



Seattle
Office of Housing

2023 Multifamily Tax Exemption Annual Report

June 2024

Table of Contents

Executive Summary.....	2
Definitions for Terms Used in this Report	3
Reporting Period	4
Section 1: Introduction	4
MFTE Programs	4
Section 2: MFTE Property Activity	6
Section 3: Location of MFTE Properties	13
Section 4: Final Certificates of Tax Exemption	15
Section 5: Compliance Monitoring, Extension, Opt Out, and Expiration.....	15
Compliance Monitoring	15
MFTE Extensions	16
MFTE Opt Outs	18
MFTE Expirations.....	18
Section 6: MFTE Tax Impacts.....	19
Reduced Tax Base & Foregone Revenue	19
Shifted Tax Burden	20
Section 7: State Legislative Changes	20
More Information	21

Executive Summary

The City of Seattle's MFTE program provides property tax exemptions to owners of multifamily rental properties where a share (20% or 25%) of the apartments have housing costs limited for income-qualified tenant households. MFTE also exempts income-eligible buyers of affordable homes in multifamily developments from property taxes.

MFTE participation (1998-2023)

- **Rental properties:** 352 properties with approved applications.
 - **Active:** 286 properties (including 8 with extensions), providing 6,636 MFTE apartments.
 - **Pipeline:** 49 properties, expected to include 1,945 MFTE apartments.
 - **Expired or opted out:** 17 properties that previously included 411 MFTE apartments.
- **Ownership homes:** 217 homes with approved applications.
 - **Active or sold:** 54 homes sold to income-eligible buyers.
 - **Pipeline:** 68 homes under construction.
 - **Expired or opted put:** 95 homes.
- **Current MFTE program only (Program 6):**
 - **Active:** 19 rental properties, totaling 582 MFTE apartments, and 33 homes for income-eligible buyers.
 - **Pipeline:** 32 rental properties, totaling 1,092 MFTE apartments.
 - **Extensions:** 8 rental properties, totaling 333 MFTE apartments.

Affordability and income limits

- Income limits for MFTE units vary depending on the MFTE program number and unit size or configuration. For Program 6:
 - Rental units: For newly constructed multifamily housing, limits range from 40% of AMI for smaller units to 90% of AMI for larger units. For properties granted a second 12-year exemption, limits range from 30% of AMI to 80% of AMI.
 - Owner-occupied units: 80% of AMI for homes with resale restrictions.
- Legislative changes have been implemented to adjust AMI limits and extend tax exemptions for eligible properties.

Tax impacts

Property tax revenue is reduced because not all new construction value of MFTE properties is added to Seattle's tax base. In addition, MFTE shifts the tax burden of exempt properties to non-exempt taxpayers, including homeowners.

Legislative changes

Legislative changes at the state level (e.g., SB 5287) affect what can and cannot be achieved with MFTE. This includes authorization of extended exemptions.

Definitions for Terms Used in this Report

Approved application: As of December 31, 2023, the Office of Housing approved the initial MFTE application for the property. Properties with an approved application may have an MFTE status of pipeline, active, 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.

Area median income or AMI: A measure used to establish eligibility for income-restricted homes. Income and housing cost limits are typically expressed as percentages of AMI and vary depending on regulatory requirements. The geography for calculating AMI is usually the U.S. Department of Housing and Urban Development's fair market rent area, which for the city of Seattle is King and Snohomish counties.”

Final Certificates of Tax Exemption: Properties for which, as of December 31, 2023, 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 active, 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 for permanent residential occupancy use. 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, 2023, 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 31st of 2021, 2022, or 2023, and the owners opted to extend their MFTE for an additional 12 years in exchange for agreeing to transition to current program requirements.

Active: As of December 31, 2023, 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, 2023, the owner of a property with an issued Final Certificate of Tax Exemption 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, 2023, the Office of Housing conditionally approved an initial MFTE application for the property. Pipeline properties have not yet been issued a Final Certificate of Tax Exemption and MFTE unit counts 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 2023 MFTE Annual Report reflect conditional application approval and exemption status as of December 31, 2023.

Section 1: 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% 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 P6.5, for example).

Table 1.1: MFTE Legislative History ¹

Program 1 (P1) ²	Program 2 (P2)	Program 3 (P3)	Program 4 (P4)	Program 5 (P5)	Program 6 (P6)
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)

¹ Table continues 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 (P1) ²	Program 2 (P2)	Program 3 (P3)	Program 4 (P4)	Program 5 (P5)	Program 6 (P6)
Up to 10-year MFTE MFTE Unit Set-Aside varies depending on Residential Target Area	Up to 10-year MFTE MFTE Unit Set-Aside varies depending on AMI limit	Up to 12-year MFTE MFTE Unit Set-Aside = 20% of total units	Up to 12-year MFTE MFTE Unit Set-Aside = 20% of total units	Up to 12-year MFTE MFTE Unit Set-Aside = 20% or 25% of total units depending on number of 2+ BR units	Up to 12-year MFTE 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 P4.32F ³		Amendments Ordinance 126392 7/27/2021 P6.2 Ordinance 126443 9/27/2021 P6.3 Ordinance 126392

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.

