



City of Seattle

2022 MFTE Annual Report

Seattle Office of Housing

March 2023

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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 as authorized by [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 five times since then. Those iterations of MFTE are commonly referred to as Programs 1 through 6, and amendments between reauthorizations are indicated with a numerical suffix (current rules are P6.3, for example).

Table 1.1: MFTE Legislative History¹

| Program 1 ² | 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 |
| MFTE Unit Set-Aside varies depending on | 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 | MFTE Unit Set-Aside = 20% or 25% of total units depending on |

¹ Table continued next page.

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

| Program 1 ² | Program 2 | Program 3 | Program 4 | Program 5 | Program 6 |
|---|--|---|--|---|--|
| Residential Target Area | | | | on number of 2+ BR units | 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 ³ | | Amendments Ordinance 126392 7/27/2021 P6.2 Ordinance 126443 9/27/2021 P6.3 ⁴ |

The Seattle Office of Housing administers the MFTE Program. SMC Chapter 5.73 outlines the minimum requirements for MFTE program applications, recorded agreements, and

³ 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.

⁴ Ordinance 126443 authorizes 12-year extensions for properties with MFTE expiring on 12/31/2021 and 12/31/2022. See *Table 5.1: Current Rent Limits by Unit Type* for AMI limits for properties qualifying for MFTE extensions.

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.⁵ Final Certificates approved by the Office of Housing are filed with the King County Assessor. The housing compliance period starts immediately upon issuance of a Final Certificate of Tax Exemption. The tax exemption begins on January 1 of the calendar year following the date of the Final Certificate.

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 the 2021 state legislative session's [SB 5287](#).⁶

With [Ordinance 126392](#), construction completion deadlines were effectively doubled from five years (which reflects the 3-year deadline plus a 2-year extension) to 10 years. The new 10-year deadline for construction of a project was narrowly targeted to owners of projects with construction deadlines between February 15, 2020 and February 15, 2021 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 \$1,472). A 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 end of 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 modified requirements for MFTE unit distribution for owners of high-rise residential towers.

[Council Bill 120516](#), if adopted by City Council, changes the date the MFTE program sunsets from 12/31/2023 to 12/31/2024 and authorizes MFTE extensions for properties for which tax exemptions expire on 12/31/2023. The Seattle Office of Housing is overseeing an in-

⁵ 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.

⁶ See *Section VI: State Legislative Changes* for more information.

depth evaluation of the MFTE program to inform recommendations for reauthorization legislation in 2024.

Definitions for Terms Used in this Report

Approved application: As of December 31, 2022, 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. Approval of initial applications is strictly conditional. Satisfaction of requirements for issuance of a Final Certificate of Tax Exemption is determined after construction completion.

Final Certificates of Tax Exemption: Properties for which, as of December 31, 2022, 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: 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 unit: 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.

MFTE property status:

Expired: As of December 31, 2022, 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: Properties for which MFTE expired on December 31, 2022, 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: As of December 31, 2022, the Office of Housing issued a Final Certificate of Tax Exemption for the property and affordability/income restricted MFTE units are available for lease or sale according to terms of a recorded agreement with the City.

Opted out: As of December 31, 2022, 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: As of December 31, 2022, the Office of Housing conditionally 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: MFTE properties that are City-funded and/or Low-Income Housing Tax Credit/bond-financed.

Market-rate: MFTE properties for which MFTE is the only public subsidy.

Reporting Period

The outcomes reported for purposes of the 2022 MFTE Annual Report reflect conditional application approval and exemption status as December 31, 2022.

Section II: MFTE Property Activity

Participation in the MFTE program has grown steadily since its adoption by the City of Seattle in 1998. Of the 338 rental properties with approved applications as of December 31, 2022, 279 are in service (including six with MFTE extensions), 46 are in permitting or under construction, and the exemption ended for nine. Of the 217 ownership homes with approved applications, 44 are in service, 81 are in permitting or under construction, and the exemption ended for 92.

