

CITY OF SEATTLE

ORDINANCE _____

COUNCIL BILL _____

..title

AN ORDINANCE relating to the Multifamily Housing Property Tax Exemption Program; renewing and modifying the Program, including to make changes in conformity with state law; repealing Chapter 5.72 of the Seattle Municipal Code; and amending Chapter 5.73 and Sections 5.75.090 and 23.50A.062 of the Seattle Municipal Code.

..body

WHEREAS, in authorizing a Multi-family Tax Exemption (MFTE) program via chapter 84.14

RCW, the State legislature intended to achieve multiple goals by incentivizing the development of multi-family housing, including creating additional affordable housing, encouraging urban development and density, increasing market rate workforce housing, developing permanently affordable housing opportunities, promoting economic investment and recovery, and creating family-wage jobs; and

WHEREAS, chapter 84.14 RCW authorizes local jurisdictions to create a voluntary program that requires participating housing developers to set aside a certain percentage of units for low- or moderate-income households, up to 115 percent area median income, in exchange for a 12-year property tax exemption on the residential portion of the development; and

WHEREAS, in 2021, the State legislature authorized local jurisdictions to provide a 12-year MFTE extension for properties with expiring property tax exemptions under the initial 12-year program; and

WHEREAS, The City of Seattle (City) first created an MFTE program in 1998 via Ordinance 119237 and has since approved several program iterations over the years through Ordinances 120135, 121415, 121915, 122730, 123550, 123727, 124724, 124877, 124919, 125932, 126392, 126443, 126792, 127016, 127084, 127145, and 127187; and

1 WHEREAS, over the last few decades, Seattle has become a highly desirable location for people
2 to live and work, which has produced many benefits but has also created a shortage of
3 housing for people who want to remain in or move to Seattle; and

4 WHEREAS, more housing at all income levels is needed to meet current and future demand; and

5 WHEREAS, the City is in the process of a major ten-year update to Seattle's Comprehensive
6 Plan, in which Mayor Harrell has proposed to increase Seattle's zoning capacity to
7 accommodate more housing and more housing types throughout the city; and

8 WHEREAS, zoning changes are only one part of the equation to help develop more housing in
9 the city; and

10 WHEREAS, Mayor Harrell is committed to further reforms and improvements to make it easier,
11 faster, and more feasible to build more housing in Seattle to address the current housing
12 shortage; and

13 WHEREAS, the City has one of the most robust affordable housing programs in the country,
14 which is designed to support the creation of affordable subsidized housing for extremely
15 low and low-income households, up to 60 percent area median income for renters with a
16 priority for households at 0-30 percent area median income; and

17 WHEREAS, the City's investments for affordable housing, nearly \$350 million a year in recent
18 years, help leverage State and Federal funds and tax credits to create deeply affordable
19 subsidized housing; and

20 WHEREAS, the City's MFTE program can help support the creation of more market rate and
21 workforce housing while also providing rent-restricted units for low- or moderate-income
22 households; and

1 WHEREAS, when the City approved major amendments to its MFTE program in 2019, market
2 conditions for housing development were much more favorable than today; and

3 WHEREAS, since 2019, escalating construction costs and interest rates have created an
4 extremely challenging environment for the housing market and many housing projects
5 today are not feasible, resulting in a severe decline in permit applications; and

6 WHEREAS, given the MFTE program is voluntary and developers will only participate if it
7 provides a sufficient economic incentive, MFTE is a tool best suited for the development
8 of workforce housing and moderate-income levels since a property tax exemption alone
9 is, in most cases, insufficient to support deeply affordable units; and

10 WHEREAS, in 2024, the Office of Housing contracted with the University of Washington to
11 conduct an evaluation of the City’s MFTE program; and

12 WHEREAS, the University of Washington evaluation report concluded that “MFTE has had a
13 stimulative effect on housing production”; and

14 WHEREAS, at the time of the report’s release, 303 multi-family rental properties had
15 participated in MFTE, resulting in 33,956 total housing units, of which 7,047 of these are
16 income-restricted; and

17 WHEREAS, the report also found that in all submarkets and unit types, average income-
18 restricted MFTE rents are lower than market-rate rents in MFTE properties, with larger
19 rent discounts occurring in higher rental submarkets as well as for larger units; and

20 WHEREAS, the report states that the current MFTE tenant income certification process and unit
21 comparability requirements impose significant administrative costs on both the City and
22 developers and these can deter program participation, particularly during times of
23 challenging market conditions; and

1 WHEREAS, the purpose of this update to the MFTE program is to encourage the creation of
2 workforce housing and more housing generally by reducing the administrative burden
3 associated with the current program, clarifying and simplifying certain requirements, and
4 providing for modest increases in allowable area median income limits for MFTE units;
5 and

6 WHEREAS, pursuant to Seattle Municipal Code Section 5.73.120, the MFTE program will
7 expire September 10, 2025, unless extended by the City Council by ordinance; NOW,
8 THEREFORE,

9 **BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:**

10 Section 1. Chapter 5.72 of the Seattle Municipal Code, last amended by Ordinance
11 125173, is repealed:

12 ~~((Chapter 5.72 MULTIFAMILY HOUSING PROPERTY TAX EXEMPTION~~

13 ~~5.72.010 Purpose.~~

14 ~~A. The purposes of this chapter are:~~

- 15 ~~1. To encourage more multifamily housing opportunities within the City;~~
16 ~~2. To stimulate the construction of new multifamily housing and the rehabilitation~~
17 ~~of existing vacant and underutilized buildings for multifamily housing;~~
18 ~~3. To increase the supply of multifamily housing opportunities within the City for~~
19 ~~low and moderate income households;~~
20 ~~4. To accomplish the planning goals required under the Growth Management Act,~~
21 ~~RCW Chapter 36.70A, as implemented by the City's Comprehensive Plan;~~
22 ~~5. To promote community development, affordable housing, and neighborhood~~
23 ~~revitalization;~~

1 6. ~~To preserve and protect buildings, objects, sites, and neighborhoods with~~
2 ~~historic, cultural, architectural, engineering or geographic significance located within the City;~~
3 ~~and~~

4 7. ~~To encourage additional housing in areas that are consistent with planning for~~
5 ~~LINK Light Rail by Sound Transit.~~

6 B. ~~Any one (1) or a combination of these purposes may be furthered by the designation of~~
7 ~~a residential targeted area under this chapter.~~

8 **~~5.72.020 Definitions.~~**

9 ~~As used in this chapter:~~

10 A. ~~"Affordable" means: (1) for rental housing, that the units shall be rented to person(s)~~
11 ~~with household annual income, at the time of each tenant's initial occupancy, no greater than the~~
12 ~~percentage of median income designated in this chapter for the tenant's household size; and (2)~~
13 ~~for owner-occupied housing, that each owner of the property who occupies the unit after~~
14 ~~issuance of the final certificate of tax exemption under this chapter shall have a household annual~~
15 ~~income, at the time of each such owner's initial occupancy of the unit, no greater than the~~
16 ~~percentage of median income designated in this chapter for the owner's household size adjusted~~
17 ~~for the presumed family size of the unit as set forth above. A unit shall not cease to be affordable~~
18 ~~solely because the household annual income of the owner of owner-occupied housing, or tenant~~
19 ~~of rental housing, exceeds the annual income limit set forth in this subsection A after the date of~~
20 ~~initial occupancy.~~

21 B. ~~"Assessor" means the King County Assessor.~~

1 ~~C. "Director" means the Director of the City's Office of Housing, or any other City office,~~
2 ~~department or agency that shall succeed to its functions with respect to this chapter, or his or her~~
3 ~~authorized designee.~~

4 ~~D. "Household annual income" means the aggregate annual income of all persons over~~
5 ~~eighteen (18) years of age residing within the same household for a period of at least one (1)~~
6 ~~month.~~

7 ~~E. "Median income" means annual median income for the metropolitan statistical area~~
8 ~~that includes Seattle, as most recently estimated by the United States Department of Housing and~~
9 ~~Urban Development, as adjusted for household size.~~

10 ~~F. "Multifamily housing" means a building or townhouse having four (4) or more~~
11 ~~dwelling units designed for permanent residential occupancy resulting from new construction or~~
12 ~~rehabilitation or conversion of vacant, underutilized, or substandard buildings.~~

13 ~~G. "Owner" means the property owner of record.~~

14 ~~H. "Permanent residential occupancy" means multifamily housing that provides either~~
15 ~~rental or owner occupancy for a period of at least one (1) month. This excludes hotels and motels~~
16 ~~that predominately offer rental accommodation on a daily or weekly basis.~~

17 ~~I. "Rehabilitation improvements" means (1) modifications to an existing structure the~~
18 ~~residential portion of which has been vacant for at least twelve (12) months prior to application~~
19 ~~for exemption under this chapter, that are made to achieve a condition of substantial compliance~~
20 ~~with the applicable building and construction codes contained in SMC Title 22; or (2)~~
21 ~~modifications to an existing occupied residential structure or mixed use structure that contains~~
22 ~~occupied residential units, that add at least four (4) multi-family housing units.~~

1 J. ~~"Residential targeted area" means an area within an urban village that has been so~~
2 ~~designated by the City Council pursuant to this chapter.~~

3 K. ~~"Substantial compliance" means compliance with the applicable building and~~
4 ~~construction codes contained in SMC Title 22 that is typically required for rehabilitation as~~
5 ~~opposed to new construction.~~

6 L. ~~"Urban village" as used in this Chapter 5.72 means a neighborhood that: (1) is within~~
7 ~~an area designated as either a hub urban village or a residential urban village in the City's~~
8 ~~Comprehensive Plan; and (2) meets the definition of an "urban center" as defined in RCW~~
9 ~~84.14.010.~~

10 **~~5.72.030 Residential targeted areas—Criteria—Designation.~~**

11 A. ~~Following notice and public hearing as prescribed in RCW 84.14.040, the Council~~
12 ~~may designate one (1) or more residential targeted areas, upon a finding by the Council in its sole~~
13 ~~discretion that the residential targeted area meets the following criteria:~~

14 1. ~~The residential targeted area is within an urban village;~~

15 2. ~~The residential targeted area lacks sufficient available, desirable and convenient~~
16 ~~residential housing to meet the needs of the public who would be likely to live in the urban~~
17 ~~village if desirable, attractive and livable residences were available; and~~

18 3. ~~Providing additional housing opportunity in the residential targeted area will~~
19 ~~assist in achieving one (1) or more of the following purposes:~~

20 a. ~~Encourage increased residential opportunities within the City; or~~

21 b. ~~Stimulate the construction of new affordable multifamily housing; and~~

22 c. ~~Encourage the rehabilitation of existing vacant and underutilized~~
23 ~~buildings for multifamily housing.~~

1 ~~B. In designating a residential targeted area, the Council may also consider other factors,~~
2 ~~including:~~

3 ~~1. Whether additional housing in the residential targeted area will attract and~~
4 ~~maintain an increase in the number of permanent residents;~~

5 ~~2. Whether providing additional housing opportunities for low and moderate~~
6 ~~income households would meet the needs of citizens likely to live in the area if affordable~~
7 ~~residences were available;~~

8 ~~3. Whether an increased permanent residential population in the residential~~
9 ~~targeted area will help to achieve the planning goals mandated by the Growth Management Act~~
10 ~~under RCW 36.70A, as implemented through the City's Comprehensive Plan;~~

11 ~~4. Whether encouraging additional housing in the residential targeted area is~~
12 ~~consistent with plans for LINK Light Rail by Sound Transit; or~~

13 ~~5. Whether additional housing may contribute to revitalization of a distressed~~
14 ~~neighborhood or area within the City.~~

15 ~~C. At any time the Council may, by ordinance, in its sole discretion, amend or rescind the~~
16 ~~designation of a residential targeted area pursuant to the same procedural requirements as set~~
17 ~~forth in this chapter for original designation.~~

18 ~~D. The following areas, as shown in the attached Attachments 1 through 11, are~~
19 ~~designated as residential targeted areas under this chapter:~~

20 ~~1. Martin Luther King Jr. Way South at South Holly Street;~~

21 ~~2. Pioneer Square;~~

22 ~~3. International District;~~

23 ~~4. 23rd Avenue South at South Jackson;~~

~~5. Westlake (Denny Triangle);~~

~~6. South Park;~~

~~7. Columbia City;~~

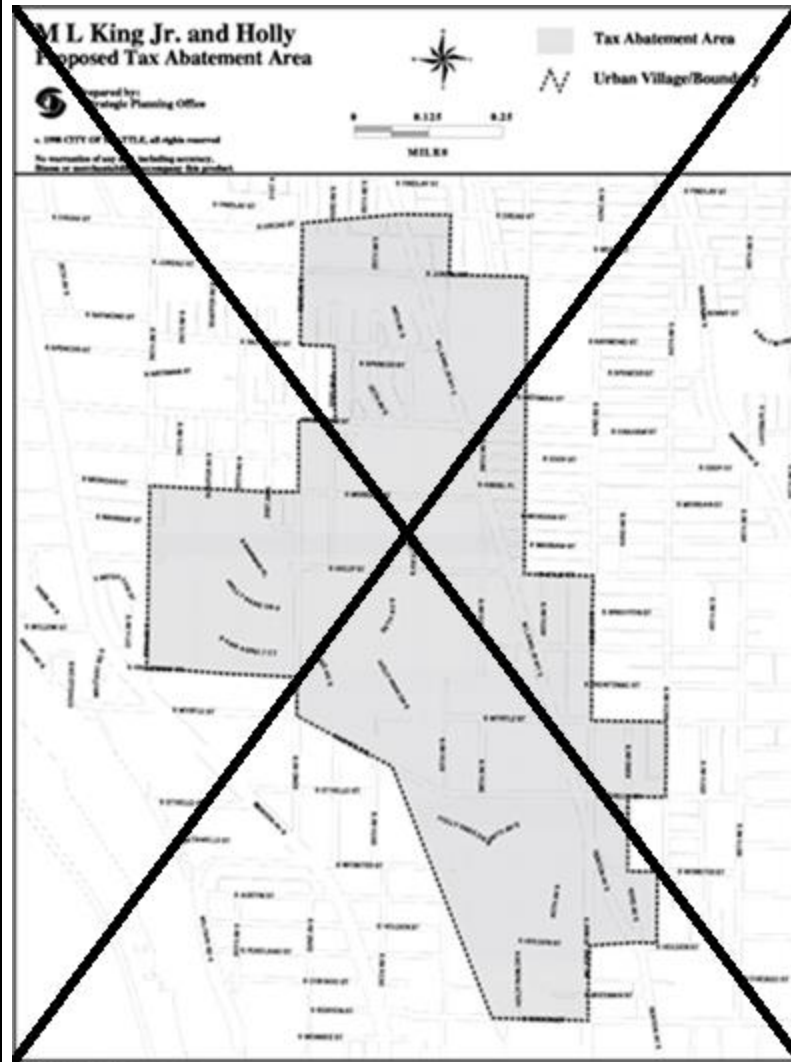
~~8. Rainier Avenue South at I-90;~~

~~9. Pike/Pine;~~

~~10. Capitol Hill;~~

~~11. Rainier Beach.~~

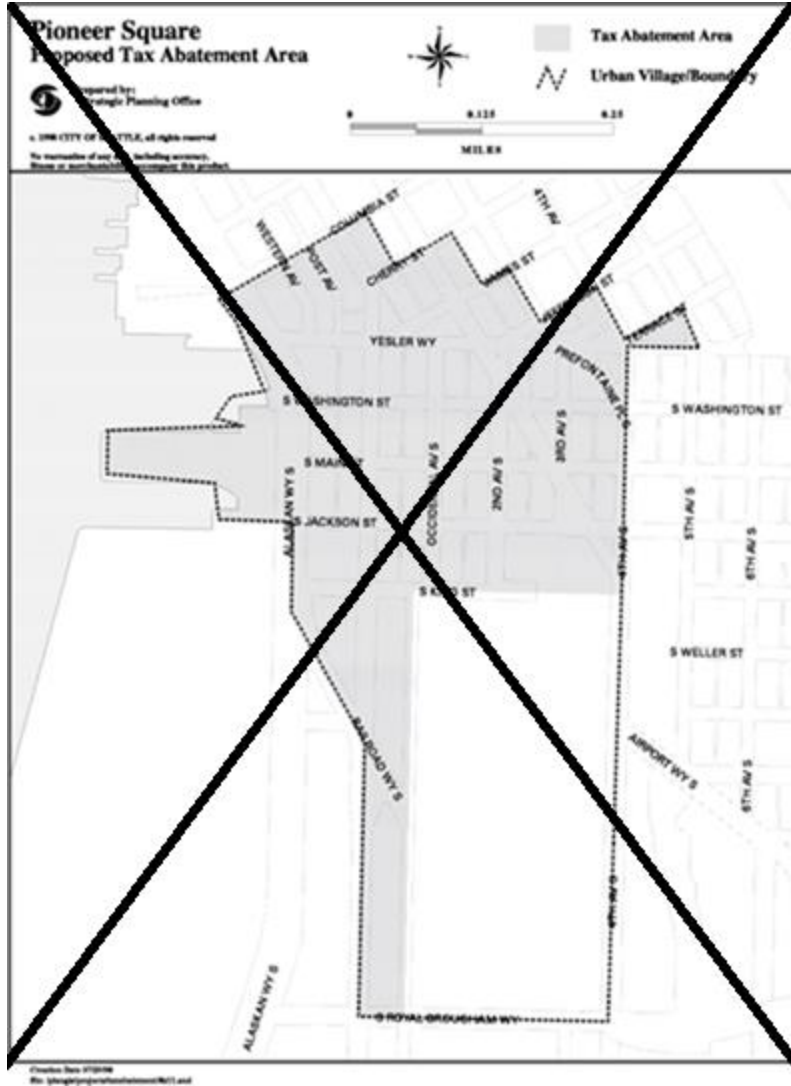
~~E. If a part of any legal lot is within a residential targeted area as shown in Attachments 1 through 11, then the entire lot shall be deemed to lie within such residential targeted area.~~