Program 1 (P1) ²	Program 2 (P2)	Program 3 (P3)	Program 4 (P4)	Program 5 (P5)	Program 6 (P6)
					3/28/2023 P6.4 Ordinance 127016 5/6/2024 P6.5 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 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.

The most recent legislation amending MFTE – Ordinance 127016 (May 2024) – authorizes MFTE extensions for properties for which tax exemptions expire on 12/31/2024. The Seattle Office of Housing is overseeing an in-depth evaluation of the MFTE program to inform recommendations for reauthorization legislation in late 2024.

Section 2: MFTE Property Activity

Participation in the MFTE program has grown steadily since its adoption by the City of Seattle in 1998. Of the 352 rental properties with approved applications as of December 31, 2023, 286 are active (including eight with MFTE extensions), meaning the tax exemption is in effect, 49 are in permitting or under construction, and the exemption ended for 17. Of the 217 ownership homes with approved applications, 54 were sold or offered for sale to income-eligible buyers, 68 are in permitting or under construction, and the exemption ended for 95.

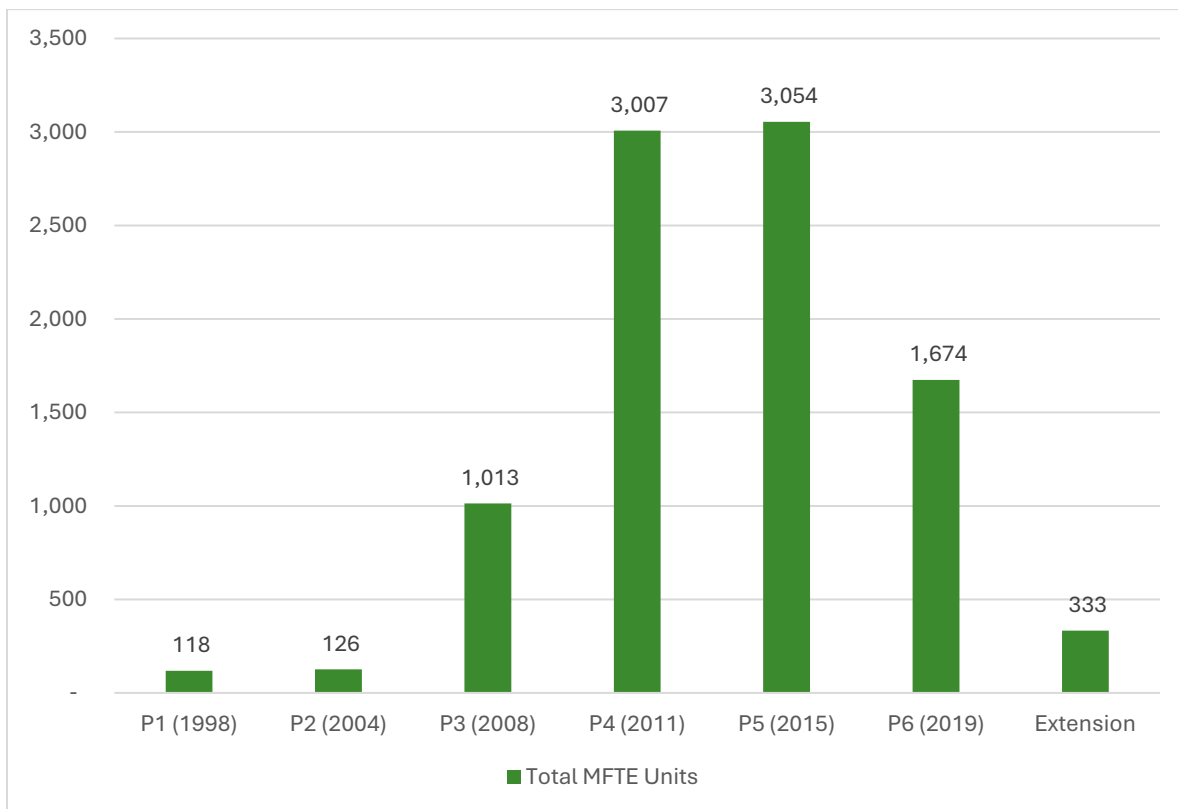
⁴ Ordinances 126443, 126792, and 127016 authorize 12-year extensions for properties with MFTE expiring at the end of years 2021 through 2024. In addition, Ordinance 126792 extends the sunset date for the MFTE Program to 12/31/2024. See *Table 5.1: Current Rent Limits by Unit Type* for AMI limits for properties qualifying for MFTE extensions.