Table 2.1: Approved Applications, by MFTE Status⁷

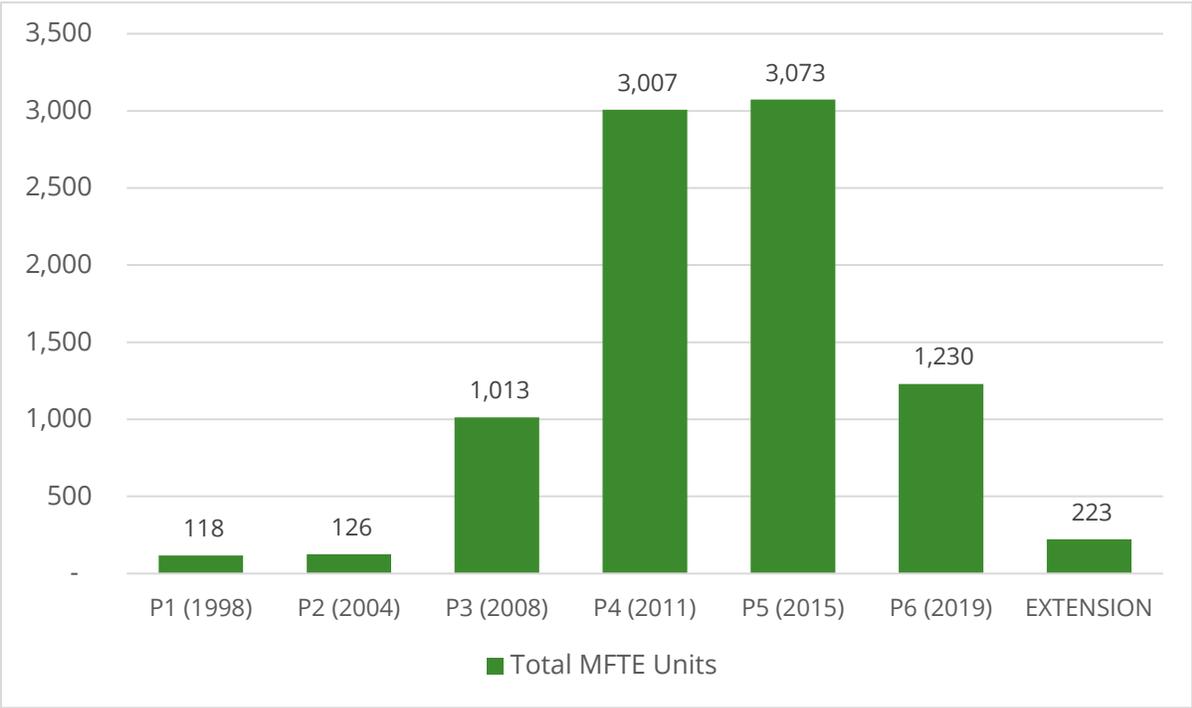
| | Renter-occupied | | | Owner-occupied |
|-----------------------|------------------|---------------|--------------|----------------|
| MFTE Status | Total Properties | Total Units | MFTE Units | MFTE Units |
| In service | 273 | 29,665 | 6,111 | 44 |
| In service (extended) | 6 | 1,102 | 223 | 0 |
| Pipeline | 46 | 8,871 | 1,856 | 81 |
| Expired and Opted out | 9 | 1,588 | 377 | 92 |
| Total Units | 338 | 41,226 | 8,567 | 217 |

⁷ Unless expressly stated otherwise, MFTE activity for rental properties in this 2022 Annual Report is exclusive to for-profit owned, market-rate housing. It does not include 32 low-income rental housing properties using MFTE.

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.

For Table 2.1, “Expired and Opted Out” does not include six properties with tax exemptions extended for an additional 12 years. For those properties, P3 agreements were replaced with new agreements consistent with extension requirements. Those properties are included in the “In Service (Extended)” row.

Chart 2.A: Approved Applications, by MFTE Program (MFTE Rental Units)⁸



MFTE Program 6 became effective in October 2019. Program 6 has a much later MFTE application deadline compared to prior MFTE programs. Whereas an initial application previously was due prior to issuance of the first building permit for a project, Program 6 applications can be received any time up to six months prior to issuance of a temporary certificate of occupancy. The additional time allows property owners to continue weighing the financial benefit of pursuing MFTE while construction is underway.

To date, Program 6 final certificates of tax exemption have been issued for 12 rental properties with 393 MFTE units. Another 24 properties with 837 rental units are in the Program 6 pipeline. In addition, the Office of Housing approved MFTE extensions for six rental properties built between 2008 and 2010. Those six properties include 223 MFTE units.

⁸ All properties provided a 12-year extension of the tax exemption period to date originally had MFTE P3 agreements. In Chart 2.A, those units are reflected in both the “P3 (2008)” and “Extension” categories.

