application approval and grandfathering those projects to MFTE requirements no longer in effect.

In 2020, the state legislature adopted [SHB 2384](#) to expand the existing property tax exemption for real and personal property owned or used by a non-profit entity to provide rental housing for households with incomes 60% AMI or less. Previous to those amendments to Chapter 84.36 RCW, the income limit for qualifying households for purposes of property tax exemptions for rental housing was capped at 50% AMI. For that reason, MFTE has been used as a stopgap means of achieving exemptions for non-profit owned low-income housing. The Office of Housing is working with its non-profit partners to transition their properties from MFTE to the statewide exemption authorized by SHB 2384. For-profit owned market-rate properties comprise the large majority of MFTE activity. The share of low-income housing participating in MFTE will likely continue to decline as non-profit owned properties transition to property tax exemption per Chapter 84.36 RCW.

## FOR MORE INFORMATION

For more information about the Multifamily Tax Exemption program, contact the City of Seattle Office of Housing or visit [www.seattle.gov/housing](http://www.seattle.gov/housing).

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