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.

Table 2.1: Approved Applications, by MFTE Status⁶

MFTE Status	Renter-occupied			Owner-occupied
	Total Properties	Total Units	MFTE Units	MFTE Units
Active	278	30,559	6,303	54
Active (extended)	8	1,648	333	0
Pipeline	49	9,412	1,945	68
Expired or Opted out	17	1,749	411	95
Total Units	352	43,368	8,992	217

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



⁶ Unless expressly stated otherwise, MFTE activity for rental properties in this 2023 Annual Report is exclusive to for-profit owned, market-rate housing. It does not include 19 low-income rental housing properties that currently have MFTE, or others that that may have had MFTE previously. 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, Approved Applications, by MFTE Status* does not include eight 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.

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.

As of December 31, 2023, Program 6 final certificates of tax exemption have been issued for 19 rental properties with 582 MFTE units. Another 32 properties with 1,092 rental units are in the Program 6 pipeline. In addition, the Office of Housing approved MFTE extensions for eight rental properties built between 2009 and 2011. Those eight properties include 333 MFTE units.

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

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 Total⁷	5,006	1,013
Active	2,649	536
Expired (not extended)	709	144
<i>Expired (extended)</i>	<i>1,648</i>	<i>333</i>
P4 Total	14,714	3,007
Active	14,632	2,990
Pipeline	78	16
Opted Out	4	1
P5 Total	14,797	3,054
Active	10,591	2,195
Pipeline	4,177	853
Opted out	29	6
P6 Total	9,570	2,007
Active	2,687	582
<i>Active (extended)</i>	<i>1,648</i>	<i>333</i>
Pipeline	5,235	1,092
Grand Total	45,016	9,325

⁷ In Table 2.2, P3 expirations are broken into two categories: *Expired (not extended)* and *Expired (extended)*. The latter category shows the units in eight 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* but are not double counted in the Grand Total.

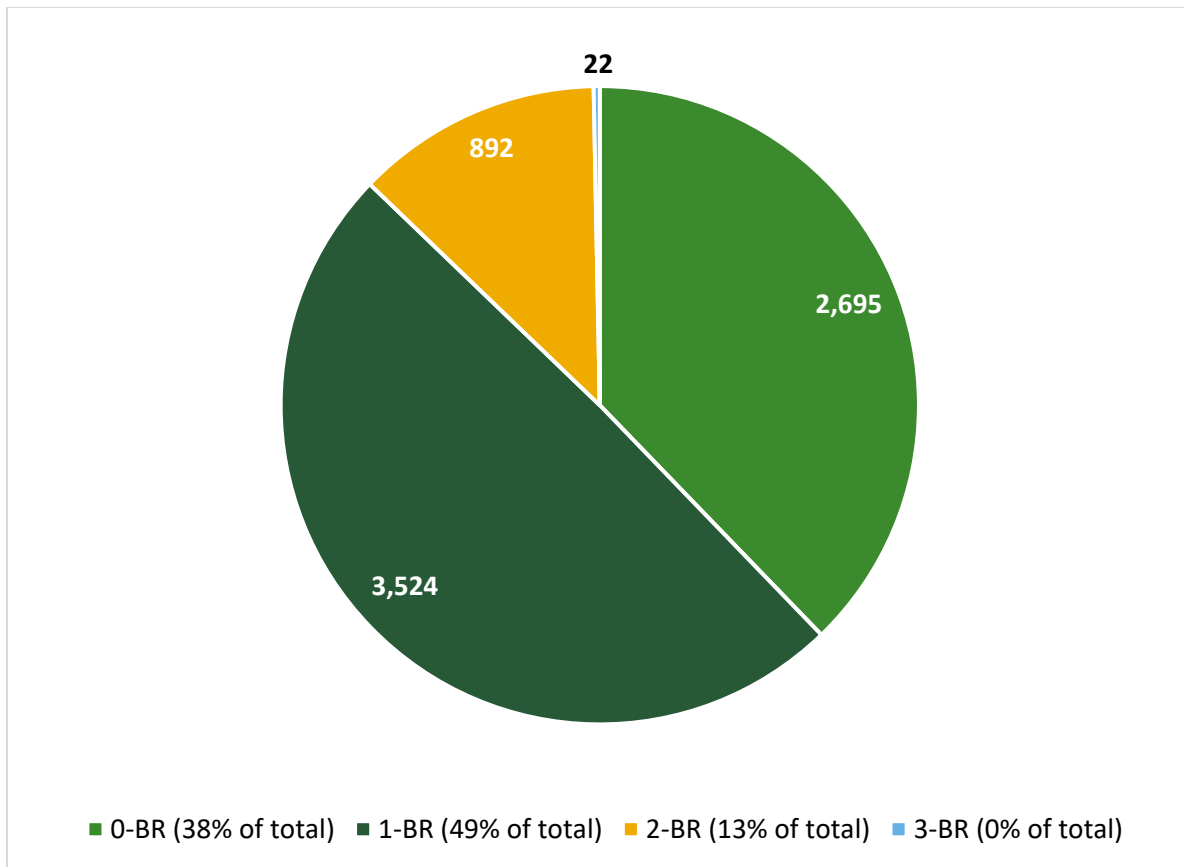
Table 2.3: Approved Applications, by MFTE Program and Status (Ownership Units)