Table 2.2: Approved Applications, by MFTE Program and Status (Rental Units)⁹

| MFTE Program and MFTE Status | Total Units | MFTE Units |
|-------------------------------------|--------------------|-------------------|
| P1 Total | 454 | 118 |
| Expired | 291 | 77 |
| Opted Out | 163 | 41 |
| P2 Total | 475 | 126 |
| Expired | 475 | 126 |
| P3 Total ¹⁰ | 5,006 | 1,013 |
| In service | 3,274 | 663 |
| Expired (not extended) | 630 | 127 |
| Expired (extended) | 1,102 | 223 |
| P4 Total | 14,715 | 3,007 |
| In service | 14,715 | 3,007 |
| P5 Total | 14,816 | 3,073 |
| In service | 9,897 | 2,048 |
| Pipeline | 4,890 | 1,019 |
| Opted out | 29 | 6 |

⁹ Table continued next page.

¹⁰ In Table 2.2, P3 expirations are broken into two categories: “Expired (not extended)” and “Expired (extended)”. The latter category shows the units in six properties with tax exemptions extended for an additional 12 years. Upon expiration of the initial 12-year tax exemption for those properties, the original P3 agreements were replaced with new agreements consistent with extension requirements. The units in those properties also appear in the “In Service (Extended)” row under “P6 Total.”

| MFTE Program and MFTE Status | Total Units | MFTE Units |
|------------------------------|---------------|--------------|
| P6 Total | 6,862 | 1,453 |
| In service | 1,779 | 393 |
| In service (extended) | 1,102 | 223 |
| Pipeline | 3,981 | 837 |
| Grand Total | 42,328 | 8,790 |

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

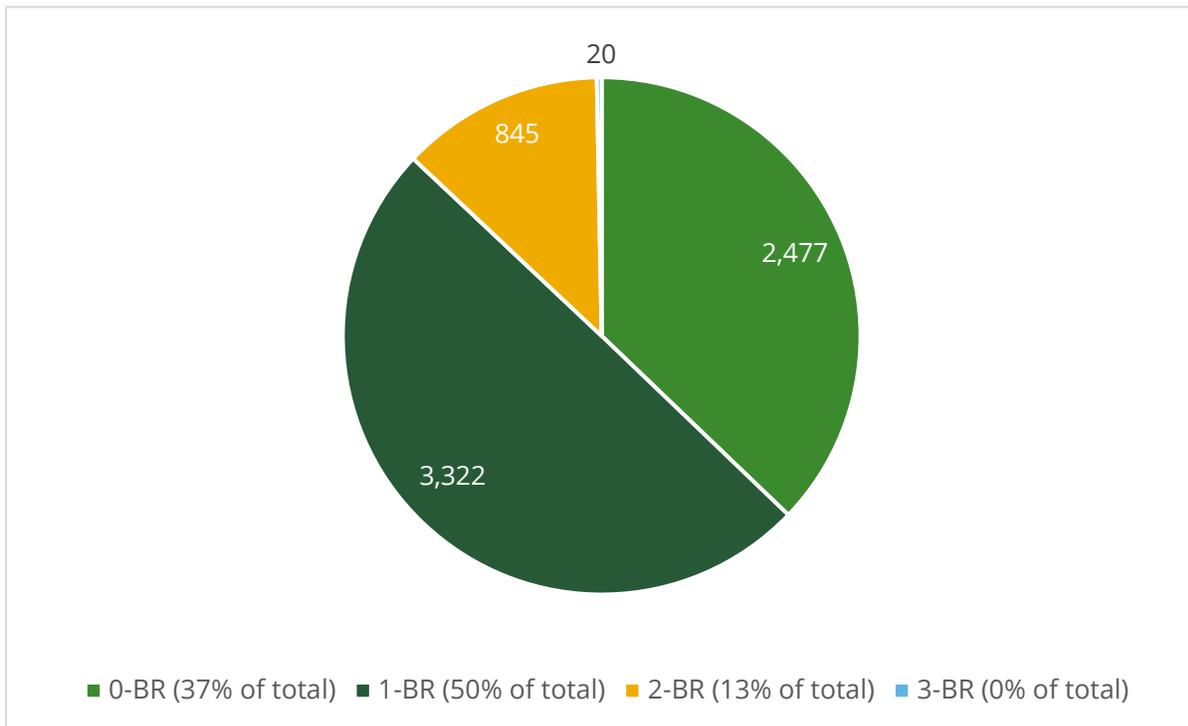
| MFTE Program and MFTE Status | MFTE homes for low-income buyers |
|------------------------------|----------------------------------|
| P1 Expired | 24 |
| P2 | 0 |
| P3 In service | 20 |
| Opted out | 29 |
| Expired | 39 |
| P4 In service | 4 |
| P5 Pipeline | 68 |
| P6 In service | 20 |
| Pipeline | 13 |
| Grand Total | 217 |

The percentage set-aside and affordability/income limits of MFTE units vary by MFTE program according to SMC Chapter 5.73 at the time of initial MFTE application. The limit applicable to each MFTE unit is determined by unit type (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, the 20% set-aside (versus 25%) is conditioned on at least eight 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. Publicly funded low-income housing with MFTE provides far higher shares of units sized for families with children compared to properties that are otherwise market-rate: one-third of total rental units and roughly eight in ten of owner-occupied homes have two or more bedrooms.