1

2

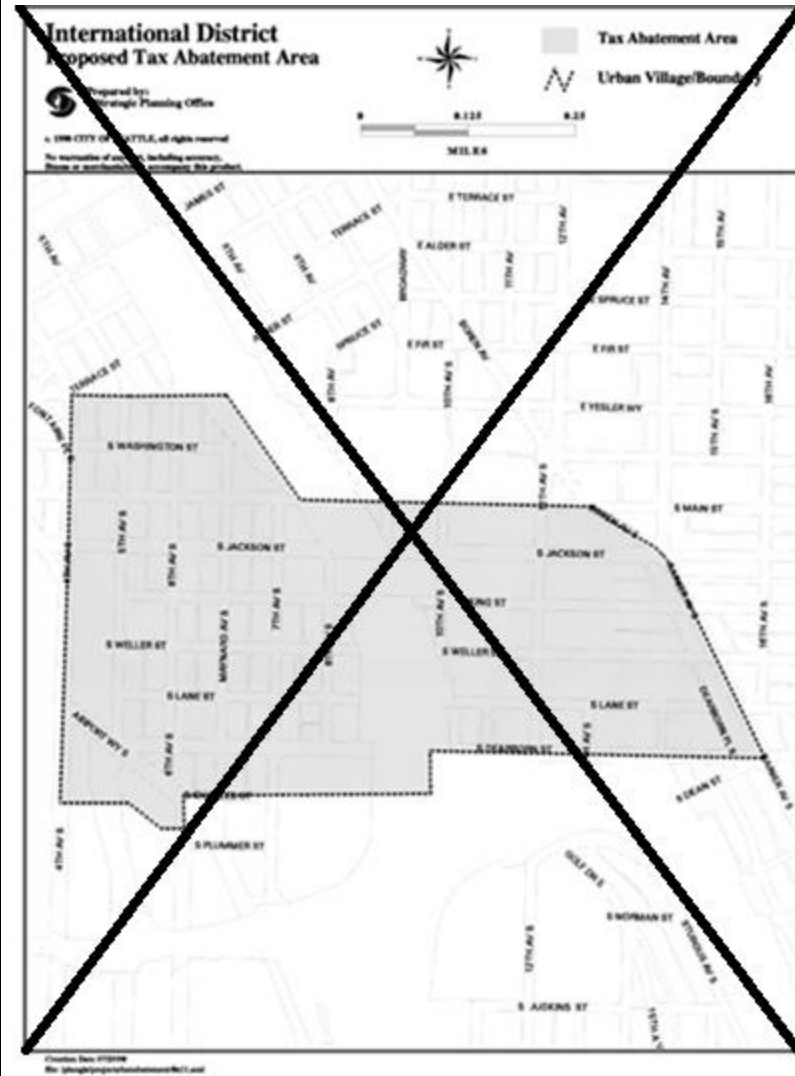
M.L. King Jr. and Holly



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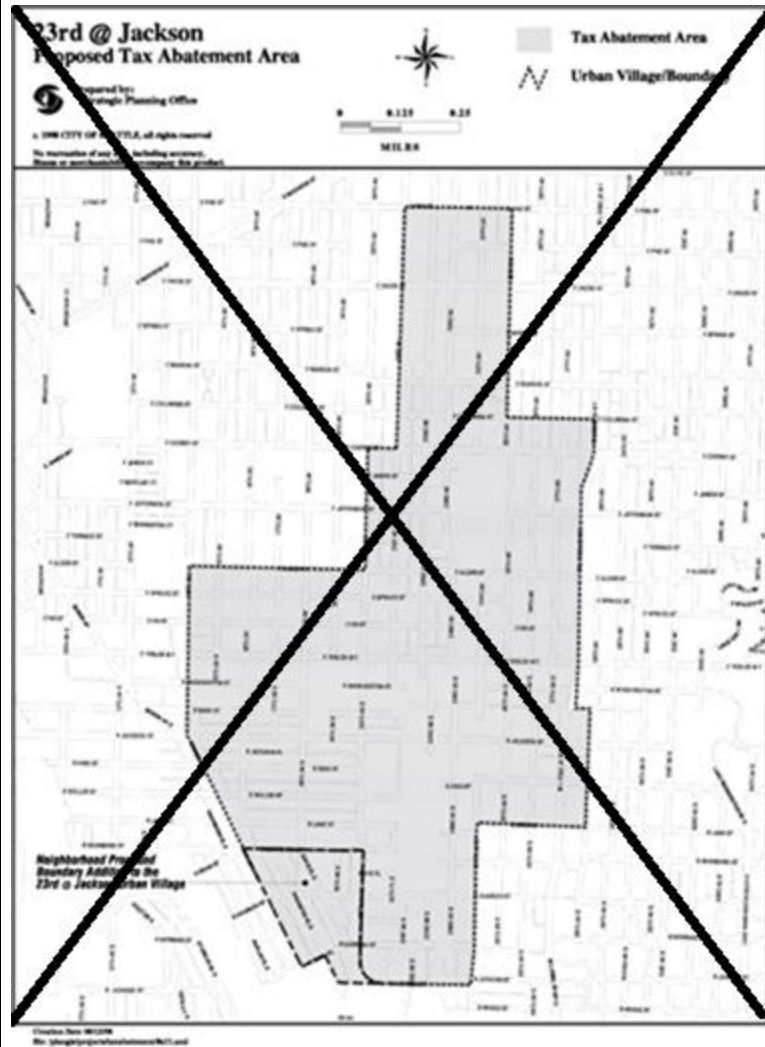
Pioneer Square



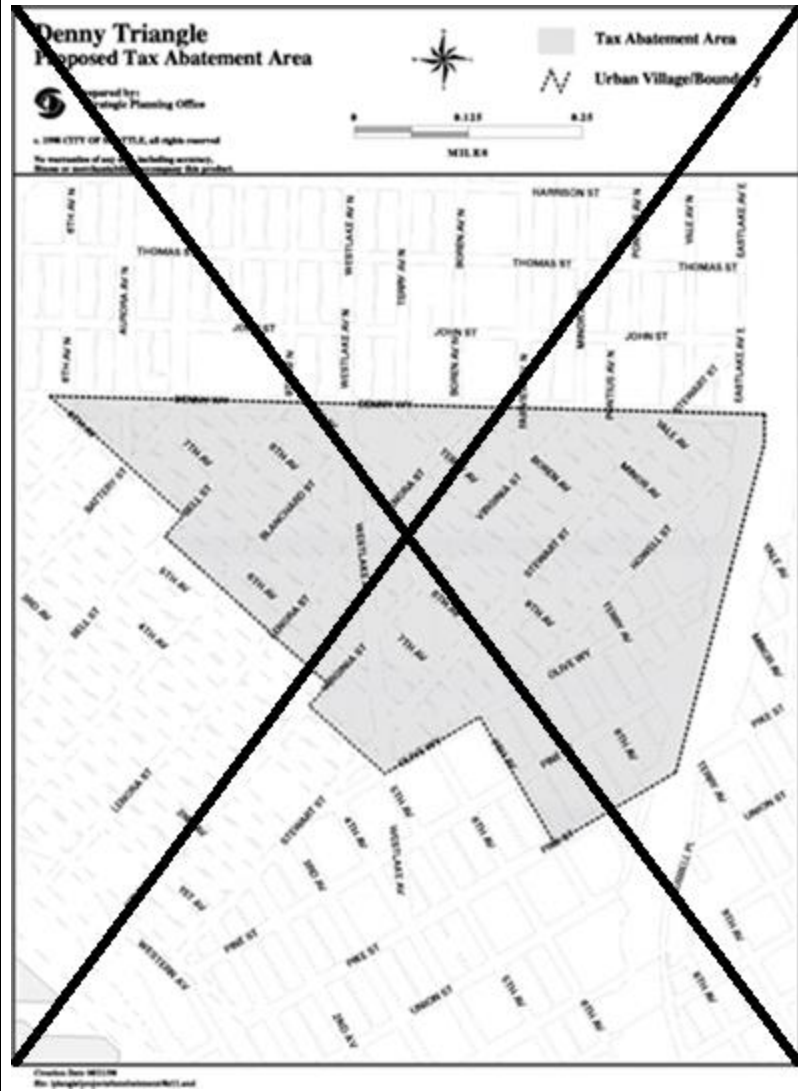
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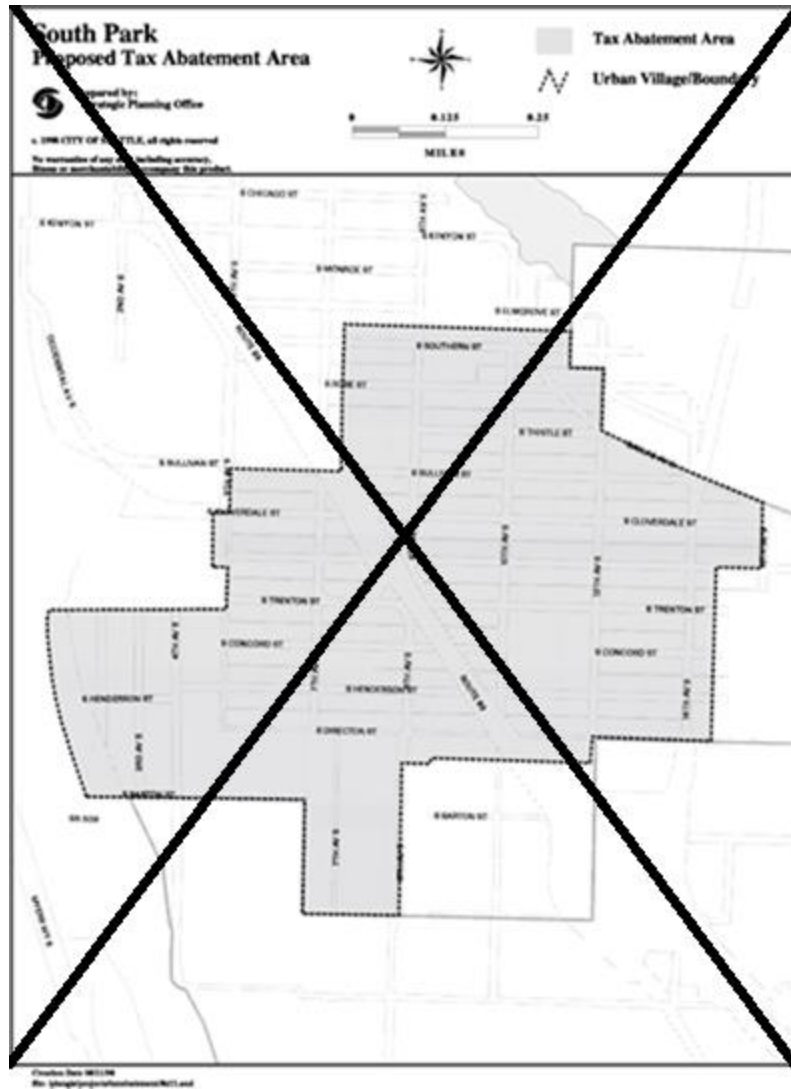
International District