MFTE Program and MFTE Status		MFTE homes for low-income buyers
P1	Expired	24
P2		0
P3	Active	17
	Opted Out	31
	Expired	40
P4	Active	4
P5	Pipeline	68
P6	Active	33
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 8% 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, just under 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 eight in ten of owner-occupied homes have two or more bedrooms.

Figure 2.B: Final Certificates of Tax Exemption, by Number of Bedrooms (MFTE Rental Units)⁸



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

- Congregate residence sleeping room 40% AMI
- SEDU⁹ (if in building with larger 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

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

⁸ 0-Bedroom units includes all units without a separate sleeping area. These can be sleeping rooms in congregate residences, SEDUs, or standard studio units.

⁹ SEDU means a unit permitted by SDCI as a small efficiency dwelling unit.

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, 55 replacement units have been included in ten MFTE properties.

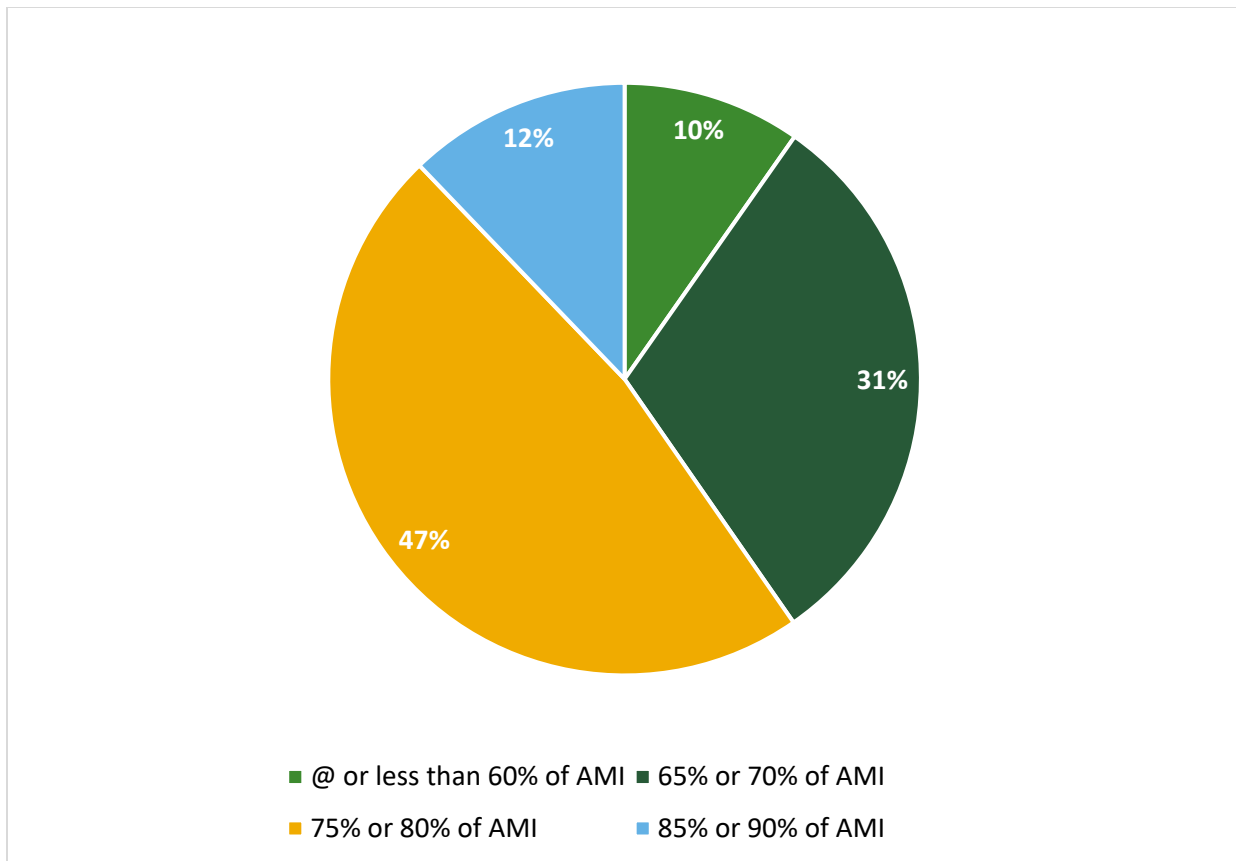
Table 2.4: Approved Applications, by MFTE Status and AMI Limit (MFTE Rental Units)

