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CITY OF SEATTLE
ORDINANCE 127187
COUNCIL BILL 120943

AN ORDINANCE relating to the Multifamily Housing Property Tax Exemption Program; allowing partial property tax exemptions for commercial to multifamily housing conversion projects; allowing the property tax exemption period to be extended to 24 years for properties with Multifamily Housing Property Tax Exemption expiring end of 2025; changing the MFTE Program’s sunset date to September 10, 2025; and amending Sections 5.73.010, 5.73.020, 5.73.040, 5.73.050, 5.73.070, 5.73.090, and 5.73.120 of the Seattle Municipal Code.

WHEREAS, chapter 84.14 RCW authorizes local jurisdictions to provide 12-year (or 24-year if extended at initial expiration) multifamily property tax exemptions if, at a minimum, the owner agrees to meet the locally adopted affordability requirements for new projects, consistent with chapter 84.14 RCW, as applicable at the time of application for an exemption; and

WHEREAS, Chapter 5.73 of the Seattle Municipal Code, 2004 Multifamily Housing Property Tax Exemption Program (“MFTE Program” or “MFTE”), was adopted by Ordinance 121415 and amended by Ordinances 121700, 121915, 122730, 123550, 123727, 124724, 124877, 124919, 125932, 126278, 126392, 126443, 126792, 127016, 127084, 127108, and 127145; and

WHEREAS, unless extended by the City Council by ordinance, the MFTE Program sunsets on March 31, 2025; and

WHEREAS, using MFTE to help encourage the conversion of commercial buildings to multifamily housing will provide additional housing opportunities, including affordable housing, in Seattle; NOW, THEREFORE,

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

2 Section 1. Section 5.73.010 of the Seattle Municipal Code, last amended by Ordinance
3 126443, is amended as follows:

4 **5.73.010 Purpose**

5 The purpose of this Chapter 5.73 is to increase ~~((and maintain))~~ affordable multifamily housing
6 opportunities ~~((in new and existing multifamily housing, including through rehabilitation of~~
7 ~~vacant buildings, within the city of))~~ , both through new construction and conversion of
8 commercial buildings, for households who cannot afford market-rate housing in Seattle. To
9 achieve these purposes, this Chapter 5.73 provides for special valuations of eligible
10 improvements in ~~((areas zoned for multifamily developments))~~ designated residential target
11 areas. In addition to increasing ~~((affordable))~~ the supply and affordability of housing, this
12 Chapter 5.73 seeks to affirmatively further fair housing as Seattle grows. Chapter 5.73 is
13 intended to and should be interpreted and construed to comply with chapter 84.14 RCW.

14 Section 2. Section 5.73.020 of the Seattle Municipal Code, last amended by Ordinance
15 127108, is amended as follows:

16 **5.73.020 Definitions**

17 * * *

18 “Multifamily housing” means ~~((the))~~ residential ~~((uses in a))~~ improvements in a project
19 that is either new construction of multifamily housing or conversion of a commercial structure to
20 multifamily housing and that may be eligible for a property tax exemption according to this
21 Chapter 5.73. Multifamily housing must be either multifamily rental housing or multifamily
22 ownership housing.

23 * * *

1 project site is occupied by a tenant or tenants receiving or eligible to receive a tenant relocation
2 assistance payment under Chapter 22.210, and such building has been or will be demolished, the
3 Owner shall agree, on terms and conditions satisfactory to the Director, to provide replacement
4 dwelling units equal to the number of tenants receiving or eligible to receive a tenant relocation
5 assistance payment under Chapter 22.210((;)) subject to the following requirements:

6 a. For the duration of the tax exemption under this Chapter 5.73,
7 replacement dwelling units shall be leased at affordable rents to households with annual incomes
8 at or below 50 percent of median income.

9 b. Replacement dwelling units may be provided as part of the multifamily
10 housing, or at another location through new construction of multifamily housing or through
11 substantial improvements to vacant multifamily housing, or through the preservation of
12 multifamily housing that is leased at the date of application for a land use permit for the project
13 or, if a land use permit is not required, at the date of application for the building permit for the
14 project, to tenants with household annual incomes at or below 50 percent of median income.

15 c. A temporary certificate of occupancy shall be issued, or if no temporary
16 certificate of occupancy is required a permanent certificate of occupancy shall be issued, or if no
17 certificate of occupancy is required a final building permit inspection shall be completed, for the
18 replacement dwelling units within three years of the date of the MFTE application according to
19 subsection 5.73.050.E.

20 4. The owner shall obtain a certificate of approval, permit, or other approval under
21 Chapter 25.12, Landmarks Preservation Ordinance; Chapter 23.66, Special Review Districts; or
22 those provisions of Chapter 25.16, Chapter 25.20, Chapter 25.22, Chapter 25.24, and Chapter

1 25.28 that relate to Landmark or Historical Districts, if such certificate of approval, permit, or
2 other approval is required under those chapters.