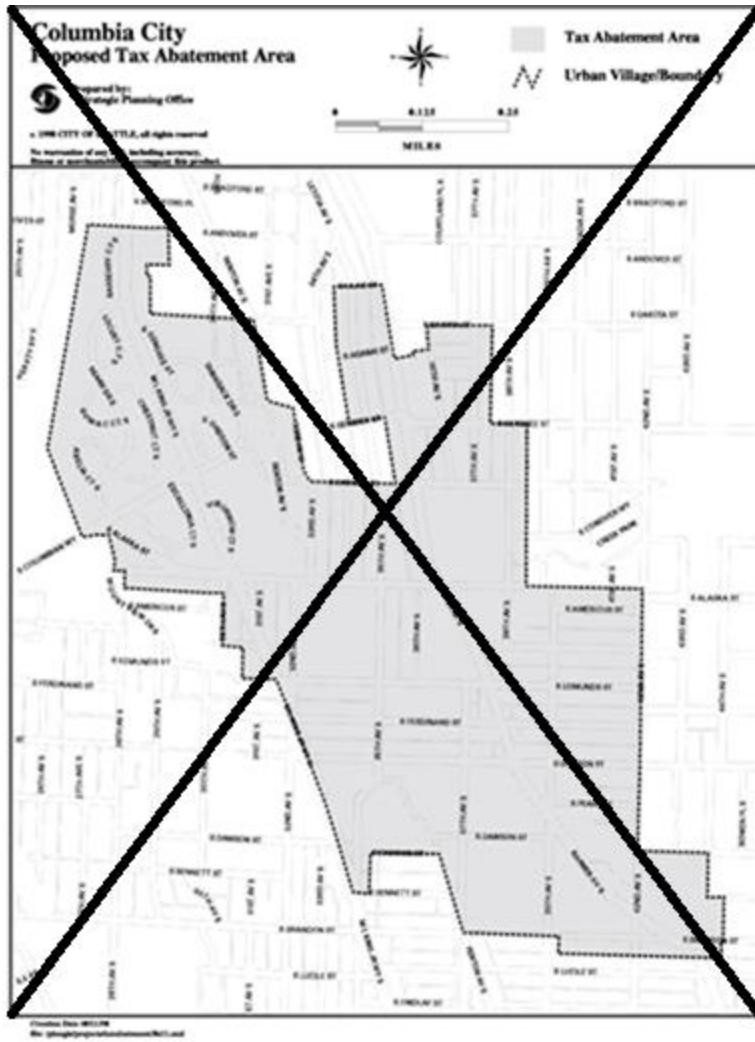


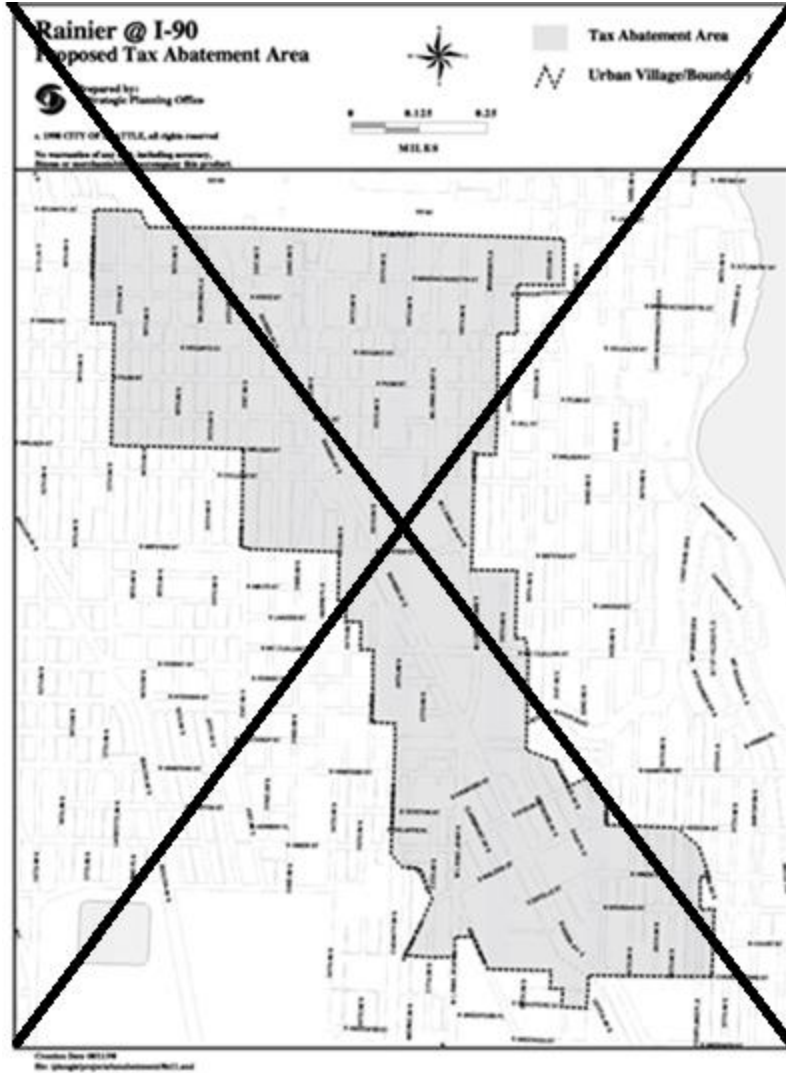
~~23rd Jackson~~



~~Denny Triangle~~

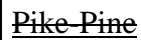
~~South Park~~

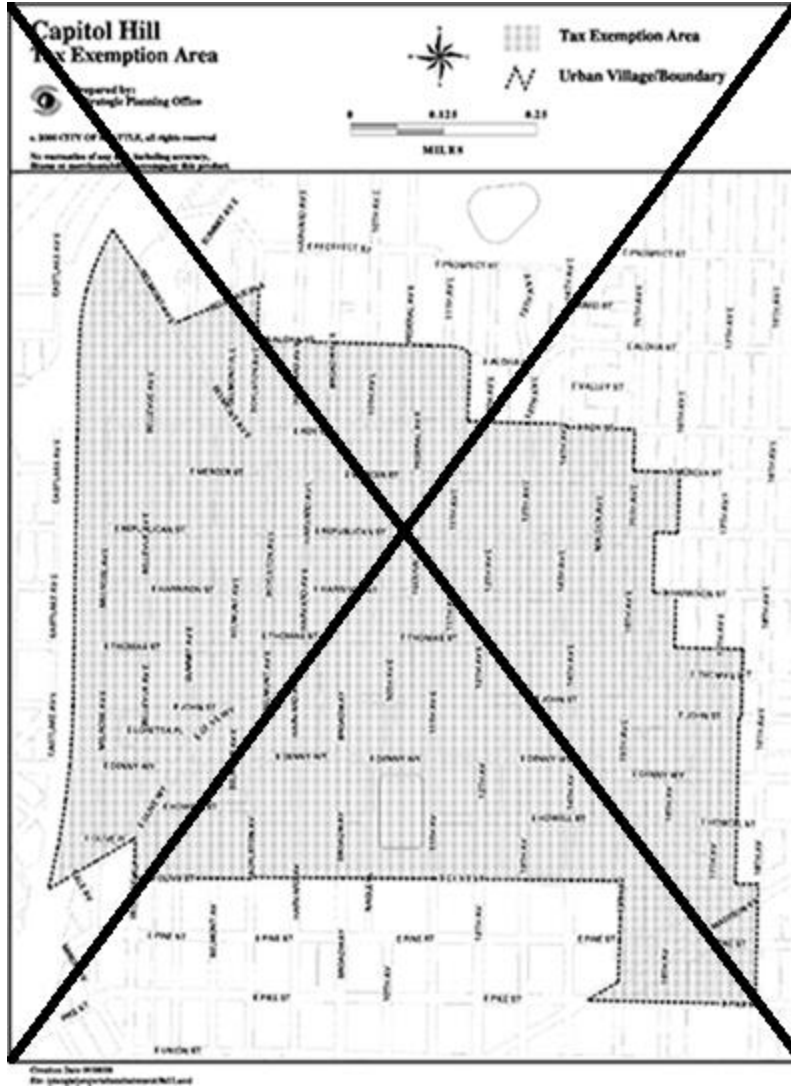
Columbia City



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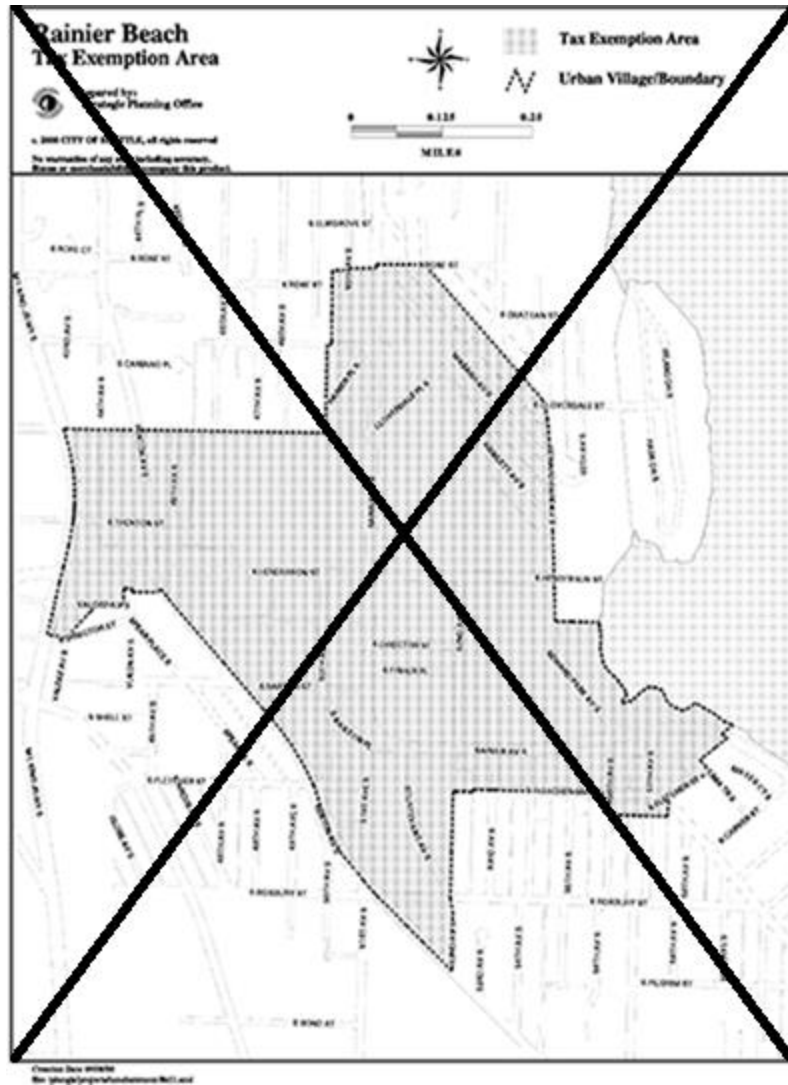
2 Rainier at I-90





1

2 Capitol Hill



Rainier Beach

5.72.040 Project eligibility.

To be eligible for exemption from property taxation under this chapter, the property must satisfy all of the following requirements:

- A. The property must be located in a residential targeted area.
- B. The project must be multifamily housing consisting of at least four (4) dwelling units within a residential structure or as part of a mixed use development in which at least fifty (50)

~~percent of the space within such residential structure or mixed-use development is intended for permanent residential occupancy.~~

~~C. For new construction, a minimum of four (4) new dwelling units must be created; for rehabilitation or conversion of existing occupied structures, a minimum of four (4) additional dwelling units must be added.~~

~~D. For rehabilitation or conversion of an existing vacant building, the residential portion of the building shall have been vacant for at least twelve (12) months before application for a conditional exemption, and the rehabilitation improvements shall achieve a condition of substantial compliance with the applicable building and construction codes contained in SMC Title 22.~~

~~E. For rehabilitation or conversion of existing occupied structures, there shall be no "displacement" of existing residential tenants, as such term is defined in Section 22.210.030 E of the Seattle Municipal Code.~~

~~F. For any new construction project where an existing rental housing structure that contained four (4) or more occupied dwelling units was demolished on the site of the new project within twelve (12) months prior to application for exemption under this chapter, or is to be demolished on that site for purposes of the new project, the owner shall agree, on terms and conditions satisfactory to the Director, to replace any units within such structure that were rented to tenants who receive a tenant relocation assistance payment under SMC Ch. 22.210, subject to the following requirements:~~

~~1. For the first ten (10) calendar years of operation of the replacement units, the replacement units shall be affordable at or below fifty (50) percent of median income.~~

1 ~~2. Replacement may be accomplished either as part of the new construction for~~
2 ~~which application for exemption is made under this chapter, or through the new construction of~~
3 ~~additional multiple-unit housing at another location, or through the substantial rehabilitation of~~
4 ~~vacant multiple-unit housing, or through the preservation of housing that is rented at the time of~~
5 ~~application to tenants with household annual income at or below fifty (50) percent of median~~
6 ~~income, and that the Director determines would otherwise be converted to a use other than rental~~
7 ~~to tenants with such income.~~

8 ~~3. The replacement housing shall be completed, and a temporary or permanent~~
9 ~~certificate of occupancy shall be issued, within three (3) years from the date of approval of the~~
10 ~~application; provided, that the Director may extend the time for completion if the Director finds~~
11 ~~that:~~

12 ~~a. The failure to complete the replacement housing is due to circumstances~~
13 ~~beyond the owner's control;~~

14 ~~b. The owner has been acting and may reasonably be expected to continue~~
15 ~~to act in good faith and with due diligence; and~~

16 ~~c. The replacement housing will be completed within a reasonable time.~~

17 ~~4. Projects where the existing rental housing structure was demolished before the~~
18 ~~effective date of this Chapter 5.72, are not subject to the requirements of this subsection.~~

19 ~~5. Any demolition occurring on or after the date of the application and prior to the~~
20 ~~issuance of a final certificate of acceptance shall be deemed to have been done for purposes of~~
21 ~~the project.~~

1 ~~6. For purposes of this subsection F, any units that have not been vacant for at~~
2 ~~least twelve (12) consecutive months prior to the date of application shall be considered occupied~~
3 ~~dwelling units.~~

4 ~~G. In the following residential targeted areas, at least twenty-five (25) percent of the units~~
5 ~~in the project shall be affordable at or below eighty (80) percent of median income for the first~~
6 ~~ten (10) calendar years of operation of the units:~~

7 ~~1. Martin Luther King Jr. Way South at South Holly Street;~~

8 ~~2. Pioneer Square;~~

9 ~~3. 23rd Avenue South at South Jackson;~~

10 ~~4. Westlake (Denny Triangle);~~

11 ~~5. South Park;~~

12 ~~6. Columbia City;~~

13 ~~7. Rainier Avenue South at I-90; and~~

14 ~~8. Rainier Beach.~~

15 ~~H. In the following residential targeted areas, at least forty (40) percent of the units in the~~
16 ~~project shall be affordable at or below sixty (60) percent of median income for the first ten (10)~~
17 ~~calendar years of operation of the units:~~

18 ~~1. Pike/Pine;~~

19 ~~2. International District; and~~

20 ~~3. Capitol Hill.~~

21 ~~I. If the percentage of the number of affordable units in the project required under~~
22 ~~subsections G and H of this section is a fraction, then the number of affordable units shall be~~
23 ~~rounded up to the next whole number.~~

1 ~~J. The configuration of housing units (e.g., studios, one bedrooms, two bedrooms, etc.)~~
2 ~~used to meet the requirement for affordable units under subsection G or H of this section shall be~~
3 ~~substantially proportional to the configuration of the total housing units in the project; provided,~~
4 ~~that all units of two (2) or more bedrooms may be combined into a single category for the~~
5 ~~purpose of compliance with this provision.~~

6 ~~K. Affordable housing units required under subsection G or H of this section shall be~~
7 ~~substantially the same interior construction quality as market rate units in the project.~~

8 ~~L. For owner occupied projects, the contract with the City required under Section~~
9 ~~5.72.060 A of this chapter shall identify those units which shall be affordable as required under~~
10 ~~subsections G and H of this section. For those owner occupied units identified as affordable, the~~
11 ~~City shall have and retain, for the life of the exemption granted under this chapter, a written right~~
12 ~~of first refusal under terms and conditions approved by the Director, exercisable in the event~~
13 ~~owner receives a bona fide offer to buy the property from an owner whose household income~~
14 ~~exceeds the affordability limits in Section 5.72.020 A, giving the City or its assignee the right to~~
15 ~~purchase the property on substantially the same terms as such bona fide offer. Such right of first~~
16 ~~refusal shall be included within the contract with the City required under Section 5.72.060 A of~~
17 ~~this chapter. For rental projects, the City or its assignee shall have and retain, for the life of the~~
18 ~~exemption granted under this chapter and for one additional year thereafter, a written right of~~
19 ~~first offer under terms and conditions approved by the Director consistent with this section. Such~~
20 ~~right of first offer shall be included within the contract with the City required under subsection~~
21 ~~5.72.060 A of this chapter.~~

22 ~~The right of first offer shall require that the property owner, prior to placing the property~~
23 ~~on the market for sale, shall inform the City in writing of his or her intent to sell the property.~~

1 ~~Following receipt of the property owner's notice of intent, the City or the City's assignee shall~~
2 ~~have twenty (20) days to present the property owner with a written offer setting forth the price,~~
3 ~~terms and conditions under which the City or its assignee is prepared to purchase the property.~~

4 ~~Upon receipt of the offer, the City or its assignee owner shall have thirty (30) calendar~~
5 ~~days in which to enter into a real estate purchase and sales agreement with the owner containing~~
6 ~~the price, terms and conditions described in the offer or other price, terms and conditions agreed~~
7 ~~to by the parties.~~

8 ~~In the event that the property owner submits a notice of intent to sell to the City and no~~
9 ~~sale to the City or its assignee occurs for reasons not the fault of the owner, the owner shall not,~~
10 ~~with the exception provided below, have further obligations under this provision for a period of~~
11 ~~one (1) year from the date the notice is received by the City.~~

12 ~~Provided, however, that in the event the City or its assignee makes an offer to purchase~~
13 ~~the property but no sale occurs, the property owner may not offer the property for sale to a third~~
14 ~~party at a price and under terms and conditions more favorable to the buyer than the terms~~
15 ~~offered by the City for a period of one (1) year from the date the offer is received by the property~~
16 ~~owner.~~

17 ~~M. For new construction of multifamily housing, the applicant shall complete the design~~
18 ~~review process under SMC Chapter 23.41, whether or not the project would be subject to design~~
19 ~~review under Chapter 23.41 if the owner had not applied for property tax exemption under this~~
20 ~~chapter. For projects not subject to mandatory design review under SMC Section 23.41.004, the~~
21 ~~applicant shall complete administrative design review under SMC Section 23.41.016.~~

22 ~~N. The applicant shall obtain a certificate of approval, permit, or other approval under~~
23 ~~SMC Chapter 25.12, Landmarks Preservation Ordinance, SMC Chapter 23.66, Special Review~~

1 ~~Districts, or those provisions of SMC Chapter 25.16, Chapter 25.20, Chapter 25.22, Chapter~~
2 ~~25.24, or Chapter 25.28, relating to Landmark or Historical Districts, if such certificate of~~
3 ~~approval, permit or other approval is required under those chapters. Such certificate of approval,~~
4 ~~permit or other approval shall satisfy the requirement under subsection M of this section that the~~
5 ~~applicant complete design review under SMC Chapter 23.41.~~

6 ~~Q. The project must comply with all applicable zoning requirements, land use~~
7 ~~regulations, and building and housing code requirements contained in SMC Title 22 and Title 23~~
8 ~~at the time of new construction, rehabilitation or conversion.~~

9 ~~P. For the duration of the exemption granted under this Chapter 5.72, the property shall~~
10 ~~have no violations of applicable zoning requirements, land use regulations, and building and~~
11 ~~housing code requirements contained in Title 22 and Title 23 for which the Seattle Department~~
12 ~~of Construction and Inspections shall have issued a notice of violation that is not resolved by a~~
13 ~~certificate of compliance, certificate of release, or withdrawal within the time period for~~
14 ~~compliance provided in such notice of violation and any extension of the time period for~~
15 ~~compliance granted by the Director of the Seattle Department of Construction and Inspections.~~

16 ~~Q. New construction multifamily housing and rehabilitation improvements must be~~
17 ~~scheduled to be completed within three (3) years from the date of approval of the application.~~

18 **~~5.72.050 Application procedure—Fee.~~**

19 ~~A. The owner of property applying for exemption under this chapter shall submit an~~
20 ~~application to the Director, on a form established by the Director. The owner shall verify the~~
21 ~~application by oath or affirmation. The application shall contain such information as the Director~~
22 ~~may deem necessary or useful, and shall include:~~

1 ~~1. A brief written description of the project and preliminary schematic site and~~
2 ~~floor plans of the multifamily units and the structure(s) in which they are proposed to be located;~~

3 ~~2. A statement from the owner acknowledging the potential tax liability when the~~
4 ~~property ceases to be eligible for exemption under this Chapter 5.72;~~

5 ~~3. Information describing how the applicant shall comply with the affordability~~
6 ~~requirements in subsections 5.72.040.G and 5.72.040.H; and~~

7 ~~4. In the case of rehabilitation of an existing vacant structure under subsection~~
8 ~~5.72.020.I.1 verification from the Seattle Department of Construction and Inspections of~~
9 ~~noncompliance with applicable building and housing codes as required under subsection~~
10 ~~5.72.020.I.1, and an affidavit from the owner verifying that the existing dwelling units have been~~
11 ~~vacant for a period of 12 months prior to filing the application.~~

12 ~~B. At the time of initial application under this section, the applicant shall pay to the City~~
13 ~~an initial application fee of five hundred dollars (\$500). If the City denies the application, the~~
14 ~~City will retain that portion of the fee attributable to its own actual administrative costs and~~
15 ~~refund the balance, if any, to the applicant.~~

16 ~~C. The Director shall notify the applicant within twenty eight (28) days of the application~~
17 ~~being filed if the Director determines that an application is not complete and shall identify what~~
18 ~~additional information is required before the application will be complete. Within twenty eight~~
19 ~~(28) days of receiving additional information, the Director shall notify the applicant in writing if~~
20 ~~the Director determines that the application is still not complete, and what additional information~~
21 ~~is necessary. An application shall be deemed to be complete if the Director does not notify the~~
22 ~~applicant in writing by the deadlines in this section that the application is incomplete; however, a~~
23 ~~determination of completeness does not preclude the Director from requiring additional~~

1 ~~information during the review process if more information is needed to evaluate the application~~
2 ~~according to the criteria in this chapter.~~

3 ~~D. Except as otherwise provided in subsection E of this section, the application shall be~~
4 ~~submitted any time before the earlier of (1) an application for a Master Use Permit or other land~~
5 ~~use permit under SMC Title 23, and (2) an application for a building or other construction permit~~
6 ~~under SMC Title 22.~~

7 ~~E. If, on the effective date of this Chapter 5.72, the applicant has applied for a permit~~
8 ~~identified in subsection D of this section, then application for exemption under this section may~~
9 ~~be submitted any time prior to issuance of a building permit; provided that, for new construction,~~
10 ~~the applicant shall have completed, or be in the process of completing, design review or~~
11 ~~administrative design review as required under Section 5.72.040 K, or shall have obtained a~~
12 ~~certificate of approval, permit, or other approval as provided under Section 5.72.040 L.~~

13 **~~5.72.060 Application review — Issuance of conditional certificate — Denial — Appeal.~~**

14 ~~A. The Director shall approve or deny an application under this chapter. If the application~~
15 ~~is approved, the applicant shall enter into a contract with the City, subject to approval by~~
16 ~~resolution of the City Council, regarding the terms and conditions of the project and eligibility~~
17 ~~for exemption under this chapter. The City Council's resolution to approve the applicant's~~
18 ~~contract with the City shall take place within ninety (90) days of the Director's receipt of the~~
19 ~~completed application. Upon Council approval of the contract, the Director shall execute the~~
20 ~~contract as approved by the City Council, and the Director shall issue a conditional certificate of~~
21 ~~acceptance of tax exemption. The conditional certificate shall expire three (3) years from the date~~
22 ~~of approval unless an extension is granted as provided in this chapter.~~