MFTE Status	40% AMI	50% AMI	60% AMI	65% AMI	70% AMI	75% AMI	80% AMI	85% AMI	90% AMI
Pipeline	178	50	298	208	413	479		290	29
Active	173	10	182	1,829	202	2,641	458	709	99
Active (extended)		94	187			52			
Expired			35	2	91	14	207		14
Expired (extended)							281		52
Opted out							41	7	
Total	351	154	702	2,039	706	3,186	987	1,006	194

Size of and AMI limits for pipeline units are confirmed when construction approaches completion. Affordability of MFTE units has been shifting to serve lower income households as MFTE Program 6 pipeline properties are completed. [Figure 2.C](#) shows the share of MFTE units restricted by AMI level. Roughly 60% of MFTE units are restricted at levels affordable to households with incomes 75% AMI to 90% AMI. Just under 10% of MFTE units are restricted at levels affordable to households with incomes 60% AMI or less.¹⁰

¹⁰ 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 AMI limits do not decrease from the prior year nor increase more than 4.5% from the prior year. P6 rent limits at 75% to 90% of AMI are about \$69K to \$83K for an individual and \$89K to \$107K for a 3-person household. For properties with P3, P4, or P5 agreements, income limits at 75% to 90% of AMI are about \$79K to \$95K for an individual and \$95K to \$122K for a family of three. P6 income limits at 60% of AMI are roughly \$55K for an individual and \$71K for a 3-person household. For properties with P3, P4, or P5 agreements, income limits at 60% of AMI are about \$63K for an individual and \$81K for a family of three.

Figure 2.C: Active Final Certificates of Tax Exemption, by AMI Limit (MFTE Rental Units)¹¹



