

2023 Multifamily Tax Exemption (MFTE) Annual Report 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 multifamily homes 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.

Issues for consideration

- **Tax impacts:** New construction value of MFTE properties is not added to Seattle's tax base, which reduces Seattle's tax base and property tax revenue. In addition, MFTE shifts the tax burden of exempt properties to non-exempt taxpayers, including homeowners.
- **Public benefit:** To ensure MFTE delivers expected public benefits, ongoing enforcement of affordability and reporting requirements is crucial.
- **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.