1 ~~B. If the application is denied, the Director shall state in writing the reasons for the denial~~
2 ~~and send notice of denial to the applicant's last known address within ten (10) days of the denial.~~

3 ~~C. An applicant may appeal the Director's denial of the application to the City Council~~
4 ~~within thirty (30) days of receipt of the denial. The appeal before the City Council will be based~~
5 ~~upon the record before the Director, and the Director's decision will be upheld unless the~~
6 ~~applicant can show that there is no substantial evidence on the record to support the Director's~~
7 ~~decision. The City Council's decision on appeal is final.~~

8 **~~5.72.065 Amendment of contract.~~**

9 ~~A. Any applicant seeking amendment(s) to the contract approved by the City Council~~
10 ~~may do so by submitting a request in writing to the Director at any time within three (3) years of~~
11 ~~the date of the Council's approval of the contract.~~

12 ~~B. The Director of Housing shall have authority to approve amendments to the contract~~
13 ~~between the applicant and the City which are substantially in the form of the contract approved~~
14 ~~by the City Council. Amendments which are not reasonably within the scope of the approved~~
15 ~~contract, as determined by the Director, shall be submitted to the City Council for approval by~~
16 ~~resolution.~~

17 ~~C. Any applicant seeking amendments to the approved form of contract which in the sole~~
18 ~~discretion of the Director require approval by the City Council shall pay to the City an~~
19 ~~amendment application fee of Five Hundred Dollars (\$500). If the City denies the amendment,~~
20 ~~the City will retain that portion of the fee attributable to its own actual administrative costs and~~
21 ~~refund the balance, if any, to the applicant.~~

22 ~~D. The date for expiration of the Conditional Certificate shall not be extended by contract~~
23 ~~amendment unless (1) all the conditions for extension set forth in Section 5.72.070 are met, or~~

~~(2) conditions set forth in Section 5.72.070 A and B are met and the City Council specifically approves the extension.~~

~~5.72.070 Extension of conditional certificate.~~

~~The conditional certificate may be extended by the Director for a period not to exceed twenty-four (24) consecutive months. The applicant shall submit a written request stating the grounds for the extension together with a fee of one hundred fifty dollars (\$150) for the City's administrative cost to process the request. The Director may grant an extension if the Director determines that:~~

~~A. The anticipated failure to complete construction or rehabilitation within the required time period is due to circumstances beyond the control of the owner; and~~

~~B. The owner has been acting and could reasonably be expected to continue to act in good faith and with due diligence; and~~

~~C. All the conditions of the original contract between the applicant and the City will be satisfied upon completion of the project.~~

~~5.72.080 Final certificate Application Issuance Denial and appeal.~~

~~A. Upon completion of the rehabilitation improvements or new construction as provided in the contract between the applicant and the City, and upon issuance of a temporary certificate of occupancy, or a permanent certificate of occupancy if no temporary certificate is issued, the applicant may request a final certificate of tax exemption. The applicant shall file with the Director such information as the Director may deem necessary or useful to evaluate eligibility for the final certificate, and shall include:~~

~~1. A statement of expenditures made with respect to each multifamily housing unit and the total expenditures made with respect to the entire property;~~

1 ~~2. A description of the completed work and a statement of qualification for the~~
2 ~~exemption;~~

3 ~~3. A statement that the work was completed within the required three (3) year~~
4 ~~period or any approved extension; and~~

5 ~~4. Information on the applicant's compliance with the affordability requirements~~
6 ~~in Section 5.72.040 G and H.~~

7 ~~B. At the time of application for final certificate under this section, the applicant shall pay~~
8 ~~to the City a fee of one hundred fifty dollars (\$150) to cover the Assessor's administrative costs.~~
9 ~~If the Director approves the application, the City will forward the fee for the Assessor's~~
10 ~~administrative costs to the Assessor. If the Director denies the application, the City will refund~~
11 ~~the fee for the Assessor's administrative costs to the applicant.~~

12 ~~C. Within thirty (30) days of receipt of all materials required for a final certificate, the~~
13 ~~Director shall determine whether the completed work is consistent with the contract between the~~
14 ~~City and owner and is qualified for exemption under this chapter, and which specific~~
15 ~~improvements satisfy the requirements of this chapter.~~

16 ~~D. If the Director determines that the project has been completed in accordance with the~~
17 ~~contract between the applicant and the City and the requirements of this chapter, the City shall~~
18 ~~file a final certificate of tax exemption with the Assessor within ten (10) days of the expiration of~~
19 ~~the thirty (30) day period provided under subsection C of this section.~~

20 ~~E. The Director is authorized to cause to be recorded, or to require the applicant or owner~~
21 ~~to record, in the real property records of the King County Department of Records and Elections,~~
22 ~~the contract with the City required under Section 5.72.060 A of this chapter, or such other~~
23 ~~document(s) as will identify such terms and conditions of eligibility for exemption under this~~

chapter as the Director deems appropriate for recording, including requirements under this chapter relating to affordability of units.

F. The Director shall notify the applicant in writing that the City will not file a final certificate if the Director determines that the project was not completed within the required three (3) year period or any approved extension, or was not completed in accordance with the contract between the applicant and the City and the requirements of this chapter.

G. The applicant may file an appeal of the Director's decision that a final certificate will not be issued to the King County Superior Court within thirty (30) days of receiving notice of that decision.

~~5.72.090 Exemption—Duration—Limits.~~

A. The value of new housing construction and rehabilitation improvements qualifying under this chapter will be exempt from ad valorem property taxation for ten (10) successive years as provided in RCW 84.14.020(1).

B. The exemption does not apply to the value of land or to the value of improvements not qualifying under this chapter, nor does the exemption apply to increases in assessed valuation of land and nonqualifying improvements, or to increases made by lawful order of the King County Board of Equalization, the Washington State Department of Revenue, State Board of Tax Appeals, or King County, to a class of property throughout the county or a specific area of the county to achieve uniformity of assessment or appraisal as required by law. In the case of rehabilitation of existing buildings, the exemption does not include the value of improvements constructed prior to submission of the completed application required under this chapter.

~~5.72.100 Annual certification.~~

1 ~~A. Within thirty (30) days after the first anniversary of the date the City filed the final~~
2 ~~certificate of tax exemption and each year thereafter, for a period of ten (10) years, the property~~
3 ~~owner shall file a certification with the Director, verified upon oath or affirmation, which shall~~
4 ~~contain such information as the Director may deem necessary or useful, and shall include the~~
5 ~~following information:~~

6 ~~1. A statement of occupancy and vacancy of the multifamily units during the~~
7 ~~previous year;~~

8 ~~2. A certification that the property has not changed use since the date of filing of~~
9 ~~the final certificate of tax exemption, and continues to be in compliance with the contract with~~
10 ~~the City and the requirements of this chapter;~~

11 ~~3. A description of any improvements or changes to the property made after the~~
12 ~~filing of the final certificate or last declaration, as applicable; and~~

13 ~~4. Information demonstrating the owner's compliance with the affordability~~
14 ~~requirements of Section 5.72.040 G and H.~~

15 ~~B. Failure to submit the annual declaration may result in cancellation of the tax~~
16 ~~exemption.~~

17 **~~5.72.110 Cancellation of tax exemption—Appeal.~~**

18 ~~A. If at any time the Director determines that the property no longer complies with the~~
19 ~~terms of the contract or with the requirements of this chapter, or for any reason no longer~~
20 ~~qualifies for the tax exemption, the tax exemption shall be canceled and additional taxes, interest~~
21 ~~and penalty imposed pursuant to state law.~~

22 ~~B. If the owner intends to convert the multifamily housing to another use, the owner must~~
23 ~~notify the Director and the King County Assessor within sixty (60) days of the change in use.~~

1 ~~Upon such change in use, the tax exemption shall be canceled and additional taxes, interest and~~
2 ~~penalty imposed pursuant to state law.~~

3 ~~C. Upon determining that a tax exemption shall be canceled, the Director, on behalf of~~
4 ~~the City Council, shall notify the property owner by certified mail, return receipt requested. The~~
5 ~~property owner may appeal the determination by filing a notice of appeal with the City Clerk~~
6 ~~within thirty (30) days, specifying the factual and legal basis for the appeal. The Hearing~~
7 ~~Examiner will conduct a hearing pursuant to SMC Section 3.02.090 at which all affected parties~~
8 ~~may be heard and all competent evidence received. The Hearing Examiner will affirm, modify,~~
9 ~~or repeal the decision to cancel the exemption based on the evidence received. The Hearing~~
10 ~~Examiner shall give substantial weight to the Director's decision and the burden of overcoming~~
11 ~~that weight shall be upon the appellant. An aggrieved party may appeal the Hearing Examiner's~~
12 ~~decision to the King County Superior Court as provided in RCW 34.05.510 through 34.05.598.~~

13 **~~5.72.120 Expiration of program.~~**

14 ~~The program established by this chapter shall expire four (4) years after the effective date of the~~
15 ~~ordinance codified in this chapter, unless extended by the City Council by ordinance. Upon~~
16 ~~expiration, no further applications for a conditional certificate of tax exemption shall be~~
17 ~~accepted. Incomplete applications shall be returned to the applicant. Pending complete~~
18 ~~applications for a conditional certificate, extension of conditional certificate and final certificate~~
19 ~~shall be processed as provided in this chapter.))~~

20 Section 2. Chapter 5.73 of the Seattle Municipal Code, last amended by Ordinance
21 127187, is amended as follows:

22 **Chapter 5.73 ((2004)) MULTIFAMILY HOUSING PROPERTY TAX EXEMPTION**
23 **PROGRAM**

5.73.010 Purpose

The purpose of this Chapter 5.73 is to ~~((increase affordable multifamily housing opportunities, both through new construction and conversion of commercial buildings, for households who cannot afford market-rate housing in Seattle.))~~ :

A. Increase the supply of housing for low- and moderate-income households, including workforce housing;

B. Encourage more housing production through new multifamily residential construction or conversion of commercial buildings to residential housing; and

C. Affirmatively further fair housing as Seattle grows.

To achieve these purposes, this Chapter 5.73 provides for special valuations of eligible improvements in designated residential target areas. ~~((In addition to increasing the supply and affordability of housing, this to affirmatively further fair housing as Seattle grows.))~~

This Chapter 5.73 is intended to and should be interpreted and construed to comply with chapter 84.14 RCW.

5.73.020 Definitions

"Affordable rent" means monthly ~~((rent plus tenant paid utilities and any mandatory recurring fees required as a condition of tenancy for an MFTE unit that does))~~ gross housing cost, which includes the contract rent, the estimate of tenant paid utilities, and any other required fees not included in the rent, the sum of which may not exceed 30 percent of the ~~((monthly percentage of median income required by))~~ income limit according to subsection 5.73.040.B or ~~((subsection 5.73.090.D.2))~~ subsection 5.73.090.C, as applicable.

"Affordable sale price" means a sale price ~~((for an MFTE unit that is affordable to an eligible household according to subsection 5.73.040.C.1.a or subsection 5.73.040.C.1.b, as~~

1 ~~applicable~~)) that is affordable to an eligible household, as ((calculated)) approved by the Office
2 of Housing according to a methodology consistent with subsection 5.73.040.C.

3 "Assessor" means the King County Assessor.

4 "Bedroom" means a habitable space, as defined by Chapter 2 of the Seattle Building
5 Code, that is either a ((sleeping area in a dwelling unit that meets the following criteria: (1)
6 requirements for a habitable space, as defined by Chapter 2 of the Seattle Building Code; (2)
7 minimum room widths and ceiling heights according to Sections 1208.1 and 1208.2 of the
8 Seattle Building Code; (3) natural light requirements according to Section 1204.2 of the Seattle
9 Building Code; (4) natural ventilation requirements according to Section 1202.5 of the Seattle
10 Building Code; and (5) complete separation of the habitable space from other portions of the
11 dwelling unit by walls and one or more exit access doorways, consistent with Chapter 2 of the
12 Seattle Building Code.)) standard bedroom or alternative bedroom.

13 1. "Standard bedroom" means an area with four floor-to-ceiling walls with natural
14 light and ventilation provided by a window that opens to the outside.

15 2. "Alternative bedroom" means an area with four walls that meets the following
16 requirements:

17 a. Each wall must be at least 7 feet high;
18 b. At least two of the walls must be floor-to-ceiling; and
19 c. No more than one wall may be comprised partly or entirely of a sliding
20 door.

21 ~~((("Compact unit" means a residential unit that is a SEDU, a congregate residence~~
22 ~~sleeping room, or a unit with net unit area of 400 square feet or less, regardless of the number of~~
23 ~~bedrooms.))~~

"Compliance period" means the period beginning on the date of the Final Certificate and ending on ~~((December 31 of the final year of tax exemption according to Section 5.73.090))~~ the date the last annual compliance report is due according to Section 5.73.100.

~~(("Congregate residence" is defined according to Section 23.84A.006.))~~

"Congregate sleeping room" is a sleeping room in a congregate residence as defined in Section 23.84A.006.

"Conditional Certificate" means a Conditional Certificate of Tax Exemption.

~~(("Contract" means the standard form agreement, prepared by the Office of Housing, between the owner or, for permanently affordable homeownership, a qualified non-profit organization and the City that contain~~

~~ns the terms and conditions, including for each MFTE unit as designated according to the Final Certificate, for the duration of the compliance period as a condition of eligibility of the Multifamily Housing for a property tax exemption according to this Chapter 5.73.))~~

"Director" means the Director of the Seattle Office of Housing or any other City office, department, or agency that shall succeed to its functions with respect to this Chapter 5.73, or the Director's authorized designee.

"Dwelling unit" is defined according to Section 23.84A.008.

"Eligible household" means:

1. For ~~((renter occupied))~~ multifamily rental housing, a household with total annual income~~((, certified))~~ as follows:

a. Certified as a condition to initial occupancy of an MFTE unit, no greater than the ~~((applicable percentage of median))~~ income limit for the MFTE unit according to

1 ~~((subsection 5.73.040.B))~~ subsection 5.73.040.B.4 or ~~((subsection 5.73.090.D.2))~~ subsection
2 5.73.090.C.5.a, as applicable; ~~((or))~~ and

3 b. According to Section 5.73.105, not exceeding 1.5 times the income
4 limit and not exceeding 115 percent median income.

5 2. For ~~((owner-occupied housing))~~ permanently affordable homes, a homebuyer
6 household with total annual income, certified as a condition to purchase ~~((of))~~ an MFTE unit, no
7 greater than the ~~((applicable percentage of median))~~ income limit for the MFTE unit according to
8 subsection 5.73.040.C.1~~((; or))~~ .

9 ~~((3. For renter-occupied housing, a household with total annual income verified upon~~
10 ~~recertification according to Section 5.73.105 less than one and one-half times the maximum~~
11 ~~annual income for the MFTE unit according to the percentage of median income according to~~
12 ~~subsection 5.73.040.B or subsection 5.73.090.D.2, as applicable.))~~ "Final Certificate" means a
13 Final Certificate of Tax Exemption.

14 "Median income" means the annual median ~~((family))~~ household income imputed for the
15 Seattle area~~((, as))~~ based on income limits published from time to time by the United States
16 Department of Housing and Urban Development (HUD), with adjustments ~~((according to))~~ for
17 household size~~((, which adjustments shall generally be based upon a method used by HUD to~~
18 ~~adjust income limits for subsidized housing))~~, which for purposes of ~~((determining affordability~~
19 ~~of rents or sale prices))~~ calculating rent and sale price limits shall be based on the average size of
20 household ~~((that corresponds to the size and type of the housing unit, all in a manner determined~~
21 ~~by the Director. In addition, further adjustments shall be made so that median income will not~~
22 ~~decrease from the prior year nor increase more than four and one-half percent from the prior~~
23 ~~year. The median income most recently published by the Director shall be used to calculate~~

1 ~~income limits and correlating rent or sale price limits. The Director may establish by rule the~~
2 ~~method for determining median income))~~ of one person for zero-bedroom units and 1.5 persons
3 per bedroom for other units, all as determined by the Director.

4 “MFTE” means multifamily tax exemption.

5 “MFTE agreement” means the standard form of agreement, prepared by the Office of
6 Housing, between the owner or, for permanently affordable homes, a qualified non-profit
7 organization, as grantor and the City as grantee and recorded on the title of the property, that
8 contains the terms and conditions for the duration of the compliance period as a condition of a
9 property tax exemption according to this Chapter 5.73.

10 "MFTE unit" means a dwelling unit(~~(, SEDU,))~~ or congregate (~~((residence))~~) sleeping
11 room in multifamily housing that is leased at an affordable rent to an eligible household
12 according to (~~((subsection 5.73.040.B))~~) subsection 5.73.040.B.4 or (~~((subsection 5.73.090.D.2))~~)
13 subsection 5.73.090.C.5.a, as applicable, or sold at an affordable sale price to an eligible
14 household according to subsection 5.73.040.C(~~(-+)~~).

15 "Multifamily housing" means residential improvements in a multifamily housing project
16 that is either new construction (~~((of multifamily housing))~~) or conversion of a commercial
17 structure (~~((to multifamily housing))~~) , in which all units are made available to the public for
18 permanent renter or owner occupancy, and ((that may be eligible for)) determined eligible for a
19 property tax exemption according to this Chapter 5.73. Multifamily housing must be either
20 (~~((multifamily))~~) rental housing or (~~((multifamily))~~) ownership housing.

21 “Net unit area” means square feet of total floor area bounded by the inside surface of the
22 perimeter walls of the unit, as measured at the floor line. Net unit area includes any walls internal

1 to the unit and excludes spaces shared by multiple units or accessible to other building tenants or
2 homeowners.

3 "Owner" means the owner or owners of record of the property that includes the
4 multifamily housing. (~~("Owner" shall not mean eligible household.)~~) "Owner" does not include
5 an eligible household that is a homeowner or buyer.