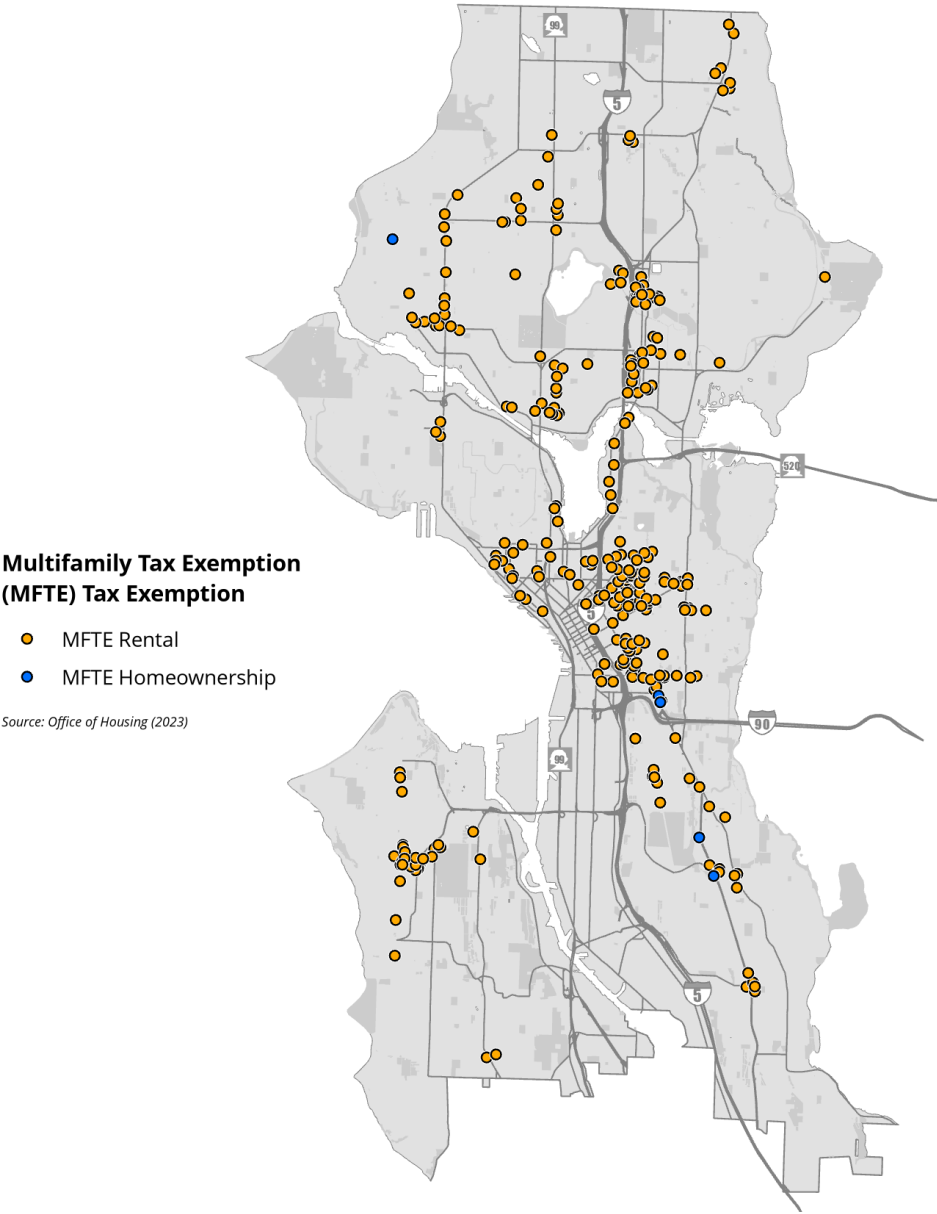
Section 3: Location of MFTE Properties

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 following map shows the location of MFTE properties as of 12/31/2023.

¹¹ Figure 2.C shows AMI limits for properties with active property tax exemptions, except for those for which the exemption was extended (i.e., Active plus Active-Extended). However, 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.

Maps: Multifamily Tax Exemption (MFTE) Properties as of 12/31/2023: Rental Housing and Homeownership¹²



¹² All MFTE homeownership properties were developed with public funding. In addition, the map includes 19 low-income housing rental properties developed with public funding.

Section 4: Final Certificates of Tax Exemption

In 2023, OH issued Final Certificates of Tax Exemption for 13 new multifamily housing properties in neighborhoods throughout Seattle. Multifamily properties receiving Final Certificates in 2023 total 1,667 rental units (including 351 MFTE units) and 13 ownership units. Exemptions for properties with Final Certificate issued in 2023 became effective on January 1, 2024.

Table 4.1: Final Certificates of Tax Exemption issued in 2023

Property Name	Neighborhood	Total Units	MFTE Units
Capitol View ¹³	Capitol Hill	13	13
Ayer, The	Denny Triangle	312	63
Heartwood	12th Avenue	126	32
Gridline West	First Hill	49	13
Betula House	Capitol Hill	50	10
King Street Flats	Jackson Park	30	8
Corner 63	Roosevelt	139	28
JG Whittier	Ballard	54	14
Siteline Apts.	Whittier Heights	214	43
Tapestry	12th Avenue	268	54
Hemlock, The	Greenwood	297	60
Roystone Apts	Queen Anne	93	19
Shared Roof	Greenwood	35	7
Total		1,680	364

Section 5: Compliance Monitoring, Extension, Opt Out, and Expiration

Compliance Monitoring

The Office of Housing (OH) implemented a new shared platform developed by the City’s Information Technology Department (IT) for Market Incentives and Land Use (MILU) reporting. This platform complements a database currently in development by IT for OH’s MILU portfolio. With this new reporting platform, OH greatly improved privacy and personal data protection. Another added benefit includes a streamlined report submission process with efficiencies benefitting property owners/managers as well as OH compliance staff.

Utilizing this new process, OH's Asset Management Division uploaded 282 annual compliance reports for the 2023 reporting period. The response rate for 2023 property reports was 93%. OH continues to work with property owners to finalize reports for roughly 20 other MILU portfolio properties.

¹³ Capitol View is a Habitat for Humanity development providing 13 affordable homes for buyer households with incomes no higher than 80% of AMI.

In addition, Asset Management staff completed ten property file audits and held three virtual training sessions for more than 300 attendees in 2023.

MFTE Extensions

As noted in the Introduction, Ordinances 126443, 126792, and 127016 authorize an extension option for owners of properties with MFTE expiration dates of December 31 of 2021, 2022, 2023, and 2024. Table 5.1 shows the AMI limits for (1) expiring MFTE P3 properties, (2) new MFTE P6 properties, and (3) properties with 12-year MFTE extension.

Table 5.1: Current Rent Limits by Unit Type¹⁴

Unit Type	Rent Limits for Properties with MFTE Expiring (Program 3)	Rent Limits for Newly Built MFTE Properties (Program 6)	Rent Limits Properties with 12-yr MFTE Extensions
Units ≤ 400 square feet			
Compact units (some)	80% AMI	40% AMI	30% AMI
Compact units (all)	80% AMI	50% AMI	40% AMI
Units > 400 square feet			
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

¹⁴ 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 of the exemption's year of expiration, the affordable rent according to the current tenant's lease agreement as of January 1 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 of the exemption's year of expiration must also be promptly leased at an affordable rent to an eligible household consistent with conditions for the 12-year extension.