Chart 2.B: Final Certificates of Tax Exemption, by Number of Bedrooms (MFTE Rental Units)



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

- Congregate Residence sleeping room 40% AMI
- SEDU¹¹ (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 Bedrooms 90% AMI

¹¹ SEDU means a unit permitted by SDCI as a small efficiency dwelling unit.

For owner-occupied developments, if OH received a P6 MFTE application prior to the effective date of [Ordinance 126443](#) (October 2021), 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 the effective date of [Ordinance 126443](#), the maximum AMI for family-size units (two or more bedrooms) is either 115% AMI for standard 12-year exemptions or 80% AMI for 20-year exemptions conditioned on permanently affordable ownership. Those reduced AMI limits are consistent with the State’s authorizing statute for MFTE, as amended by [SB 5287](#).

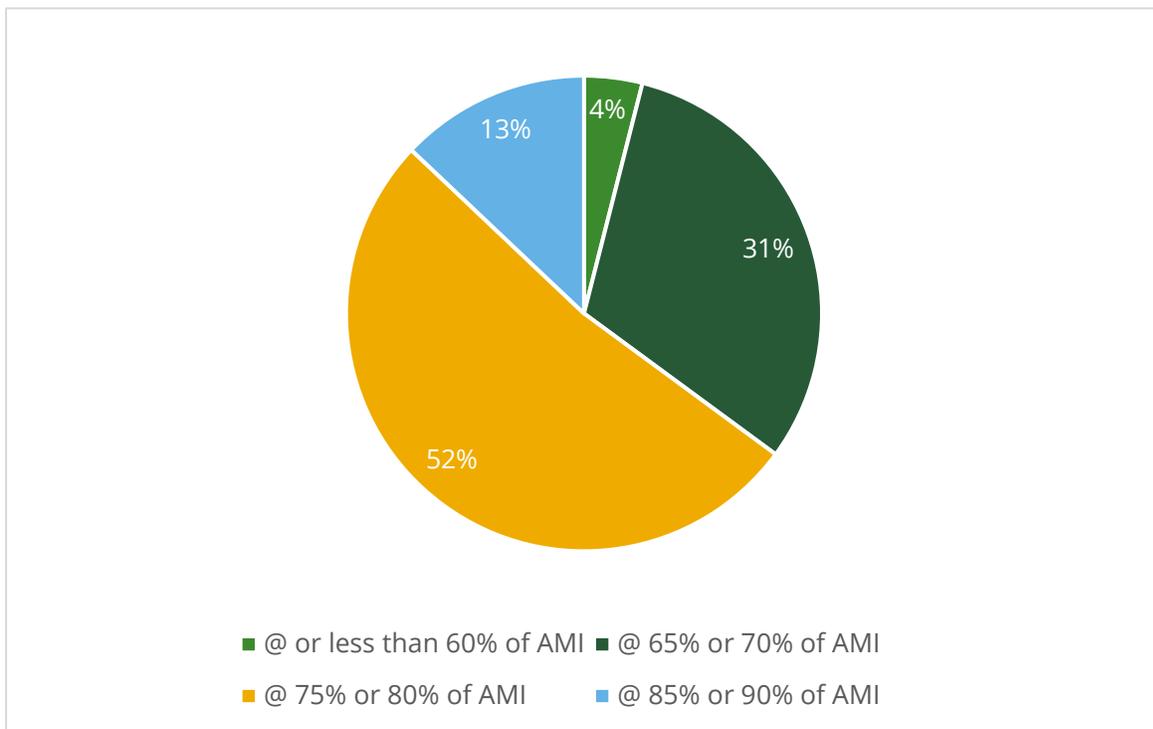
Per SMC Chapter 5.73, replacement housing units must be provided in addition to MFTE units in certain circumstances. The number of replacement units is equivalent to the number of tenants receiving or eligible to receive a tenant relocation assistance payment under Chapter 22.210. Tenant households with annual incomes no higher than 50% AMI who resided in a four-plus unit structure to be demolished on the lot of the MFTE development at any time during the 18 months prior to application for the land use permit (or building permit if a land use permit is not required) are eligible for relocation assistance. 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, replacement units (averaging between four and five units per property) have been included in 14 MFTE properties.