6 "Permanently affordable (~~((homeownership))~~) home" means (~~((a dwelling))~~) an MFTE unit
7 that is:

8 1. (~~((Affordable housing as defined according to RCW 43.185A.010; and))~~) Sold to
9 an eligible household at an affordable sale price;

10 2. Built (~~((by))~~) or (~~((sold to))~~) acquired by a qualified non-profit organization;
11 (~~((and))~~)

12 3. Affirmatively marketed and sold to an eligible (~~((households that receive))~~)
13 household that receives homebuyer education and counseling from a qualified non-profit
14 organization; and

15 4. Subject to a 99-year ground lease or deed restriction, to be executed at initial
16 sale and each successive sale, that provides:

17 a. Resale restrictions designed to provide affordability for an eligible
18 (~~((households with annual incomes no higher than 80 percent of median income))~~) household;

19 b. A right of first refusal for a qualified non-profit organization to
20 purchase the (~~((MFTE unit))~~) home at resale;

21 c. Refinancing and home equity line of credit approval requirements; and

22 d. Ongoing enforcement by a qualified non-profit organization.

1 (~~("Permanent residential occupancy" means residential units that provide permanent~~
2 ~~residences for households. This excludes hotel, motel, and short-term rental units and other~~
3 ~~residences that predominately offer rental or vacation accommodations on a monthly, weekly, or~~
4 ~~daily basis.))~~)

5 "Project" means ~~((the project, as))~~ a multifamily housing project with a complete building
6 permit application, identified by ~~((the))~~ a current SDCI building permit number with a CN or PH
7 suffix~~((, that includes the multifamily housing))~~.

8 "Qualified non-profit organization" means a non-profit organization ~~((and any subsidiary~~
9 ~~or affiliate of such organization))~~ that the Office of Housing determines as experienced in the
10 development and stewardship of permanently affordable homes, including:

11 1. Pre-purchase, verification of income and other requirements for eligible
12 households, affordable sale price calculations for approval by the Office of Housing, and
13 execution of legal restrictions on the property; and

14 2. Post-purchase, active support for homeowners by facilitating resales,
15 monitoring compliance with financial, owner occupancy, and other legal requirements, and
16 clearly communicating program guidelines and restrictions.

17 "Residential targeted area" means an area or areas designated by the City Council
18 pursuant to ~~((this Chapter 5.73))~~ Section 5.73.030.

19 "SDCI" means the Seattle Department of Construction and Inspections.

20 ~~((("SEDU" means a "Dwelling unit—small efficiency" as defined according to Section~~
21 ~~23.84A.008.))~~)

22 "Unit" means a unit leased to or owned by an individual or larger household for
23 occupancy on a permanent, non-transient basis. Leases for all rental units in multifamily housing

1 eligible for MFTE must be for a single resident household. Separate leases for each individual
2 living in a unit are prohibited.

3 **5.73.030 Residential targeted area—Criteria—Designation**

4 A. Following notice and public hearing as prescribed in RCW 84.14.040, the Council
5 may designate one or more residential targeted areas upon a finding by the Council in its sole
6 discretion that the residential targeted area meets the following criteria:

7 1. The residential targeted area is within an urban center, as defined by RCW
8 84.14.010, and determined by the Council for purposes of this Chapter 5.73 to contain the
9 following:

10 a. Several existing or previous business establishments that may include
11 but are not limited to shops, offices, banks, restaurants, and governmental agencies;

12 b. Adequate public infrastructure including streets, sidewalks, lighting,
13 transit, domestic water, and sanitary sewer systems; and

14 c. A mixture of uses and activities that may include housing, recreation,
15 and cultural activities in association with commercial uses.

16 2. The residential targeted area lacks sufficient available, desirable, and
17 convenient residential housing, including affordable housing, to meet the needs of low- and
18 moderate-income households who would be likely to live in the urban center if such housing
19 were available; and

20 3. ~~((The residential targeted area shall increase multifamily))~~ Multifamily housing
21 and affordable housing opportunities will be increased in the residential target area.

1 B. The Council may(~~(, in its sole discretion,)~~) amend or rescind the designation of a
2 residential targeted area at any time by ordinance (~~(pursuant to the requirements set forth in)~~),
3 consistent with RCW 84.14.040.

4 C. All parcels in Seattle zoned to allow Multifamily Housing according to Title 23,
5 including but not limited to Chapters 23.45, 23.46, 23.47A, 23.48, and 23.49, are designated as a
6 single (~~(Residential Targeted Area)~~) residential targeted area under this Chapter 5.73.

7 **5.73.040 Eligibility**

8 (~~(A.)~~) Eligibility of multifamily housing for exemption from property taxation is conditioned on
9 compliance with this Chapter 5.73, including applicable requirements of this Section 5.73.040,
10 for the duration of the compliance period(~~(:)~~) .

11 A. General requirements

12 1. The multifamily housing must be located (~~(in)~~) on a parcel or parcels within a
13 residential targeted area.

14 2. (~~(A minimum of)~~) In each multifamily housing structure, the total net unit area
15 of units must comprise 50 percent of the total above-grade gross floor area (~~(in each building that~~
16 ~~includes multifamily housing shall be for permanent residential occupancy)~~).

17 3. If at any time during the 18 months prior to application for the land use permit
18 for the project or, if a land use permit is not required, prior to application for the building permit
19 for the project, any dwelling unit in a building containing four or more dwelling units on the
20 project site is occupied by a tenant or tenants (~~(receiving or)~~) eligible to receive a tenant
21 relocation assistance payment under Chapter 22.210 (regardless of whether the assistance is
22 received), and such building has been or will be demolished, the (~~(Owner)~~) owner shall agree, on
23 terms and conditions satisfactory to the Director, to provide replacement dwelling units equal to

1 the number of tenants (~~((receiving or))~~) eligible to receive a tenant relocation assistance payment
2 under Chapter 22.210. ~~((subject to the following requirements: a.))~~ For the duration of the tax
3 exemption under this Chapter 5.73, replacement dwelling units shall be leased at affordable rents
4 to households with annual incomes at or below 50 percent of median income. ~~((b.))~~ Replacement
5 dwelling units may be provided as part of the multifamily housing, or at another location through
6 new construction of multifamily housing or through substantial improvements to vacant
7 multifamily housing, or through the preservation of multifamily housing that is leased at the date
8 of application for a land use permit for the project or, if a land use permit is not required, at the
9 date of application for the building permit for the project, to tenants with household annual
10 incomes at or below 50 percent of median income.

11 ~~((c. A temporary certificate of occupancy shall be issued, or if no
12 temporary certificate of occupancy is required a permanent certificate of occupancy shall be
13 issued, or if no certificate of occupancy is required a final building permit inspection shall be
14 completed, for the replacement dwelling units within three years of the date of the MFTE
15 application according to subsection 5.73.050.E.))~~

16 4. The owner shall obtain a certificate of approval, permit, or other approval under
17 Chapter 23.66 or Chapter 25.12~~((, Landmarks Preservation Ordinance; Chapter 23.66, Special
18 Review Districts;))~~, or those provisions of Chapter 25.16, Chapter 25.20, Chapter 25.22, Chapter
19 25.24, and Chapter 25.28 that relate to Landmark or Historical Districts, if such certificate of
20 approval, permit, or other approval is required under those chapters.

21 5. The ~~((Multifamily Housing))~~ multifamily housing must comply with all
22 applicable ~~((zoning requirements, land use regulations, and building and housing code
23 requirements contained or incorporated in))~~ provisions of Titles 22, 23, and 25.

1 6. For the duration of the exemption granted under this Chapter 5.73, the
2 multifamily housing and the property on which it is located shall have no violation of applicable
3 ~~((zoning requirements, land use regulations, and building and housing code requirements~~
4 ~~contained or incorporated in))~~ provisions of Titles 22, 23, and 25 issued by SDCI that is not
5 resolved by a certificate of compliance, certificate of release, or withdrawal within the time
6 period for compliance provided in such notice of violation or as extended by the Director of
7 SDCI.

8 7. Units must be configured consistent with the plan set approved by SDCI and
9 distribution and comparability requirements according to subsection 5.73.040.B.5.

10 ~~((7. The))~~ 8. All structures comprising the multifamily housing must be complete,
11 as documented by ((a)) the temporary certificate of occupancy (TCO), ((or)) final certificate of
12 occupancy if no ((temporary certificate of occupancy)) TCO is required ((a permanent certificate
13 of occupancy)) , or SDCI final building permit inspection if no certificate of occupancy is
14 required ((a SDCI final building permit inspection, within three years of the date of the MFTE
15 application according to subsection 5.73.050.E)) , before expiration of the Conditional
16 Certificate according to subsection 5.73.060.E.

17 9. Fees that would apply only to eligible households are prohibited.

18 10. All units in the multifamily housing must be marketed to the public. MFTE
19 units shall be affirmatively marketed to attract eligible households from all racial, ethnic, and
20 gender groups in the neighborhood market area, particularly to inform and solicit applications
21 from households who are otherwise unlikely to apply. Proposed affirmative marketing plans
22 shall be submitted to the Office of Housing for review and approval and must comply with

1 federal, state, and local fair housing laws. Records documenting affirmative marketing efforts
2 shall be maintained and submitted to the Office of Housing upon request.

3 11. MFTE units may not be sub-leased and prospective MFTE unit tenants must
4 be offered the option of an initial lease term of at least 12 months.

5 B. Additional requirements for ~~((renter-occupied))~~ multifamily rental housing include the
6 following:

7 ~~((1. For an exemption according to subsection 5.73.090.A, if at least eight percent~~
8 ~~of the total residential units in the multifamily housing are configured with two or more~~
9 ~~bedrooms and the multifamily housing does not include a congregate residence, a minimum of~~
10 ~~20 percent of the total residential units shall be MFTE units promptly leased at affordable rents~~
11 ~~to eligible households with annual incomes at or below 40 percent of median income for SEDUs,~~
12 ~~at or below 60 percent of median income for studio units, at or below 70 percent of median~~
13 ~~income for one-bedroom units, at or below 85 percent of median income for two-bedroom units,~~
14 ~~and at or below 90 percent of median income for three-bedroom and larger units.~~

15 ~~2. For an exemption according to subsection 5.73.090.A, if fewer than eight~~
16 ~~percent of the total residential units in the multifamily housing are configured with two or more~~
17 ~~bedrooms or the multifamily housing includes a congregate residence, a minimum of 25 percent~~
18 ~~of total residential units shall be MFTE units promptly leased at affordable rents to eligible~~
19 ~~households with annual incomes at or below 40 percent of median income for congregate~~
20 ~~residence sleeping rooms, at or below 40 percent of median income for SEDUs in a project that~~
21 ~~also includes studio units, one-bedroom units, two-bedroom units, or three-bedroom units, at or~~
22 ~~below 50 percent of median income for SEDUs in a project where 100 percent of the units are~~
23 ~~SEDUs, at or below 60 percent of median income for studio units, at or below 70 percent of~~

~~median income for one-bedroom units, at or below 85 percent of median income for two-bedroom units, and at or below 90 percent of median income for two-bedroom and larger units.~~

~~3. Each structure that comprises the multifamily housing, whether residential or mixed-use, shall include at least four net new residential units providing for permanent residential occupancy.~~

~~4. If the total number of MFTE units calculated according to this subsection 5.73.040.B contains a fraction, then the number of MFTE units shall be rounded up to the next whole number.~~

~~5. MFTE units shall satisfy the following requirements:~~

~~a. Distribution. Except as provided in subsection 5.73.040.B.5.c, MFTE units shall be generally distributed throughout each structure that comprises the multifamily housing.~~

~~b. Comparability. MFTE units shall be generally comparable to the other units in each structure that comprises the multifamily housing in terms of the following:~~

~~1) Status as a dwelling unit, SEDU, or congregate residence sleeping room;~~

~~2) Number and size of bedrooms and bathrooms;~~

~~3) Net unit area measured by square feet;~~

~~4) Access to amenity areas;~~

~~5) Functionality; and~~

~~6) Term of the lease.~~

~~c. The Office of Housing shall develop, by rule, different distribution requirements for MFTE units within buildings greater than 95 feet in height as defined by the~~

~~Land Use Code. The Office of Housing shall report to the Chair of the Housing, Health, Energy, and Workers' Rights Committee, or its successor committee, on proposed criteria at least 30 days prior to adoption of a rule.))~~

1. Each residential and mixed-use structure that comprises the multifamily housing shall include at least four new units, net of any units demolished for the project.

2. The set-aside of MFTE units in each structure that comprises the multifamily housing shall be as follows:

a. 25 percent of total units if less than eight percent of the total units in the multifamily housing are configured with two or more bedrooms; or

b. 20 percent of total units if eight percent or more of the total units in the multifamily housing are configured with two or more bedrooms.

3. If the total number of MFTE units calculated according to subsection 5.73.040.B.2 contains a fraction, then the number of MFTE units shall be rounded up to the next whole number.

4. The income and rent limits for MFTE units are as follows:

<u>Unit type for rent limit</u>	<u>Number of standard bedrooms</u>	<u>Number of alternative bedrooms</u>	<u>Affordability limit (Percentage of median income)</u>
<u>Congregate sleeping room</u>	<u>0</u>	<u>0</u>	<u>40%</u>
<u>0-bedroom/Studio ≤ 320 square feet</u>	<u>0</u>	<u>0</u>	<u>50%</u>
<u>0-bedroom/Studio > 320 square feet</u>	<u>0</u>	<u>0</u>	<u>60%</u>
<u>1-bedroom</u>	<u>0</u>	<u>1</u>	<u>65%</u>

<u>Unit type for rent limit</u>	<u>Number of standard bedrooms</u>	<u>Number of alternative bedrooms</u>	<u>Affordability limit (Percentage of median income)</u>
<u>1-bedroom</u>	<u>1</u>	<u>0</u>	<u>75%</u>
<u>2-bedroom</u>	<u>0</u>	<u>2</u>	<u>80%</u>
<u>2-bedroom</u>	<u>1</u>	<u>1</u>	<u>85%</u>
<u>2-bedroom</u>	<u>2</u>	<u>0</u>	<u>90%</u>
<u>3-bedroom</u>	<u>0</u>	<u>3 or more</u>	<u>85%</u>
<u>3-bedroom</u>	<u>1</u>	<u>2 or more</u>	<u>85%</u>
<u>3-bedroom</u>	<u>2</u>	<u>1 or more</u>	<u>90%</u>
<u>3-bedroom</u>	<u>3 or more</u>	<u>0</u>	<u>90%</u>

The rent for an existing eligible tenant in an MFTE unit may not increase by more than the annual maximum rent increase determined and published by the Washington State Department of Commerce in compliance with chapter 59.18 RCW, or the increase in the affordable rent limits posted by the Director from the previous year, whichever is less. This provision does not prohibit an owner from increasing the rent to the affordable rent limit posted by the Director after a tenant vacates and the tenancy ends.

5. Distribution and comparability

a. Distribution. MFTE units shall be distributed in each structure that comprises the multifamily housing as follows:

1) If the percentage of MFTE units set-aside is 25 percent, then no more than 30 percent of the units on a floor shall be MFTE units. If the percentage of MFTE units set-aside is 20 percent, then no more than 25 percent of the units on a floor shall be MFTE units; or

2) On the middle floor(s), excluding any levels with structured parking, and on floors equally above and below the middle floor(s), provided that no more than one-half of the total units on any given floor are MFTE units.

b. Comparability. MFTE units shall be generally comparable to the standard market rate units in each structure that comprises the multifamily housing in terms of the following:

- 1) Number of bedrooms and bathrooms;
- 2) Bedroom type (standard or alternative);
- 2) Accessibility (e.g., Type A units);
- 3) Net unit area measured by square feet (must be within 95 percent of standard market rate unit size);
- 4) Access to the building's common amenity areas;
- 5) Basic functionality, which means MFTE designated units should generally be comparable in function and include the same features and finishes as the standard market-rate units. Premium features and finishes associated with units designed to secure higher rents than the standard market rate units should not be used to assess comparability; and
- 6) Term of the lease.

6. Any annual rent cap established under Ordinance 125932 or previous ordinances shall remain in place for all existing tenants with a lease in effect prior to the effective date of this ordinance and shall remain in place as long as the tenant continues to lease the MFTE designated unit.