Table 5.2: Status of Properties with MFTE Expirations on 12/31/2023

Property Name	Address	Market-Rate or Low-income Housing	Opted for Extension	Total MFTE Units
Element 42	2622 California Ave SW	Market	No	16
Trovere aPodments	4309 7th Ave NE	Market	No	10
Solana aPodments	310 17th Ave S	Market	No	7
Link Apartments	4550 38th Ave SW	Market	Yes	39
Station at Othello Park	4219 S Othello St	Market	Yes	71

For-profit owners of two housing developments with 110 MFTE units opted to extend their tax exemptions last year: Link Apartments and The Station at Othello Park. As of December 31, 2023, 36 of the 110 MFTE units were vacant. The 36 vacant units includes 15 newly designated MFTE units to substitute for 14 other units occupied by tenants who did not provide documentation for income certifications plus one MFTE unit occupied by a tenant with annual income more than 1.5 times the P3 limit. It also includes eight units in one of the buildings that were not leased for any portion of the 2023 calendar year.

Of the remaining 74 MFTE units occupied prior to the MFTE extension, all but four tenant households qualified for the lower rents shown in the *Rent Limits Properties with 12-yr MFTE Extensions* column in [Table 5.1](#). Incomes of those 70 qualifying households average roughly 36% AMI. Tenant households residing in three 1-bedroom MFTE units have average incomes of roughly 73% AMI and one other household residing in an MFTE studio has income 54% of AMI; rents for these four households will continue to be subject to higher Program 3 limits. For those four units, the 12-year extension rent limits do not go into effect until unit turnover.¹⁵

Table 5.3: Income Levels of Households with Income Certifications

Unit type	Households No Longer Eligible—Average Income 111% AMI ¹⁶	Households with P3 Rent Levels—Average Income 68% AMI	Households with Lower Rent Levels—Average Income 36% AMI
0-Bedroom			11
1-Bedroom	1	2	50
2-Bedroom		2	9
Total	1	4	70

Of the 74 households certified as income eligible, 60 voluntarily provided race/ethnicity information for a head of household. Of those 60 households providing demographic information, 35% identify as white and 65% identify as people of color and/or mixed race.

¹⁵ 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.

¹⁶ A unit was substituted for the one no longer designated for MFTE because the tenant’s income exceeded 1.5 times the P3 limit; that substitute unit is included in the count of 36 vacant units.

The owners of three market-rate properties, Element 42, Trovere aPodments, and Solana aPodments, opted not to seek 12-year MFTE extensions. With those expirations, 33 MFTE units (17 sleeping room units at 80% of AMI, two studios at 65% of AMI, and 14 one-bedroom units at 75% of AMI) now have no income and rent restrictions. A small share of tenants submitted applications for tenant relocation assistance, and 9 households qualified.

MFTE Opt Outs

Since MFTE's inception in 1998, owners of four 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 and the fourth included one Program 6 MFTE unit.

To date, MFTE opt outs also include 31 condominium units at the Pontedera (827 Hiawatha Pl S, completed in 2009) where the property tax exemption ended before expiration at year 12 due to sale.