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 | 204 | 0 | 288 | 265 | 358 | 460 | 0 | 250 | 31 |
| In service | 157 | 27 | 90 | 1,777 | 122 | 2,585 | 567 | 679 | 107 |
| In service (extended) | 0 | 64 | 117 | 0 | 0 | 42 | 0 | 0 | 0 |
| Expired | 0 | 0 | 35 | 0 | 91 | 0 | 190 | 0 | 14 |
| Expired (extended) | 0 | 0 | 0 | 0 | 0 | 0 | 181 | 0 | 42 |
| Opted out | 0 | 0 | 0 | 0 | 0 | 0 | 41 | 6 | 0 |
| Total | 361 | 91 | 530 | 2,042 | 571 | 3,087 | 979 | 935 | 194 |

Size of and AMI limits for pipeline units are confirmed when construction approaches completion. Affordability of MFTE units has been gradually improving as MFTE Program 6 pipeline properties are completed. Chart 2.C shows the share of MFTE units restricted by AMI level. Approximately two-thirds of MFTE units are restricted at levels affordable to households with incomes 75% AMI to 90% AMI (\$68K to \$82K for an individual or \$87K to \$105K for a 3-person household). Less than five percent of MFTE units are restricted at levels affordable to households with incomes 60% AMI or less (\$54K for an individual or \$70K for a 3-person household).¹²

Chart 2.C: Final Certificates of Tax Exemption, by AMI Limit (MFTE Rental Units) ¹³



¹² Current income limits are available on the [Seattle Office of Housing](#) website. For purposes of calculating MFTE P6 rent and income limits, SMC Chapter 5.73 requires an adjustment to median income so that it does not decrease from the prior year nor increase more than four and one-half percent from the prior year.

¹³ Chart 2.C shows AMI limits for properties with active property tax exemptions, except for those for which the exemption was extended. Some units in properties with extended exemptions may be vested to higher AMI limits until unit turnover, depending on the income levels of existing tenants.

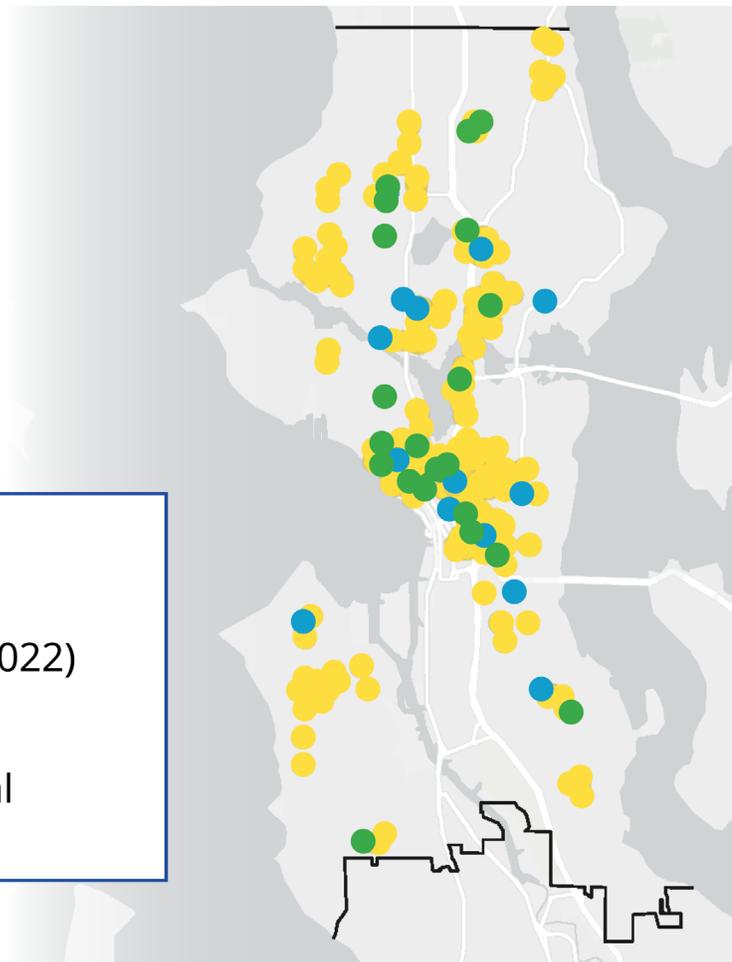
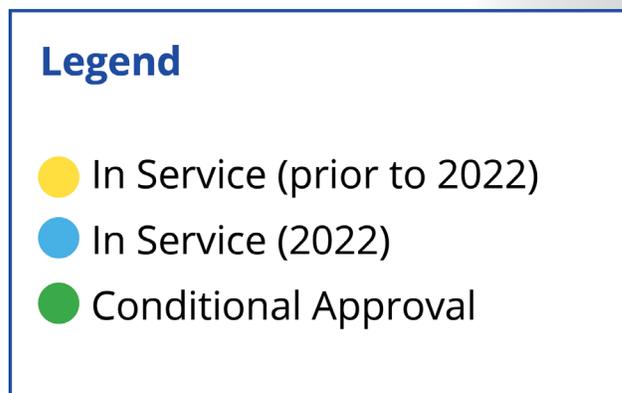
Section III: Location of MFTE Properties