C. Additional requirements for ~~((owner-occupied multifamily housing:))~~ permanently
affordable homes

~~((1. A minimum of either:~~

~~a. For an exemption according to subsection 5.73.090.B, 20 percent of the total dwelling units in multifamily housing, which shall total at least four net new units, shall be MFTE units sold at affordable sales prices to eligible households with annual incomes at or below 100 percent of median income for studio units and one-bedroom units, and at or below 115 percent of median income for two-bedroom and larger units, or~~

~~b. For an exemption according to subsection 5.73.090.C, 25 percent of the total dwelling units in multifamily housing, which shall total at least four net new units, shall provide permanently affordable homeownership for eligible households with annual incomes at or below 80 percent of median income.~~

~~2. Resale of each MFTE unit shall not occur without prior notice to the Director.~~

~~a. If the share and affordability of MFTE units is according to subsection 5.73.040.C.1.a, upon receipt of such notice, the Director shall determine the status of the tax exemption according to subsection 5.73.110.E.~~

~~b. If the share and affordability of MFTE units is according to subsection 5.73.040.C.1.b, the resale of an MFTE unit shall provide permanently affordable homeownership for eligible households with incomes no higher than 80 percent of median income.~~

~~3. Each MFTE unit shall be owned and occupied by an eligible household as its principal residence and the eligible household shall not lease the unit unless the Director provides prior approval of a limited short-term exception.~~

~~4. If the total number of MFTE units calculated according to subsection 5.73.040.C.1 contains a fraction, then the number of MFTE units shall be rounded up to the next whole number.~~

1 ~~5. MFTE units in multifamily housing that is owned by a cooperative and~~
2 ~~occupied by the shareholders of a cooperative shall be considered owner-occupied units for~~
3 ~~purposes of this Chapter 5.73.~~

4 ~~D. The Director is authorized to limit fees charged to eligible households upon move-in~~
5 ~~or transfer to an MFTE unit, including, but not limited to, property administrative fees, transfer~~
6 ~~fees, last month's rent, and security deposits. Fees for credit checks, provided such fees are~~
7 ~~assessed for prospective tenants of all dwelling units, SEDUs, or congregate residence sleeping~~
8 ~~rooms in the multifamily housing, may be charged at cost.~~

9 ~~No eligible household may be charged fees for income verifications or reporting requirements~~
10 ~~related to this Chapter 5.73.~~

11 ~~E. MFTE units shall be affirmatively marketed to attract eligible households from all~~
12 ~~racial, ethnic, and gender groups in the housing market area of the property, particularly to~~
13 ~~inform and solicit applications from households who are otherwise unlikely to apply for housing~~
14 ~~in the project. Proposed affirmative marketing plans shall be submitted to the Office of Housing~~
15 ~~for review and approval and shall comply with federal, state, and local fair housing laws.~~
16 ~~Records documenting affirmative marketing efforts shall be maintained and submitted to the~~
17 ~~Office of Housing upon request.~~

18 ~~F. Eligible households shall be provided access to the same amenities on the same terms~~
19 ~~as tenants and owners of other dwelling units, SEDUs, and congregate residence sleeping rooms~~
20 ~~in the multifamily housing.))~~

21 1. The project must provide at least four new permanently affordable homes for
22 eligible households with annual incomes no greater than 80 percent of median income, net of any
23 units demolished for the project.

1 2. Each permanently affordable home shall be owned and occupied by an eligible
2 household as its principal residence. The eligible household may not offer the home for lease
3 unless provided a written, limited, short-term exception by the Director.

4 3. The qualified non-profit organization must:

5 a. Ensure ongoing affordability and compliance of each permanently
6 affordable home consistent with this Chapter 5.73 and the MFTE agreement;

7 b. Document eligibility consistent with Section 5.73.105;

8 c. Estimate the affordable sale price according to subsection 5.73.040.C.4;

9 d. Report to the Office of Housing on an annual basis according to Section
10 5.73.100; and

11 e. Provide the Director notice at least 30 days prior to resale of each
12 permanently affordable home.

13 4. Affordable sale price

14 a. Initial affordable sale price. The qualified non-profit organization must
15 propose an affordable sale price for the initial eligible household and serving as the basis of
16 affordable sales prices for future eligible households for 99 years. Generally, the affordable sale
17 price ensures total housing payments in the range of 25 percent to 35 percent of the household's
18 income. The Office of Housing shall evaluate a proposed initial sale price assuming the
19 minimum required homebuyer contribution. Other assumptions used to determine the initial sale
20 price, including but not limited to housing payment ratios, interest rates, and property taxes, are
21 subject to Office of Housing approval.

22 b. Affordable sale price for resales. A resale price formula shall be applied
23 to the initial sale price and shall restrict future sale prices to ensure affordability for eligible

1 households over time. The resale price formula may allow for a limited annual increase in resale
2 prices, generally between one and three percent per year, with possible adjustments as approved
3 by the Office of Housing based on terms of subordinate loans.

4 c. For both initial sales and resales, the Office of Housing shall review and
5 approve permanently affordable homes and buyer households consistent with this Chapter 5.73.

6 5. Requirements of this subsection 5.73.040.C shall apply to multifamily housing
7 owned by a cooperative and occupied by the shareholders of a cooperative.

8 **5.73.050 MFTE application procedure—Fee**

9 A. ~~((The owner shall submit a))~~ A complete MFTE application((;)) on a form provided by
10 the Office of Housing and verified by oath or affirmation((, to the Director, on a form provided
11 by the Office of Housing)) of the owner or qualified non-profit organization must be submitted
12 to the Office of Housing at least 180 days prior to the date of the temporary certificate of
13 occupancy, or permanent certificate of occupancy if no temporary certificate is issued, for the
14 multifamily housing. The application shall contain such information as the Director may deem
15 necessary ((or useful)) to evaluate eligibility of the multifamily housing for a property tax
16 exemption under this Chapter 5.73, including:

17 1. ~~((A brief written description of the project and a plan set that includes gross~~
18 ~~floor area by use, schematic site plan, and standard floor plans for the dwelling units, SEDUs,~~
19 ~~and congregate residence sleeping rooms, including proposed MFTE units))~~ An SDCI building
20 permit ID (7-digit number ending in -CN or -PH);

21 2. A statement from the owner acknowledging the potential tax liability of the
22 multifamily housing;

3. ~~((The owner's proposal for compliance with the requirements in Section 5.73.040, as applicable))~~ Characteristics of each unit, including proposed MFTE units consistent with Section 5.73.040, as applicable; and

4. A ~~((recent))~~ title report, no more than three months old, that confirms the legal description and ownership of the property that includes the multifamily housing;

5. ~~((documentation))~~ Documentation satisfactory to the Director of the type and organizational structure of the owner;

6. ~~((a))~~ A sample signature block for the owner; and

7. ~~((evidence))~~ Evidence satisfactory to the Director ~~((of authority of the owner))~~ that the MFTE application is signed by the owner's authorized representative ~~((that signed the MFTE application))~~ .

B. MFTE application fee

1. The MFTE application ~~((according to this Section 5.73.050))~~ shall include a non-refundable check payable to The City of Seattle in the amount of ~~(((\$10,000 if fewer than 75 percent of the total dwelling units, SEDUs, and congregate residence sleeping rooms in the multifamily housing are rent and income restricted, or \$4,500 if at least 75 percent of the total dwelling units, SEDUs, and congregate residence sleeping rooms in the multifamily housing are rent and income restricted. The Director shall have authority to increase the MFTE application fee by up to five percent each calendar year unless revised by ordinance.))~~ the MFTE program fee according to subsection 5.73.050.B.2, plus an amount to reimburse the Office of Housing for actual cost of the recording fee for the MFTE agreement.

2. The MFTE program fee is \$2,000, plus \$200 per unit, not to exceed \$10,000 in total.

1 3. If the application is for permanently affordable homes awarded capital funding
2 by the Office of Housing, no application fee is due.

3 ~~((C. The Office of Housing may request additional information if such information is~~
4 ~~needed to evaluate or to complete the MFTE application according to the criteria in this Chapter~~
5 ~~5.73.~~

6 ~~D. The owner must submit a complete MFTE application to the Office of Housing at least~~
7 ~~180 days prior to the date of the temporary certificate of occupancy or permanent certificate of~~
8 ~~occupancy if no temporary certificate is issued, for the multifamily housing.~~

9 ~~E. All references to the date of the MFTE application according to this Chapter 5.73 shall~~
10 ~~mean the date of approval by the Office of Housing of the MFTE application.))~~

11 **5.73.060 Application review—Issuance of Conditional Certificate—Denial—Appeal—**
12 **~~((Recording of contract))~~ MFTE agreement**

13 A. The Director shall provide written notice of approval or denial of an MFTE
14 application according to this Chapter 5.73 ~~((within 90))~~ no more than 60 days ~~((of))~~ after receipt
15 of ~~((the))~~ a complete MFTE application ~~((in accordance with))~~ according to Section 5.73.050.

16 B. If the MFTE application is approved, the ~~((owner shall promptly enter into a contract))~~
17 Office of Housing shall provide within 30 days of sending written notice of approval:

18 1. A complete MFTE agreement, the terms of which shall be according to this
19 Chapter 5.73 as of the date of receipt of the complete initial MFTE application; and

20 2. A signed Conditional Certificate, including a table based on available
21 information that documents the characteristics of each unit consistent with Section 5.73.040.

22 C. The MFTE agreement shall be executed within 90 days of the date of written approval
23 of the MFTE application, or such application shall be deemed withdrawn by the owner.

1 ~~((C.))~~ D. The ((Director is authorized to cause the contract to)) MFTE agreement shall be
2 recorded~~((, or require the owner to record the contract,))~~ in the real property records of the King
3 County Recorder's Office.

4 ~~((D. After execution of the contract, the Director shall issue a))~~ E. The Conditional
5 Certificate~~((, which))~~ shall expire three years from the date ~~((of))~~ the Office of Housing initially
6 receives the MFTE application ((according to subsection 5.73.050.E, unless extended)) or up to
7 five years from such date if an extension is approved according to Section 5.73.070.

8 ~~((E.))~~ F. If the MFTE application is denied, within ten days of the decision the Director
9 shall ~~((state in writing the reasons for the denial and send written notice of denial))~~ deliver
10 written notice, including the reasons for the denial, to the ((owner's last known)) address ((within
11 ten days of the denial)) of the owner contact provided in the MFTE application.

12 ~~((F. The owner may appeal a denial of an application by filing an appeal to the City~~
13 ~~Council, provided the appeal is filed with the City Clerk))~~ G. An appeal to the Hearing Examiner
14 of denial of an MFTE application may not be considered unless filed within 30 days of the date
15 of receipt of the ((denial)) written notice from the Office of Housing. The appeal before the
16 ~~((City Council will))~~ Hearing Examiner must be based on the record before the Director, and the
17 Director's decision ~~((will))~~ shall be upheld unless the owner ~~((can show that there is))~~
18 demonstrates that no substantial evidence in the record ~~((to support))~~ supports the Director's
19 decision. The ~~((City Council's))~~ Hearing Examiner's decision on the appeal is final.

20 H. If, on the effective date of this ordinance, an owner has submitted a valid MFTE
21 application under a prior version of the MFTE program and has not yet received a Final
22 Certificate, the owner may opt to convert the application to the most current MFTE program at
23 any point before issuance of the Final Certificate.

1 **5.73.065 Amendment (~~(of contract)~~), subordination, or termination of MFTE agreement**

2 ~~((A. An))~~ The owner may submit a written request to the Office of Housing for amendment,
3 subordination, or termination of the (~~(contract to the Director provided such))~~ MFTE agreement
4 if the request (~~(is received by the Office of Housing prior to issuance of the Final Certificate))~~
5 includes a non-refundable check payable to The City of Seattle for \$750 plus an amount equal to
6 the King County recording fee or delivery fees if required.

7 ~~((B. The date for expiration of the Conditional Certificate shall not be extended by~~
8 ~~amendment to the contract unless the Director determines that all the conditions for extension are~~
9 ~~met as set forth in Section 5.73.070.))~~

10 **5.73.070 Extension of Conditional Certificate**

11 A. The expiration date of ~~((the))~~ a Conditional Certificate may be extended by the
12 Director by up to 24 months ~~((provided the owner submits to the Director a written request,~~
13 ~~stating the grounds for the extension))~~ if, at least 60 days prior to expiration of the Conditional
14 Certificate according to subsection ~~((5.73.060.D))~~ 5.73.060.E, the owner submits to the Director
15 a written request stating the grounds for extension together with a fee of \$500 for the City's
16 administrative cost to process the request. The Director may grant an extension if the Director
17 determines that:

18 1. The anticipated failure to complete the multifamily housing ~~((within the~~
19 ~~required time period))~~ prior to expiration of the Conditional Certificate is due to circumstances
20 beyond the control of the owner; and

21 2. The owner has been acting and could reasonably be expected to continue to act
22 in good faith and with due diligence; and

3. All ~~((the))~~ conditions of the ~~((contract))~~ MFTE agreement will be satisfied upon completion of the project.

B. If the Conditional Certificate expires according to subsection ~~((5.73.060.D and a))~~ 5.73.060.E without request for an extension ~~((is not received))~~ according to subsection 5.73.070.A ~~((or subsection 5.73.070.C))~~ , ~~((the City shall assume))~~ the MFTE application ~~((has been))~~ shall be deemed withdrawn by the owner.

~~((C. In addition to an extension of 24 months according to subsection 5.73.070.A, for applications received by the Office of Housing on or before February 15, 2020, the expiration date of the Conditional Certificate may be extended by the Director by up to five years provided the owner submits to the Director a written request, stating the grounds for the extension and the revised Project completion date, together with a fee of \$500 for the City's administrative cost to process the request. The Director may grant an extension if the Director determines that:~~

1. ~~The owner has sufficiently demonstrated that the failure or anticipated failure to complete the project prior to expiration of the Conditional Certificate is due to impacts from the COVID-19 pandemic that were beyond the control of the owner;~~

2. ~~The owner has been acting and could reasonably be expected to continue to act in good faith and with due diligence;~~

3. ~~A contract has been executed, the owner has complied with all conditions required to date according to the contract except for completion delays due to impacts from the COVID-19 pandemic, and all outstanding conditions of the contract will be satisfied upon completion of the project;~~

4. ~~The up to five-year extension request according to this subsection 5.73.070.C was received by the Director on or before September 30, 2021;~~

1 5. ~~The Director previously approved a full 24-month extension of the expiration~~
2 ~~date for the Conditional Certificate according to subsection 5.73.070.A; and~~

3 6. ~~The expiration date of the Conditional Certificate based on the first full 24-~~
4 ~~month extension approved by the Director according to subsection 5.73.070.A was no earlier~~
5 ~~than February 15, 2020 and no later than February 15, 2022.))~~

6 **5.73.080 Final Certificate—Application—Issuance—Denial and appeal—Fee**

7 A. ~~((The owner shall submit an))~~ A complete application for Final Certificate ~~((to the~~
8 ~~Director))~~ , on a form provided by the Office of Housing, must be received by the Office of
9 Housing within 30 days of project completion ~~((of the multifamily housing))~~ as documented by
10 ~~((a))~~ its temporary certificate of occupancy, or a permanent certificate of occupancy if no
11 temporary certificate is issued, or ~~((as documented by the))~~ final building permit inspection if no
12 certificate of occupancy is required. Consistent with RCW 84.14.090, only one Final Certificate
13 may be issued for each MFTE application submitted according to Section 5.73.050.

14 B. The owner shall file with the Director such information as the Director may deem
15 necessary ~~((or useful))~~ to evaluate eligibility for a Final Certificate, including:

16 1. A statement of total ~~((expenditures made with respect to))~~ and per-unit
17 construction expenditures for the multifamily housing~~((, including each dwelling unit, SEDU,~~
18 ~~and congregate residence sleeping room))~~ ;

19 2. ~~((A description of the completed project and a statement of qualification for the~~
20 ~~exemption under this Chapter 5.73;~~

21 3. ~~A final plan set approved by SDCI that includes gross floor area by use,~~
22 ~~schematic site plan, and standard floor plans for the dwelling units, SEDUs, and congregate~~
23 ~~residence sleeping rooms, including proposed MFTE units))~~ Consistent with the final approved

1 plan set for the project, changes to the table issued with the Conditional Certificate that
2 documents the characteristics of each unit consistent with Section 5.73.040;

3 ~~((4.))~~ 3. Documentation ((of completion of)) that the multifamily housing ((within
4 three years of the date of the MFTE application according to subsection 5.73.050.E, or other date
5 if extended according to Section 5.73.070)) was completed by the deadline according to
6 subsection 5.73.060.E;

7 ~~((5. Documentation of the owner's compliance with the requirements in Section~~
8 ~~5.73.040, as applicable;~~

9 ~~6.))~~ 4. A statement describing any changes to the multifamily housing after
10 approval of the MFTE application ((for the multifamily housing as originally approved by the
11 Director)) according to Section 5.73.060;

12 ~~((7. A housing market study that includes (a) the comparable rents or sales prices,~~
13 ~~as applicable, for other multifamily housing in the neighborhood market area, and (b) the~~
14 ~~market))~~ 5. A statement of the asking rent or sales price for each ((of the MFTE units proposed
15 to be designated according to subsection 5.73.040.B or subsection 5.73.040.C, as applicable))
16 unit in the multifamily housing;

17 ~~((8. A statement confirming that the))~~ 6. Either an updated title report ((on file
18 with the Office of Housing)) for the property that includes the multifamily housing ((is current
19 and accurate)) or a statement confirming that the title report on file with the Office of Housing is
20 current and accurate; and

21 ~~((9.))~~ 7. A statement confirming that the documentation on file with the Office of
22 Housing of the type and organizational structure of the owner, signature block for the owner, and

1 authority of the owner representative that signed the ~~((contract))~~ MFTE agreement is all current
2 and accurate.

3 C. The applicant shall provide ~~((a check payable))~~ payment to the Assessor to cover the
4 Assessor's fee for administrative costs upon notification that the application for a Final
5 Certificate has been approved. ~~((The City will forward the check for the Assessor's~~
6 ~~administrative costs to the Assessor.))~~

7 D. Within 30 days of receipt of a complete Final Certificate application, the Director shall
8 notify the owner in writing of the decision to approve or deny the request to file a Final
9 Certificate for the multifamily housing with ~~((the county))~~ King County according to this
10 Chapter 5.73.

11 E. If the Final Certificate application is approved, the City shall file a Final Certificate
12 with the Assessor ~~((within))~~ no more than ten days ~~((of))~~ after the expiration of the 30-day period
13 provided under subsection 5.73.080.D. The Final Certificate shall include a table with the
14 characteristics of each unit consistent with Section 5.73.040.

15 F. The owner may appeal ~~((a decision that the multifamily housing does not qualify for a~~
16 ~~tax exemption under this Chapter 5.73))~~ to the King County Superior Court ~~((provided))~~ denial
17 of a Final Certificate due to ineligibility of the multifamily housing for a tax exemption under
18 this Chapter 5.73 if the appeal is filed ((within)) no more than 30 days after receipt of
19 ~~((receiving))~~ notice of the decision.