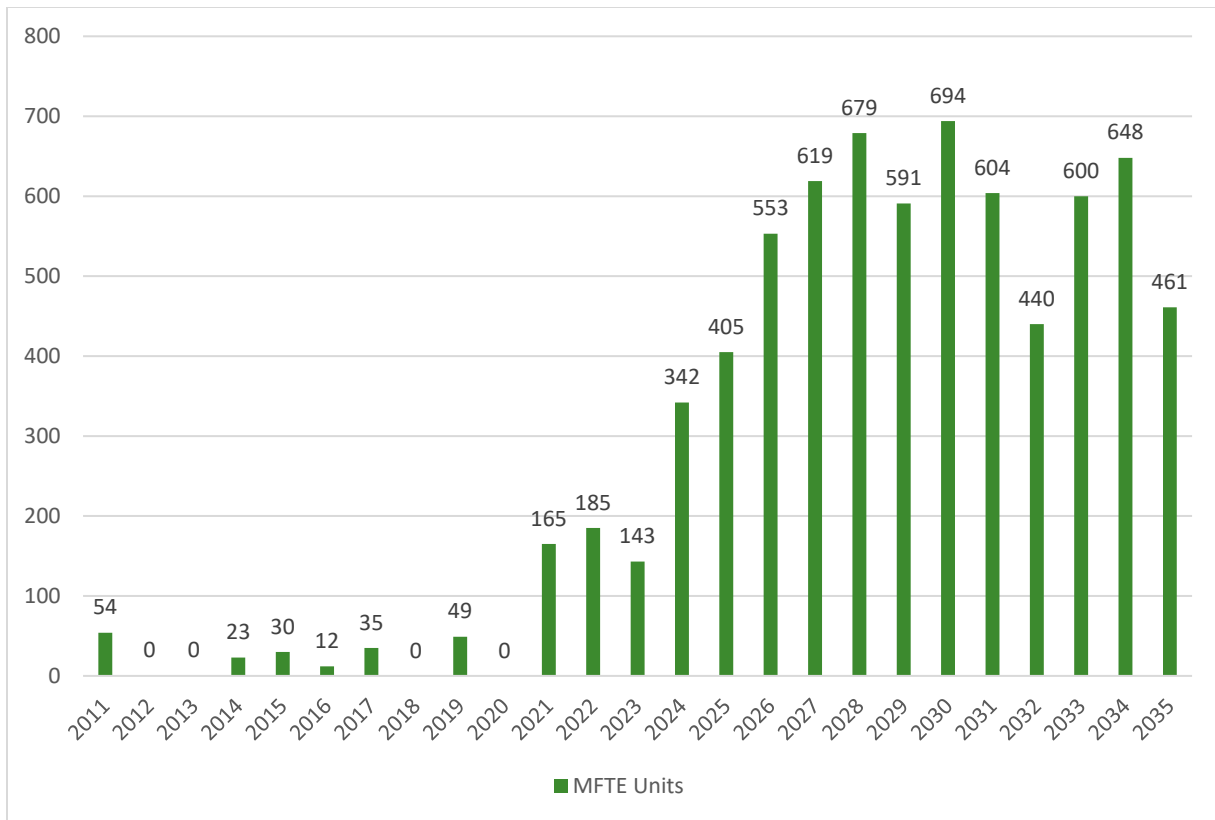
MFTE Expirations

As of December 31, 2023, the multifamily property tax exemption expired for 13 rental properties totaling 363 MFTE units. The inventory of rental multifamily housing with a set-aside of active MFTE units currently totals 286 properties and 6,636 MFTE units (including the eight properties provided MFTE extensions). The property tax exemption for those properties expires in years 2024 through 2035. In the next five years (2024-2028), tax exemptions are scheduled to expire for the owners of 131 multifamily rental housing properties with 2,598 MFTE units.

In 2024, MFTE is scheduled to expire for fifteen rental properties with 342 MFTE units. The current AMI limits (80% to 90% of AMI or 65% to 85% of AMI depending on version of MFTE) may be at or above prevailing market rents for these relatively older properties.

[Figure 5.A](#) below shows the number of expired MFTE units as well as the growing number of active 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



Section 6: 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 shifted to non-exempt taxpayers due to exempt taxes on the owners of exempt multifamily properties.

Reduced Tax Base & Foregone Revenue

Washington state law limits tax increases in individual taxing districts, such as Seattle’s, to 1% annually plus taxes generated by certain improvements, including new construction. In most cases, a portion of the new construction value for MFTE properties is typically deferred, which means it cannot be included as part of Seattle’s tax base until the tax exemption for the property ends (12 years, or up to 24 years for certain properties, from the date when the housing first opens).

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

For properties with MFTE active in the 2023 calendar year (those properties where MFTE started anytime between 2012 and 2023) the amount of new construction value currently deferred by the King County Assessor for Seattle’s MFTE rental properties is \$3.7 billion. As a result, \$271 million of property tax revenue was forgone during that 12-year period. Additional revenue losses from properties for which MFTE has already ended due to expiration or opt out are not included in the \$271 million estimate of foregone property tax revenue. The amount of revenue foregone in the 2023 tax year alone was \$38.3 million.

Shifted Tax Burden

Most 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 \$8.8 billion. For 2023 alone, that translates into \$71.4 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 2023, assuming Seattle’s median assessed home value of \$804,000, is approximately \$130 of additional property taxes. The total shifted tax burden for Seattle taxpayers is greater than the \$130 estimate; this 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 7: State Legislative Changes

In the 2024 state legislative session, an office-to-housing conversion bill, [SB 6175](#), added a new defined term to the definitions section of [Chapter 84.14, the authorizing statute for MFTE. RCW to add the following defined term:](#) “Conversion” means the conversion of a nonresidential building, in whole or in part, to multiple-unit housing under this chapter. The bill authorizes sales tax exemptions for conversion projects and requires that income-restricted units provided as a condition of that incentive be unique from ones provided as a condition of MFTE, if applicable.

[SB 5287](#), adopted during the 2021 legislative session, provided several amendments to Chapter 84.14, including 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 that jurisdictions follow State annual reporting requirements for MFTE, including rents or sales prices for every unit in a development and household sizes and incomes for residents of all MFTE units.
- Requirement for certain properties to provide tenant notification and tenant relocation assistance prior to MFTE expiration.

- 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, contact the City of Seattle Office of Housing or visit seattle.gov/housing.

Office: Seattle Municipal Tower
700 Fifth Avenue, Suite 5700
Seattle, WA 98104

Mail: City of Seattle Office of Housing
PO Box 94725
Seattle, WA 98124-4725

Phone: (206) 684-0721

Email: housing@seattle.gov