To be eligible for a property tax exemption under SMC Chapter 5.73, the multifamily housing must be in a residential targeted area designated by City Council, 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 residential uses according to Title 23.

The map on the following page shows the location of MFTE properties as of 12/31/2022.

Maps: Multifamily Tax Exemption (MFTE) Properties as of 12/31/2022: Rental Housing and Homeownership

Multifamily Tax Exemption (MFTE), Rental Housing



Multifamily Tax Exemption (MFTE), Homeownership

Legend

- In Service (prior to 2022)
- In Service (2022)
- Conditional Approval

Number of Units

- >60
- 45
- 30
- 15
- <1



Section IV: Final Certificates of Tax Exemption

In 2022, OH issued Final Certificates of Tax Exemption for 22 multifamily housing properties in neighborhoods throughout Seattle. Multifamily properties receiving Final Certificates in 2022 total 3,738 rental units (including 793 MFTE units) and 12 ownership units. Exemptions for properties with Final Certificate issued in 2022 became effective on January 1, 2023.

Table 4.1: Final Certificates of Tax Exemption issued in 2022¹⁴

| Property Name | Neighborhood | Total Units | MFTE Units |
|---|---------------|-------------|------------|
| Copper Pines (Habitat for Humanity) | Loyal Heights | 4 | 4 |
| Lake City PH. II (Habitat for Humanity) | Lake City | 8 | 8 |
| Admiral Station Apartments | Admiral | 49 | 10 |
| Ballard on the Park | Ballard | 268 | 54 |
| Bode Uptown | Uptown | 71 | 18 |
| Broadway Building (extension) | Capitol Hill | 93 | 19 |
| Dockside (Low Income Housing Institute) | Green Lake | 97 | 25 |
| Eclipse Fremont (GMD Development) | Fremont | 153 | 39 |
| Edge Point Apartments | Ballard | 203 | 41 |
| Fireside Flats | Roosevelt | 102 | 26 |

¹⁴ Table continued next page.

| Property Name | Neighborhood | Total Units | MFTE Units |
|---|----------------------------|--------------|------------|
| Goldfinch Apartments (Chief Seattle Club) | Fremont-Woodland | 66 | 17 |
| Mason & Main I | Yesler Terrace | 335 | 67 |
| Mason & Main II | Yesler Terrace | 215 | 43 |
| Melody Jabooda | Mount Baker | 186 | 47 |
| Midtown Square | 23 rd & Jackson | 432 | 87 |
| Ori Stone Way Apartments | Wallingford | 42 | 9 |
| Ovation | First Hill | 548 | 110 |
| Pivot | Pike-Pine | 65 | 13 |
| Polaris at Rainier Beach (Inland Development) | Rainier Beach | 306 | 62 |
| Spur | University District | 98 | 20 |
| The Waterway Building | Fremont | 37 | 8 |
| Theo Apartments | Roosevelt | 79 | 20 |
| Total | | 3,750 | 805 |

Section V: Compliance Monitoring, Extension, Opt Out, and Expiration

Compliance Monitoring

As of March 1, 2023, the Office of Housing's Asset Management Division received 229 annual compliance reports for the 2022 reporting period from owners and property managers of MFTE properties. This response rate for reports due was approximately 82%. OH continues to work with property owners on submittal of remaining reports.

In addition, Asset Management staff completed four property file audits and held eight virtual training sessions for more than 75 attendees in 2022.

MFTE Extensions

As noted in the Introduction, Ordinance 126443 authorized an extension option for owners of properties with MFTE expiration dates of December 31 of 2021 and 2022. This section is the Office of Housing's 2023 Quarter 1 report on the status of expired MFTE properties, as required by accompanying Resolution 32017.