20 **5.73.090 Exemption—Duration—Limits**

21 A. The value of ~~((renter occupied))~~ multifamily rental housing qualifying under this
22 Chapter 5.73 shall be exempt from ad valorem property taxation ~~((as provided in RCW~~

1 ~~84.14.020(1)(a)(ii)(B)))~~ for up to 12 successive years beginning January 1 of the year
2 immediately following the calendar year of the date of the Final Certificate.

3 B. ~~((Except for permanently affordable homeownership, the value of each eligible owner-~~
4 ~~occupied MFTE unit according to this Chapter 5.73 shall be exempt from ad valorem property~~
5 ~~taxation as provided in RCW 84.14.020(1)(a)(ii)(B) until resale to a non-eligible household or~~
6 ~~for up to 12 successive years beginning January 1 of the year immediately following the calendar~~
7 ~~year of the date of the Final Certificate, whichever is earlier.~~

8 ~~C.))~~ The value of each ~~((eligible owner-occupied MFTE unit that provides for))~~
9 permanently affordable ~~((homeownership))~~ home according to this Chapter 5.73 shall be exempt
10 from ad valorem property taxation ~~((as provided in chapter 84.14 RCW))~~ for up to 20 successive
11 years beginning January 1 of the year immediately following the calendar year of the date of the
12 Final Certificate.

13 ~~((D.))~~ C. Extended property tax exemption

14 1. ~~((As authorized by RCW 84.14.020(6), the Director may approve))~~ The owner
15 may apply for an extended exemption of the value of ~~((renter-occupied))~~ qualifying multifamily
16 rental housing ~~((qualifying under this Chapter 5.73))~~ from ad valorem property taxation for up to
17 a total of 12 successive years beginning January 1 of the year immediately following the
18 calendar year that the original 12-year exemption expires according to subsection 5.73.090.A ~~((if~~
19 ~~the owner is in compliance with the MFTE agreement for the property's initial 12-year~~
20 ~~exemption from property taxes for the multifamily housing according to subsection 5.73.090.A~~
21 ~~and that exemption expires on December 31, 2025, provided that:))~~ if the Office of Housing
22 receives an application to extend MFTE for an additional 12 years, on a form provided by the
23 Office of Housing, no later than May 1 of the scheduled expiration year.

~~((a. A written request for an extended exemption is received by the Office of Housing no later than May 1, 2025; and~~

~~b.))~~ 2. The ((written request includes)) application shall contain information as the Director may deem necessary to evaluate eligibility of the multifamily housing for an extended property tax exemption according to Chapter 5.73, consistent with this subsection 5.73.090.C, plus the following:

~~((1) A brief written description of the project and a plan set that includes gross floor area by use, site plan, and standard floor plans for units in the multifamily housing;~~

2) For each residential unit in the multifamily housing, the unit number, floor plan, net unit area measured in square feet, location by floor level, location by building if the multifamily housing consists of multiple structures, status as either a market-rate unit or MFTE unit, occupancy status, and current rent (according to the lease if occupied or asking rent if vacant), all in a form as prescribed by the Office of Housing;

~~3) A copy of the current rent roll for the multifamily housing;~~

4) ~~A statement from the owner acknowledging~~) a. Owner affidavits,
including acknowledgement of the potential tax liability of the multifamily housing;

~~((3)) b. A ((recent)) title report ((documenting the legal description and ownership of the property that includes the multifamily housing, documentation satisfactory to the Director of the type and organizational structure of the owner, a sample signature block for the owner, and evidence satisfactory to the Director of authority of the owner representative that signed the MFTE extension request; and)) dated within three months of the application~~

1 submission date, for all, and only those, parcels on the property, and identifying the fee simple
2 owner;

3 c. A sample signature block for the owner and, if the signature block
4 includes more than one entity, an operating agreement confirming the relationship between the
5 grantor and other entities identified in the signature block; and

6 ~~((6))~~ d. A non-refundable check for the MFTE extension application fee,
7 payable to The City of Seattle in the amount of ((~~\$10,000 if fewer than 75 percent of the total~~
8 ~~residential units in the multifamily housing are rent and income restricted, or \$4,500 if at least~~
9 ~~75 percent of the total residential units in the multifamily housing are rent and income~~
10 ~~restricted~~)) the MFTE program fee according to subsection 5.73.050.B.2, and a commitment of
11 the owner to pay the actual cost of Assessor administrative fees and King County recording fees
12 prior to issuance of a new Final Certificate.

13 3. Criteria for decisions to approve an MFTE extension application include that:

14 a. The multifamily housing would be eligible for MFTE under current
15 rules;

16 b. The multifamily housing and the property on which it is located must
17 have no SDCI-issued violations of applicable provisions of Titles 22, 23, and 25 that failed to be
18 resolved by a certificate of compliance, certificate of release, or withdrawal within the time
19 period for compliance provided in such notice of violation or as extended by the Director of
20 SDCI;

21 c. A record exists with complete annual reports, passing audits as part of
22 regular program monitoring, and no outstanding areas of concern or findings of non-compliance
23 with the MFTE agreement and this Chapter 5.73; and

1 d. Documentation exists of tenant notification of the owner's intent to
2 pursue a 12-year extension of the property tax exemption and required income verification for
3 MFTE unit tenants according to subsection 5.73.090.C.6.a.

4 4. A documented pattern of non-compliance with the MFTE agreement for the
5 initial 12-year tax exemption is a ground for denial.

6 ~~((2. A))~~ 5. If the MFTE extension application is approved, a new ((contract))
7 MFTE agreement shall be executed and recorded on the title of the property that includes the
8 multifamily housing committing the owner to requirements according to this Chapter 5.73,
9 except that:

10 a. MFTE units shall be ~~((promptly))~~ leased at affordable rents to eligible
11 households with annual incomes ~~((at or below 30 percent of median income for compact units in~~
12 ~~multifamily housing that also includes units larger than compact units, at or below 40 percent of~~
13 ~~median income for compact units in multifamily housing with no units larger than compact units,~~
14 ~~at or below 50 percent of median income for studio units, at or below 60 percent of median~~
15 ~~income for one-bedroom units, at or below 75 percent of median income for two-bedroom units,~~
16 ~~and at or below 80 percent of median income for three-bedroom and larger units.))~~ five
17 percentage points lower than the limits according to subsection 5.73.040.B.4, not to exceed 80
18 percent median income per RCW 84.14.020; and

19 b. The ~~((contract))~~ MFTE agreement shall ((allow multifamily housing to
20 transition to compliance with subsection 5.73.090.D.2.a)) consider current MFTE unit tenants
21 income eligible as determined according to subsection 5.73.090.C.6.b, consistent with
22 ~~((subsection 5.73.090.D.6))~~ subsection 5.73.090.C.9.

1 ~~((3.))~~ 6. For properties with initial 12-year exemptions ~~((scheduled to expire on~~
2 ~~December 31, 2025))~~ that intend to apply for the 12-year extension, the owner shall:

3 a. No later than ~~((May 1, 2025))~~ May 1 of the calendar year in which the
4 MFTE exemption is set to expire, provide written notice to all tenants of MFTE units of owner's
5 intent to pursue a 12-year extension of the property tax exemption~~((; b. For each MFTE unit~~
6 ~~tenant household without an annual income certification in the calendar year the exemption is set~~
7 ~~to expire, initiate income verification no later than May 1, 2025))~~ and initiate the income
8 verification process for each MFTE unit tenant household without an annual income certification
9 in the calendar year in which the exemption is set to expire; and

10 ~~((e.))~~ b. Provide to the Office of Housing ((verification of)) the verified
11 annual income of the tenant household for each MFTE unit according to Section 5.73.105 by
12 ~~((September 30, 2025))~~ September 30 of the calendar year in which the exemption is set to
13 expire.

14 ~~((4. The minimum number of MFTE units as a share of total residential units in~~
15 ~~the multifamily housing shall be the same as according to the property's initial MFTE agreement~~
16 ~~(i.e., 20 percent or 25 percent)))~~ 7. The share of total units provided as MFTE units shall be
17 according to subsection 5.73.040.B.2.

18 ~~((5.))~~ 8. Upon approval of an extended tax exemption according to this
19 Chapter 5.73, the Director shall file a new Final Certificate with the Assessor. The owner shall
20 be responsible for any administrative fees charged by the Assessor.

21 ~~((6. To allow ongoing occupancy of MFTE units by existing tenants who, while~~
22 ~~they qualify as eligible households under pre-extension contracts, do not qualify as eligible~~
23 ~~households according to subsection 5.73.090.D.2.a, and to))~~ 9. To steadily transition multifamily

housing to full compliance with ~~((extended exemption))~~ requirements for an extended property tax exemption, the following provisions apply:

a. For each MFTE unit, the affordable rent according to the current tenant's lease agreement as of January 1 of the calendar year subsequent to expiration of the initial 12-year property tax exemption and thereafter shall be ~~((÷ 1) No))~~ no greater than according to ~~((subsection 5.73.090.D.2.a if the annual income of the tenant household, as verified according to Section 5.73.105, is less than one and one half times the limit for the MFTE unit according to subsection 5.73.090.D.2.a; or))~~ subsection 5.73.090.C.5.a if an income verification demonstrates, consistent with Section 5.73.105, that the tenant household is an eligible household according to subsection 5.73.090.C.5.a.

b. If an income verification demonstrates that the tenant household would not be an eligible household according to subsection 5.73.090.C.9.a, the next comparable unit that is available, as approved by the Office of Housing, shall be designated as an MFTE unit and leased to an eligible household.

~~((2) No greater than 65 percent of median income for compact units and studio units, no greater than 75 percent of median income for one bedroom units, and no greater than 85 percent of median income for two bedroom and larger units, provided the annual income of the tenant household, as verified according to Section 5.73.105, is less than one and one half times 65, 75, or 85 percent of median income depending on the MFTE unit type, as applicable, and at least one and one half times the limit for the MFTE unit according to subsection 5.73.090.D.2.a; or~~

~~3) According to subsection 5.73.105.B if the annual income of the tenant household, as verified according to Section 5.73.105, equals or exceeds one and one half~~

1 ~~times 65 percent of median income for compact units and studio units, one and one half times 75~~
2 ~~percent of median income for one bedroom units, or one and one half times 85 percent of~~
3 ~~median income for two bedroom and larger units.))~~

4 ~~((b. Each vacant MFTE unit shall be promptly))~~ c. After income
5 recertifications are submitted to the Office of Housing according to subsection 5.73.090.C.6.b,
6 all vacant MFTE units shall be leased at an affordable rent to an eligible household according to
7 ~~((subsection 5.73.090.D.2.a))~~ subsection 5.73.090.C.5.a.

8 ~~((e. From the date an MFTE unit first satisfies requirements for an~~
9 ~~extended exemption under subsection 5.73.090.D.2.a until the end of the compliance period,~~
10 ~~requirements according to subsection 5.73.090.D.2.a shall apply.))~~

11 ~~((E.))~~ D. The property tax exemption for multifamily housing does not apply to the value
12 of the following:

13 1. ~~((The value of land or to the value of non-residential improvements or to the~~
14 ~~value of other improvements not qualifying under this Chapter 5.73))~~ Land;

15 2. Non-residential improvements, including lodging, short-term rentals, and live-
16 work units;

17 3. Areas of the multifamily housing where residents must pay a fee for use or
18 access, except that:

19 a. The City shall exempt fee-generating structured residential parking
20 garages from property taxes; and

21 b. Fees for occasional use of areas by private parties are permitted if the
22 area is generally open and accessible at no cost to all residents;

1 4. Units not marketed and available to the general public or that are leased by
2 owners and/or their family and friends;

3 ~~((2.))~~ 5. Increases in assessed valuation of land and non-qualifying
4 improvements; ~~((or))~~ and

5 ~~((3.))~~ 6. Increases, made by lawful order of the King County Board of Appeals
6 and Equalization, the Washington State Department of Revenue, State Board of Tax Appeals, or
7 King County, to a class of property throughout the county or a specific area of the county to
8 achieve uniformity of assessment or appraisal as required by law.

9 ~~((F.))~~ E. ~~((For the purposes of))~~ Appraisal and addition of the new construction value of
10 multifamily properties awarded a property tax exemption according to this Chapter 5.73 shall be
11 according to chapter 84.55 RCW and chapter 36.21 RCW~~((, the value of the multifamily housing~~
12 shall be considered new construction on the date the exemption ends according to Section
13 5.73.090, as if the property were not exempt under this Chapter 5.73)) .

14 F. The owner must provide written notice to the Office of Housing of intent to appeal the
15 valuation of the multifamily housing to the Assessor prior to filing such appeal.

16 **5.73.100 ~~((Annual))~~ MFTE ~~((certification))~~ compliance reporting**

17 A. At such times as may be required by the Director, but no less than annually for the
18 duration of the compliance period, the owner or ~~((a))~~ qualified non-profit organization, as
19 applicable, shall file ~~((an MFTE certification))~~ a report, including supporting documentation,
20 with the Office of Housing, verified upon oath or affirmation, which shall contain such
21 information as the Director may deem needed to ~~((determine))~~ document compliance with
22 ~~((contract))~~ the MFTE agreement and this Chapter 5.73 ~~((requirements))~~ and to ~~((assess))~~

1 ~~estimate the costs and benefits to the public ((of this Chapter 5.73. At a minimum, the Office of~~
2 ~~Housing shall require:))~~ of the property's tax exemption.

3 1. For ~~((renter-occupied))~~ multifamily rental housing, the compliance report shall
4 include:

5 a. ~~((For each residential unit in the multifamily housing qualifying for a~~
6 ~~property tax exemption under this Chapter 5.73, a))~~ A statement of ((the contract rent, net of
7 utility, sewer capacity charge, renter's insurance, and any other fees that are a condition of the
8 lease, during the previous calendar year)) gross housing costs, including contract rent, the
9 estimate of tenant paid utilities, and any other required fees not included in the rent for each unit
10 (restricted and unrestricted);

11 b. ~~((Lease start and end dates for each residential unit in the multifamily~~
12 ~~housing and, for vacant units, the date the unit was vacated))~~ Occupancy rates for each unit
13 (MFTE units and unrestricted units) and, for MFTE units, initial and most recent lease start dates
14 and move-out dates;

15 c. A certification that ~~((the multifamily housing's gross))~~ total net rentable
16 floor area ((in permanent residential occupancy is equal to or greater than the amount as verified
17 at)) of the multifamily housing has not changed since the date of the Final Certificate;

18 d. A description of any improvements or modifications to the multifamily
19 housing~~((, if any, made after))~~ since the date of the Final Certificate or most recent annual
20 ~~((MFTE certification))~~ compliance report, as applicable;

21 e. ~~((The verified))~~ For each MFTE unit, the annual income and household
22 size of each eligible household, verified consistent with Section 5.73.105; and

1 f. ~~((A copy of the most recent tax assessment for the property that includes~~
2 ~~the multifamily housing.))~~ Any other information required by the Director to comply with City
3 and State reporting obligations.

4 2. For permanently affordable ~~((homeownership, a))~~ homes, the qualified non-
5 profit organization shall ~~((annually document))~~ submit a report documenting compliance of each
6 MFTE unit and eligible household with the requirements according to subsection 5.73.040.C.

7 B. The owner or qualified non-profit organization shall submit a complete annual
8 compliance report. The ~~((first project certification))~~ annual compliance report shall be filed with
9 the Office of Housing ~~((within 90 days of issuance of the temporary certificate of occupancy for~~
10 ~~the multifamily housing, or permanent certificate of occupancy if no temporary certificate of~~
11 ~~occupancy is required, or SDCI final building permit inspection if no certificate of occupancy is~~
12 ~~required))~~ by January 31 of the calendar year immediately following the date of the Final
13 Certificate and each year thereafter for each year the property tax exemption was granted.

14 C. Failure to submit ~~((an annual project certification))~~ complete and accurate reports by
15 required deadlines may result in cancellation of the tax exemption according to Section 5.73.110.

16 ~~((D. For renter occupied multifamily housing, the owner shall also file a certification~~
17 ~~with the Director, verified upon oath or affirmation, containing the lease start and end dates and~~
18 ~~contract rent, net of utility, sewer capacity, renter's insurance, and any other fees that are a~~
19 ~~condition of the lease, for each residential unit in the multifamily housing during the final~~
20 ~~calendar year of the compliance period and during the calendar year immediately following the~~
21 ~~compliance period. The first post exemption certification according to this subsection 5.73.100.D~~
22 ~~shall be filed with the Office of Housing by March 31 following the expiration of the compliance~~

~~period and the second post-exemption certification according to this subsection 5.73.100.D shall be filed by March 31 of the subsequent year.))~~

5.73.105 ((Annual)) Eligible household income verification

~~((A.)) Annual ((MFTE-certifications))~~ compliance reports according to Section 5.73.100 shall include ~~((verification of))~~ the verified income for each household occupying an MFTE unit.

Income verifications shall be in accordance with standardized procedures and policies

established by the Office of Housing for administration of this Chapter 5.73. ~~((B.)) If ((the~~

~~annual income of a tenant of an MFTE unit, as verified according to this Section 5.73.105, equals~~

~~or exceeds one and one-half times the maximum allowed according to subsection 5.73.040.B or~~

~~subsection 5.73.090.D.2, as applicable, the tenant shall no longer be an eligible household and~~

~~the next available residential unit of the same unit type in the multifamily housing, as approved~~

~~by the Office of Housing consistent with this Chapter 5.73, shall be newly designated as an~~

~~MFTE unit and))~~ the tenant household refuses to provide documentation for required income

verifications or no longer qualifies as an eligible household, the owner or owner representative

shall contact the Office of Housing to identify another comparable unit to be promptly leased to

an eligible household. ((Upon lease-up of the newly designated MFTE unit satisfying

requirements of this Chapter 5.73, rent for the unit occupied by the tenant no longer qualifying as

an eligible household may be leased at market-rate rent after expiration of the lease.)) The owner

shall honor the terms of the lease for the unit occupied by the tenant that is no longer an eligible

household until lease expiration. After the lease expires, that unit shall be an unrestricted unit.