3 5. The Multifamily Housing must comply with all applicable zoning
4 requirements, land use regulations, and building and housing code requirements contained or
5 incorporated in Titles 22, 23, and 25.

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

12 7. The multifamily housing must be complete, as documented by a temporary
13 certificate of occupancy, or if no temporary certificate of occupancy is required a permanent
14 certificate of occupancy, or if no certificate of occupancy is required a SDCI final building
15 permit inspection, within three years of the date of the MFTE application according to subsection
16 5.73.050.E.

17 ~~((8. Substantial compliance for rehabilitation improvements must be achieved
18 within three years of the date of the MFTE application according to subsection 5.73.050.E.))~~

19 * * *

20 Section 4. Section 5.73.050 of the Seattle Municipal Code, last amended by Ordinance
21 125932, is amended as follows:

1 **5.73.050 MFTE application procedure—Fee**

2 A. The owner shall submit a complete MFTE application, verified by oath or affirmation,
3 to the Director, on a form provided by the Office of Housing. The application shall contain such
4 information as the Director may deem necessary or useful to evaluate eligibility of the
5 multifamily housing for a tax exemption under this Chapter 5.73, including:

6 1. A brief written description of the project and a plan set that includes gross floor
7 area by use, schematic site plan, and standard floor plans for the dwelling units, SEDUs, and
8 congregate residence sleeping rooms, including proposed MFTE units;

9 2. A statement from the owner acknowledging the potential tax liability of the
10 multifamily housing;

11 3. The ~~((Owner's))~~ owner's proposal for compliance with the requirements in
12 Section 5.73.040, as applicable; and

13 ~~((4. If the project includes rehabilitation improvements, an affidavit from the
14 owner verifying that the residential portion of the building was vacant for a period of at least 24
15 months prior to issuance of the first building permit; and~~

16 ~~5.))~~ 4. A recent title report that confirms the legal description and ownership of
17 the property that includes the multifamily housing; documentation satisfactory to the Director of
18 the type and organizational structure of the owner; a sample signature block for the owner; and
19 evidence satisfactory to the Director of authority of the owner representative that signed the
20 MFTE application.

21 * * *

22 D. ~~((In the case of new multifamily housing, the))~~ The owner must submit a complete
23 MFTE application to the Office of Housing at least 180 days prior to the date of the temporary

1 certificate of occupancy or permanent certificate of occupancy if no temporary certificate is
2 issued, for the multifamily housing. ~~((In the case of rehabilitation improvements, the owner must
3 submit a complete MFTE application and secure from SDCI verification of property
4 noncompliance with applicable building and housing codes at least 180 days prior to issuance of
5 the first building permit for the multifamily housing.))~~

6 * * *

7 Section 5. Section 5.73.070 of the Seattle Municipal Code, last amended by Ordinance
8 126392, is amended as follows:

9 **5.73.070 Extension of Conditional Certificate**

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

15 1. The anticipated failure to complete ~~((new))~~ the multifamily housing ~~((or
16 rehabilitation improvements))~~ within the required time period is due to circumstances beyond the
17 control of the owner; and

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

20 3. All the conditions of the contract will be satisfied upon completion of the
21 project.

22 * * *

1 Section 6. Section 5.73.090 of the Seattle Municipal Code, last amended by Ordinance
2 127016, is amended as follows:

3 **5.73.090 Exemption—Duration—Limits**

4 * * *

5 D. Extended property tax exemption

6 1. As authorized by RCW 84.14.020(6), the Director may approve an extended
7 exemption of the value of renter-occupied multifamily housing qualifying under this Chapter
8 5.73 from ad valorem property taxation for up to a total of 12 successive years beginning January
9 1 of the year immediately following the calendar year that the original 12-year exemption expires
10 according to subsection 5.73.090.A if the owner is in compliance with the MFTE agreement for
11 the property's initial 12-year exemption from property taxes for the multifamily housing
12 according to subsection 5.73.090.A and that exemption expires on (~~December 31, 2024~~)
13 December 31, 2025, provided that:

14 a. A written request for an extended exemption is received by the Office of
15 Housing no later than (~~July 31, 2024~~) May 1, 2025; and

16 b. The written request includes:

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

20 2) For each residential unit in the multifamily housing, the unit
21 number, floor plan, net unit area measured in square feet, location by floor level, location by
22 building if the multifamily housing consists of multiple structures, status as either a market-rate

1 unit or MFTE unit, occupancy status, and current rent (according to the lease if occupied or
2 asking rent if vacant), all in a form as prescribed by the Office of Housing;

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

4 4) A statement from the owner acknowledging the potential tax
5 liability of the multifamily housing;

6 5) A recent title report documenting the legal description and
7 ownership of the property that includes the multifamily housing, documentation satisfactory to
8 the Director of the type and organizational structure of the owner, a sample signature block for
9 the owner, and evidence satisfactory to the Director of authority of the owner representative that
10 signed the MFTE extension request; and

11 6) A non-refundable check payable to The City of Seattle in the
12 amount of \$10,000 if fewer than 75 percent of the total residential units in the multifamily
13 housing are rent- and income-restricted, or \$4,500 if at least 75 percent of the total residential
14 units in the multifamily housing are rent- and income-restricted.