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

Table 5.1: Current Rent Limits by Unit Type¹⁵

| 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 areas | 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 |

¹⁵ 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, 2022, the affordable rent according to the current tenant's lease agreement as of January 1, 2023 and thereafter is: (1) No greater than the extension rent limit if the annual income of the tenant household is less than one and one-half times the extension 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% AMI or 90% AMI, depending on the unit type, and at least one and one-half times the extension limit. If the annual income of a tenant household equals or exceeds one and one-half times 80% AMI or 90% AMI, 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, 2022, must also be promptly leased at an affordable extension rent to an eligible household.

Table 5.2: Status of Properties with MFTE Expirations on 12/31/2022

| Property Name | Address | Market-Rate or Low-income Housing | Opted for Extension | Total MFTE Units |
|----------------------------|----------------------------------|-----------------------------------|---------------------|------------------|
| Ascona | 200 5 th Avenue South | Market-Rate | No | 12 |
| Patent 523 | 523 Broadway Ave E | Market-Rate | No | 59 |
| Broadway Building | 1620 Broadway | Market-Rate | Yes | 19 |
| Equinox | 1520 Eastlake Ave E | Market-Rate | Yes | 41 |
| Ballard on the Park | 2233 NW 58 th Street | Market-Rate | Yes | 54 |

For-profit owners of three housing developments with 114 MFTE units opted to extend their tax exemptions: Broadway Building, Equinox, and Ballard on the Park. As of December 31, 2022, eleven of the 114 MFTE units were vacant. Tenants in another 20 MFTE units did not complete the annual income recertification process. Those units will become unrestricted upon expiration of the tenants' leases. Other units were newly designated as MFTE units so that the overall number provided is the same.

Of the remaining 83 occupied units, 79 tenant households qualified for the lower rents shown in the "Rent Limit for 12-Yr Extensions" column in Table 5.1. Incomes of those 79 qualifying households average roughly 45% AMI. Tenants of three of the 83 MFTE units have average incomes of roughly 74% AMI and therefore their rent will continue to be subject to higher Program 3 limits. For those units, the 12-year extension rent limits do not go into effect until unit turnover.¹⁶ One other household has an annual income equivalent to 146% of AMI and is no longer eligible to lease an MFTE unit. The property owner designated a different MFTE unit to substitute for that unit.

¹⁶ 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.

Table 5.3: Income Levels of 83 Households by Type of MFTE Unit Occupied

| Unit type | Households No Longer Eligible (Average Income 146% AMI) | Households with P3 Rent Levels (Average Income 74% AMI) | Households with Lower Rent Levels (Average Income 45% AMI) |
|--------------|---|---|--|
| 0-Bedroom | 0 | 2 | 25 |
| 1-Bedroom | 1 | 0 | 37 |
| 2-Bedroom | 0 | 1 | 17 |
| Total | 1 | 3 | 79 |

Of the 83 households with completed income certifications, 74 voluntarily provided race/ethnicity information for a head of household: 65% identify as white and 35% identify as people of color and/or mixed race.

The owners of two market-rate properties, the Ascona and Patent 523, opted not to seek 12-year MFTE extensions. With those expirations, 64 studio and 1-bedroom units with rent limits at 80% AMI and seven 2-bedroom units with rent limits at 90% AMI are now unrestricted.

MFTE Opt Outs

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

To date, MFTE opt outs also include 29 condominium units at the Pontedera (827 Hiawatha PI S, completed in 2010) where the property tax exemption ended due to sale or failure to certify owner occupancy.