~~((C. A tenant that refuses to provide income verification according to this Section~~

~~5.73.105 shall no longer be an eligible household and the next available residential unit of the~~

~~same unit type in the multifamily housing, as approved by the Office of Housing consistent with~~

~~this Chapter 5.73, shall be newly designated as an MFTE unit and promptly leased to an eligible household. Upon lease-up of the newly designated MFTE unit satisfying requirements of this Chapter 5.73, rent for the unit occupied by the tenant no longer qualifying as an eligible household may be leased at market rate rent after expiration of the lease.))~~

5.73.110 Cancellation of tax exemption—~~Appeal~~Penalties

A. Cancellation of tax exemption upon scheduled expiration date

1. For multifamily rental housing according to Section 5.73.040 or subsection 5.73.090.C, the tax exemption shall be cancelled on December 31 of the twelfth successive year beginning January 1 of the year immediately following the calendar year of the date of the Final Certificate; and

2. For permanently affordable homes according to subsection 5.73.040.C, the tax exemption shall be cancelled on December 31 of the twentieth successive year beginning January 1 of the year immediately following the calendar year of the date of the Final Certificate.

B. Cancellation of tax exemption upon owner opt-out. The owner shall provide written notice to the Director at least 60 days prior to the scheduled date of voluntary termination of the MFTE agreement and tax exemption. The owner's notice to the Office of Housing shall document that tenant notification and relocation assistance requirements have been satisfied according to Section 5.73.115, if applicable. Upon receipt of notice from the owner, the Director shall notify the Assessor with instruction to cancel the tax exemption and assess additional taxes, interest, and penalty according to RCW 84.14.110.

C. Cancellation of tax exemption due to change of use. The owner shall provide written notice to the Director at least 60 days prior to the scheduled date of voluntary termination of the MFTE agreement and tax exemption due to a change of all or a portion of the residential floor

1 area to a non-residential use. The owner's notice to the Office of Housing shall document that
2 tenant notification and relocation assistance requirements have been satisfied according to
3 Section 5.73.115, if applicable. Upon receipt of notice from the owner, the Director shall notify
4 the Assessor with instruction to cancel the tax exemption and assess additional taxes, interest,
5 and penalties according to RCW 84.14.110.

6 D. Cancellation of tax exemption due to non-compliance

7 ~~((A-))~~ 1. If an owner, owner representative, or qualified non-profit organization
8 fails to ~~((promptly correct a finding of non-compliance with this Chapter 5.73, the Director shall~~
9 ~~notify the Assessor with instruction to cancel the tax exemption and assess additional taxes,~~
10 ~~interest, and penalty according to RCW 84.14.110.))~~ provide the number of MFTE units
11 committed according to the Final Certificate or fails to properly screen income eligibility for
12 prospective MFTE unit tenants, the City may impose a sliding scale penalty based on rent
13 reductions not provided to an eligible household, with consideration of the severity of the non-
14 compliance. If the owner, owner representative, or qualified non-profit organization is
15 subsequently found to be in substantial non-compliance with the MFTE agreement for the
16 property, the City shall cancel the tax exemption pursuant to RCW 84.14.110(1)(a). Upon receipt
17 of the Director's notice of intent to cancel the tax exemption, the owner shall satisfy tenant
18 relocation assistance requirements according to ~~((subsection 5.73.110.D.2))~~ Section 5.73.115, if
19 applicable.

20 2. If a household that owns a permanently affordable home violates conditions of
21 the tax exemption, the City may notify the Assessor with instruction to cancel the tax exemption
22 for that home and assess additional taxes, interest, and penalties according to RCW 84.14.110.

1 ~~((B.))~~ 3. An owner, owner representative, or qualified non-profit organization that
2 ~~((has failed))~~ fails to promptly correct non-compliance with the ~~((contract))~~ MFTE agreement or
3 this Chapter 5.73 shall not be eligible to apply for an extended property tax exemption according
4 to ~~((subsection 5.73.090.D))~~ this Chapter 5.73.

5 4. Violation of City and state fair housing laws banning housing discrimination
6 shall be grounds for cancellation of the tax exemption.

7 ~~((C. If the owner intends to convert any portion of the multifamily housing to non-~~
8 ~~residential uses or if the owner intends to opt out of the tax exemption and terminate the contract,~~
9 ~~the owner shall notify both the Director and the Assessor at least 60 days prior to the date of the~~
10 ~~change in use or opt out. Prior to the date of the change in use or opt out, owner shall document~~
11 ~~satisfaction of tenant notification and relocation assistance requirements according to subsection~~
12 ~~5.73.110.D, as applicable. Upon receipt of notice from the owner, the Director shall notify the~~
13 ~~Assessor with instruction to cancel the tax exemption and assess additional taxes, interest, and~~
14 ~~penalty according to RCW 84.14.110.~~

15 ~~D. Tenant notification and relocation assistance requirements~~

16 ~~1. For multifamily housing approved for an exemption or an extended exemption~~
17 ~~according to this Chapter 5.73, by September 30 of each of the final two years of rent~~
18 ~~restrictions, due to expiration of the exemption or otherwise, the owner shall notify each~~
19 ~~household occupying a rent restricted unit of relocation assistance requirements according to~~
20 ~~subsection 5.73.110.D.2.~~

21 ~~2. For multifamily housing approved for an exemption or extended exemption~~
22 ~~according to this Chapter 5.73, within 90 days of the date rent restrictions end for a renter-~~
23 ~~occupied unit, due to expiration of the exemption or otherwise, owner shall provide relocation~~

1 ~~assistance to each household residing in a rent and income restricted unit, provided that the~~
2 ~~tenant household has an annual income no higher than 80 percent of median income, which shall~~
3 ~~be verified according to Section 5.73.105. The amount of the tenant assistance shall either be~~
4 ~~equal to the monthly rent according to the current lease agreement for the unit or an amount as~~
5 ~~required by federal, state, or local law, whichever is greater.~~

6 ~~E. For owner occupied MFTE units according to subsection 5.73.040.C.1.a, the tax~~
7 ~~exemption shall be canceled either (1) upon receipt of notice of resale according to subsection~~
8 ~~5.73.040.C.2 or on (2) on December 31 of the twelfth successive year beginning January 1 of the~~
9 ~~year immediately following the calendar year of the date of the Final Certificate, provided the~~
10 ~~resale is consistent with subsection 5.73.040.C, as applicable.~~

11 ~~F. For owner occupied MFTE units according to subsection 5.73.040.C.1.b, the tax~~
12 ~~exemption shall be canceled on December 31 of the twentieth successive year beginning January~~
13 ~~1 of the year immediately following the calendar year of the date of the Final Certificate,~~
14 ~~provided the resale is consistent with subsection 5.73.040.C, as applicable.~~

15 ~~G. Upon determining that a tax exemption shall be canceled, the))~~ E. The Director shall
16 notify the owner or qualified non-profit organization, ((if)) as applicable, by certified mail, return
17 receipt requested, of any decision to cancel the tax exemption due to non-compliance with the
18 MFTE agreement or this Chapter 5.73.

19 ~~((H. The owner or qualified non-profit organization, if applicable, may appeal~~
20 ~~cancellation))~~ F. Cancellation of an exemption ~~((provided a notice of appeal specifying))~~ may be
21 appealed by the owner or qualified non-profit organization, as applicable, if alleging the factual
22 and legal basis on which the determination of cancellation ((is alleged)) to be erroneous and if
23 the appeal is filed with the Hearing Examiner and City Clerk within 30 days of receipt of notice

1 of cancellation. The Hearing Examiner will conduct a hearing pursuant to Section 3.02.090 at
2 which all affected parties may be heard and all competent evidence received. The Hearing
3 Examiner shall affirm, modify, or reverse ~~((the decision to cancel))~~ cancellation of the exemption
4 based on the evidence received. The Hearing Examiner shall give substantial weight to the
5 Director's decision and the burden of overcoming that weight shall be upon the appellant. An
6 aggrieved party may appeal the Hearing Examiner's decision to the King County Superior Court
7 as provided in RCW 34.05.510 through 34.05.598.

8 **5.73.115 Tenant notice and relocation assistance requirements**

9 A. Consistent with RCW 84.14.020, the owner shall:

10 1. By September 30 of each of the final two years of the tax exemption period,
11 notify each household occupying an MFTE unit of relocation requirements according to
12 subsection 5.73.115.A.2; and

13 2. At least 90 days prior to the date rent restrictions end for the MFTE units, due
14 to expiration of the exemption or otherwise, provide relocation assistance to each eligible
15 household verified according to Section 5.73.105. The amount of the tenant assistance shall
16 either be equal to the monthly rent according to the current lease agreement for the unit or an
17 amount otherwise required by federal, state, and local law, whichever is greater.

18 B. This Section 5.73.115 shall only apply to properties with MFTE agreements executed
19 on or after the effective date of Ordinance 126443.

20 **5.73.120 Expiration of the City's MFTE program**

21 ~~((Except for extension of property tax exemptions))~~ The City's MFTE program as authorized ((in
22 subsection 5.73.090.D, the tax exemption program established)) by this Chapter 5.73 shall
23 ~~((sunset on September 10, 2025 unless extended by the City Council by ordinance. After the~~

~~program sunsets,)) continue until the authority granted by chapter 84.14 RCW expires, after which no new MFTE applications ((under Section 5.73.050)) shall be accepted. ((Pending Conditional Certificates and Final Certificates shall be processed as provided according to this Chapter 5.73.))~~

5.73.130 ((Annual report)) Office of Housing annual report to City Council

A. The Office of Housing shall report annually by June 30 to the City Council on ((the)) MFTE program ((as follows)) performance for the prior calendar year, including the following information:

~~((A. Annually in June, the Office of Housing will report on MFTE applications, including project types, sizes, locations, unit mixes, and MFTE set asides, and will analyze rent data for both market rate and MFTE Units in multifamily housing for which a Final Certificate is issued. The Director will also annually report on the value of the tax exemption granted, changes))~~

1. Initial MFTE applications by project type, size, location, unit mix, estimated MFTE units, and cumulative information for each MFTE program version since MFTE inception;

2. Final Certificates issued by project type, size, location, unit mix, estimated MFTE units and cumulative information for each MFTE program version since MFTE inception.

3. The “opt-in” rate for MFTE participation, calculated by the number of multifamily buildings that received a Final Certificate of Tax Exemption for the MFTE program divided by the total number of multifamily buildings that receive a Certificate of Occupancy or equivalent in that year, broken down by building type (including but not limited to low-rise, mid-rise, and high-rise). The report shall also note the number of units provided by the MFTE buildings and the non-participating buildings. The opt-in rate should also be calculated

1 separately for MFTE extensions, calculated by the number of buildings that apply for an
2 extension divided by the total MFTE agreements expiring:

3 4. Average rent and vacancy rates for unrestricted units and MFTE units with
4 active Final Certificates by unit type for each building:

5 5. Total value of the property tax exemptions, estimates of foregone tax revenue
6 and shifted taxes, and the estimated cost to an owner of a median value home in Seattle.

7 Foregone estimates shall be for all taxing jurisdictions and for The City of Seattle specifically:

8 6. Changes in ((the)) housing market conditions and activity, and

9 7. ((changes)) Changes to State law ((related)) that relate to the MFTE program
10 and labor standards.

11 B. The Director may recommend changes to the MFTE program, based on report findings
12 or other analysis, as appropriate ((, prior to the expiration of the program)).

13 ~~((B.))~~ C. The ((Executive)) Office of Housing shall collect labor-related data on projects
14 participating in the MFTE program to advance labor equity outcomes, including payment of
15 prevailing wages, in housing development in Seattle. This data shall include, but not be limited
16 to: construction wage information, apprentice utilization, number of workers graduating from
17 pre-apprenticeship programs, and the number of workers who participated in mentoring and
18 other training programs. The Office of Housing shall include the requested data in the annual
19 report ((required by Section 5.73.130)). The Office of Housing shall work with MFTE
20 developers, labor unions, and executive agencies to identify ways to comply with and minimize
21 the administrative costs associated with this data collection and submittal process. The Office of
22 Housing ((shall have)) has the authority, including rule-making authority, to require an owner to

provide the data as part of the owner's annual ~~((project certification))~~ compliance reporting under Section 5.73.100.

5.73.135 Guidance for amendments to the City’s MFTE program

The City should regularly evaluate the MFTE program to inform potential future amendments. Changes to the City’s MFTE program may be advisable after four years from the effective date of this ordinance if:

A. The program has not achieved its established purpose;

B. Housing market conditions have changed substantially;

C. The “opt-in rate” described in subsection 5.73.130.A.3 has changed substantially; or

D. State law governing the program has changed.

5.73.140 MFTE program fees—automatic adjustment

Fees authorized in this Chapter 5.73, as well as the fee total in subsection 5.73.050.B.2, may be adjusted by rule by the Director annually on March 1 by an amount in proportion to the increase, if any, for January 1 through December 31 of the prior calendar year, in the Consumer Price Index, All Urban Consumers, Seattle-Tacoma-Bellevue, WA, All Items (1982-1984=100), as determined by the U.S. Department of Labor, Bureau of Labor Statistics or successor index, rounded up to the nearest \$10.

Section 3. Section 5.75.090 of the Seattle Municipal Code, enacted by Ordinance 127181, is amended as follows:

5.75.090 ~~((Combination with multi-family tax exemption))~~ Affordable units; no other restrictions

~~((An owner of underutilized commercial property claiming a sales and use tax deferral under this Chapter 5.75 may also apply for the Multifamily Housing Property Tax Exemption under~~

~~Chapter 5.72 or Chapter 5.73 and chapter 84.14 RCW. For applicants receiving a property tax exemption under Chapter 5.72 or Chapter 5.73 and chapter 84.14 RCW, the amount))~~ The number of affordable housing units required for eligibility under this Chapter 5.75 is in addition to ((the affordability conditions in Chapter 5.72 or Chapter 5.73 and chapter 84.14 RCW)) restricted units provided under any other agreement, including but not limited to property tax exemptions, bonuses, loans, or grants).

Section 4. Section 23.50A.062 of the Seattle Municipal Code, enacted by Ordinance 126862, is amended as follows:

23.50A.062 Administrative conditional uses

The following uses, identified as administrative conditional uses in Table A for 23.50A.040, may be permitted by the Director if the provisions of this Section 23.50A.062 and Section 23.50A.060 are met.

* * *

C. Residential use in UI zones. Residential uses are permitted as an administrative conditional use in UI zones if all of the following criteria are met. The residential use may be part of a Major Phased Development.

1. The residential use shall not exceed a density limit of 50 dwelling units per acre; and

2. The residential use shall not be located within 200 feet of a shoreline; and

3. The residential use shall not be within 200 feet of a designated major truck street; and

4. All dwelling units shall have sound-insulating windows sufficient to maintain interior sound levels at 60 decibels or below in consideration of existing environmental noise

1 levels at the site. The applicant shall submit an analysis of existing noise levels and
2 documentation of the sound insulating capabilities of windows as part of the conditional use
3 permit application; and

4 5. All dwelling units shall have a permanently installed air cooling system and a
5 balanced ventilation system, which may be combined. The ventilation system shall filter any
6 outdoor air supply through filters rated MERV 13 or higher as determined by the American
7 Society of Heating, Refrigerating, and Air Conditioning Engineers (ASHRAE). The air cooling
8 and ventilation systems shall be indicated on the plan; and

9 6. The residential use shall be located, designed, and configured in a manner to
10 reduce potential conflict with adjacent existing industrial business operations; and

11 7. The owner(s) of a building seeking a conditional use for the residential use
12 must sign and record a covenant and equitable servitude, on a form acceptable to the Director,
13 that acknowledges that the owner(s) and occupants of the building accept the industrial character
14 of the neighborhood and agree that existing or permitted industrial uses do not constitute a
15 nuisance or other inappropriate or unlawful use of land. Such covenant and equitable servitude
16 must state that it is binding on the owner(s)' successors, heirs, and assigns, including any lessees
17 of the residential use; and

18 8. The residential use shall be a part of a mixed-use development that includes
19 non-residential uses permitted in UI zones, and the residential use component shall not exceed 50
20 percent of the total floor area of the mixed use development; and

21 9. Occupancies of dwelling units are voluntarily limited by the building owner to
22 support the availability of housing that is affordable to area workers, such that the residential use
23 consists of either:

1 a. All dwelling units are live-work units in which the commercial activity
2 qualifies as industrial, or are caretakers' quarters associated with a business on the same site
3 provided no single business shall have more than three associated caretakers' quarters; or

4 b. A minimum of 50 percent of the dwelling units are ~~((made available at~~
5 ~~affordable rent or affordable sale price for a period of 75 years beginning January 1 of the year~~
6 ~~following final certificate of occupancy to eligible households with annual incomes at or below~~
7 ~~60 percent of median income for SEDUs, 80 percent of median income for studio and one~~
8 ~~bedroom units, and 90 percent of median income for two bedroom and larger units. Standardized~~
9 ~~procedures and definitions established by the Office of Housing for administration of Chapter~~
10 ~~5.73 shall apply. Dwelling units eligible for the multifamily housing tax exemption may be~~
11 ~~counted towards the minimum 50 percent))~~ moderate-income units.

12 * * *

Section 5. This ordinance shall take effect as provided by Seattle Municipal Code
Sections 1.04.020 and 1.04.070.

Passed by the City Council the _____ day of _____, 2025,
and signed by me in open session in authentication of its passage this _____ day of
_____, 2025.

President _____ of the City Council

Approved / returned unsigned / vetoed this _____ day of _____, 2025.

Bruce A. Harrell, Mayor

Filed by me this _____ day of _____, 2025.

Scheereen Dedman, City Clerk

(Seal)