15 2. A new contract shall be executed on the title of the property that includes the
16 multifamily housing committing the owner to requirements according to this Chapter 5.73,
17 except that:

18 a. MFTE units shall be promptly leased at affordable rents to eligible
19 households with annual incomes at or below 30 percent of median income for compact units in
20 multifamily housing that also includes units larger than compact units, at or below 40 percent of
21 median income for compact units in multifamily housing with no units larger than compact units,
22 at or below 50 percent of median income for studio units, at or below 60 percent of median

1 income for one-bedroom units, at or below 75 percent of median income for two-bedroom units,
2 and at or below 80 percent of median income for three-bedroom and larger units.

3 b. The contract shall allow multifamily housing to transition to compliance
4 with subsection 5.73.090.D.2.a, consistent with subsection 5.73.090.D.6.

5 3. For properties with 12-year exemptions scheduled to expire on (~~December 31,~~
6 ~~2024~~) December 31, 2025, the owner shall:

7 a. No later than (~~July 31, 2024~~) May 1, 2025, provide written notice to
8 all tenants of MFTE units of owner's intent to pursue a 12-year extension of the property tax
9 exemption;

10 b. For each MFTE unit tenant household without an annual income
11 certification in the calendar year the exemption is set to expire, initiate income verification no
12 later than (~~July 31, 2024~~) May 1, 2025; and

13 c. Provide to the Office of Housing verification of the annual income of
14 the tenant household for each MFTE unit according to Section 5.73.105 by (~~October 31, 2024~~)
15 September 30, 2025.

16 4. The minimum number of MFTE units as a share of total residential units in the
17 multifamily housing shall be the same as according to the property's initial MFTE agreement
18 (i.e., 20 percent or 25 percent).

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

22 6. To allow ongoing occupancy of MFTE units by existing tenants who, while
23 they qualify as eligible households under pre-extension contracts, do not qualify as eligible

1 households according to subsection 5.73.090.D.2.a, and to steadily transition multifamily
2 housing to full compliance with extended exemption requirements, the following provisions
3 apply:

4 a. For each MFTE unit, the affordable rent according to the current
5 tenant's lease agreement as of January 1 of the calendar year subsequent to expiration of the
6 initial 12-year property tax exemption and thereafter shall be:

7 1) No greater than according to subsection 5.73.090.D.2.a if the
8 annual income of the tenant household, as verified according to Section 5.73.105, is less than one
9 and one-half times the limit for the MFTE unit according to subsection 5.73.090.D.2.a; or

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

17 3) According to subsection 5.73.105.B if the annual income of the
18 tenant household, as verified according to Section 5.73.105, equals or exceeds one and one-half
19 times 65 percent of median income for compact units and studio units, one and one-half times 75
20 percent of median income for one-bedroom units, or one and one-half times 85 percent of
21 median income for two-bedroom and larger units.

22 b. Each vacant MFTE unit shall be promptly leased at an affordable rent to
23 an eligible household according to subsection 5.73.090.D.2.a.

1 c. From the date an MFTE unit first satisfies requirements for an extended
2 exemption under subsection 5.73.090.D.2.a until the end of the compliance period, requirements
3 according to subsection 5.73.090.D.2.a shall apply.

4 E. The property tax exemption for multifamily housing does not apply to:

5 1. The value of land or to the value of non-residential improvements or to the
6 value of other improvements not qualifying under this Chapter 5.73;

7 2. Increases in assessed valuation of land and non-qualifying improvements; or

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

12 ~~((4. For rehabilitation improvements, the value of any improvements constructed
13 on the property prior to the date the Office of Housing receives the application for the project
14 according to Section 5.73.050.))~~

15 * * *

16 Section 7. Section 5.73.120 of the Seattle Municipal Code, last amended by Ordinance
17 127084, is amended as follows:

18 **5.73.120 Expiration of program**

19 Except for extension of property tax exemptions as authorized in subsection 5.73.090.D, the tax
20 exemption program established by this Chapter 5.73 shall sunset on ~~((March 31, 2025))~~


21 September 10, 2025 unless extended by the City Council by ordinance. After the program

22 sunsets, no new MFTE applications under Section 5.73.050 shall be accepted. Pending

1 Conditional Certificates and Final Certificates shall be processed as provided according to this
2 Chapter 5.73.

3 Section 8. This ordinance shall take effect as provided by Seattle Municipal Code
4 Sections 1.04.020 and 1.04.070.

5 Passed by the City Council the 4th day of March, 2025,
6 and signed by me in open session in authentication of its passage this 4th day of
7 March, 2025.

8 

9 President _____ of the City Council

Approved / returned unsigned / vetoed this 6th day of March, 2025.

10 

11 Bruce A. Harrell, Mayor

12 Filed by me this 6th day of March, 2025.

13 

14 Scheereen Dedman, City Clerk

15 (Seal)