MFTE Expirations

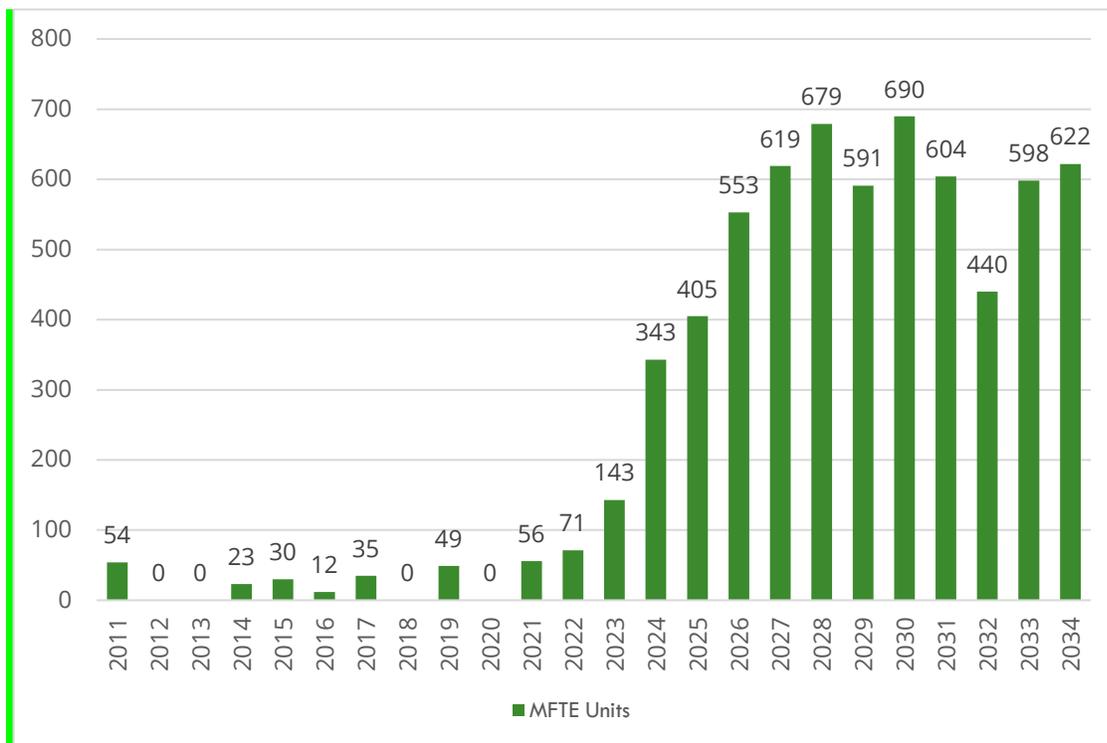
As of 12/31/2022, the multifamily property tax exemption expired for ten rental properties totaling 330 MFTE units. The inventory of rental multifamily housing with a set-aside of MFTE units in service currently totals 278 properties and 6,287 MFTE units (including the six

properties provided MFTE extensions). The property tax exemption for those properties expires in years 2023 through 2034. In the next five years (2023-2027), tax exemptions are scheduled to expire for the owners of 104 multifamily rental housing properties with 2,063 MFTE units.

In 2023, MFTE is scheduled to expire for five rental properties with 185 MFTE units. Given the current AMI limits for these relatively older properties, it is likely that rents for most of the MFTE units are already market-rate levels because 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)¹⁷



¹⁷ Does not include properties that opted out prior to expiration of the property tax exemption. Expiration years 2033 and 2034 include MFTE units in properties for which a second 12-year tax exemption was approved.

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. MFTE has budget impacts for the City and other taxing jurisdictions due to this lost property tax revenue. The second impact is higher tax bills due to taxes on the owners of exempt multifamily properties 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, 2022, the King County Assessor has deferred \$3.3 billion of new construction value for Seattle's MFTE rental properties. As a result of that deferred new construction value, \$174 million of property tax revenue was lost through 2022. 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 from which multifamily property owners are exempt are absorbed by non-exempt taxpayers, including homeowners. The exempt assessed value of properties that currently have MFTE totals \$7.6 billion. For 2022 alone, that translates into \$66.9 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 more than \$121 of additional property taxes. The shifted tax burden is actually much greater because this estimate does not account for other taxing jurisdictions (e.g. state schools; state ferries; Port of Seattle; Sound Transit; Medic One). In addition, the \$121 estimate does not account for additional taxes paid by non-exempt property owners due to tax shift impacts of other King County cities' MFTE programs.

Section VII: State Legislative Changes

No changes to MFTE were adopted during the 2023 state legislative session. [SB 5287](#), adopted during the 2021 legislative session, most recently amended [Chapter 84.14 RCW](#), the authorizing statute for MFTE. Primary changes to the state's multifamily property tax exemption statute according to that bill 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 certain properties to provide tenant notification and tenant relocation assistance prior to MFTE expiration; and
- Authorization for local jurisdictions to extend project completion deadlines, allowing select projects to finish construction up to 10 years after MFTE application approval and grandfathering those projects to MFTE requirements, including higher AMI limits, 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. Before 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 historically been used as a stopgap means of achieving exemptions for low-income housing. The Office of Housing continues to work 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.

More Information

For more information about the Multifamily Tax Exemption program, contact the City of Seattle Office of Housing or visit seattle.gov/housing.

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