

CITY OF SEATTLE

ORDINANCE 126443

COUNCIL BILL 120156

AN ORDINANCE relating to the Multifamily Housing Property Tax Exemption Program; amending Sections 5.73.010, 5.73.020, 5.73.040, 5.73.090, 5.73.100, 5.73.105, and 5.73.110 of the Seattle Municipal Code to allow extended property tax exemptions under certain conditions; to allow exemptions for up to 20 years for permanently affordable homeownership; to add reporting requirements for permanently affordable homeownership; and to make technical changes, consistent with chapter 84.14 of the Revised Code of Washington as amended.

WHEREAS, the state Legislature intends to achieve multiple goals by authorizing exemptions for the value of new multifamily housing from ad valorem property taxes, including increasing both affordable housing and market-rate workforce housing, creating permanently affordable homeownership opportunities, encouraging urban development and density, promoting economic investment and recovery, and creating family-wage jobs; and

WHEREAS, chapter 84.14 of the Revised Code of Washington (RCW) establishes minimum requirements for multifamily property tax exemptions and authorizes local jurisdictions to adopt or implement more stringent requirements, including a greater number of affordable units as a share of total residential units and deeper affordability for lower-income households; and

WHEREAS, in 2021, the state Legislature adopted Senate Bill (SB) 5287, amending chapter 84.14 RCW, which authorizes multifamily property tax exemptions under certain conditions; and

WHEREAS, chapter 84.14 RCW, as amended, authorizes local jurisdictions to extend multifamily property tax exemptions for an additional 12 years if, at a minimum, the

1 owner agrees to meet the locally adopted requirements for new projects receiving a
2 property tax exemption, as applicable at the time of application for an extension; and

3 WHEREAS, chapter 84.14 RCW states that requirements for a multifamily property tax
4 exemption should be relative to the size of the project and value of the property owner's
5 tax benefit; and

6 WHEREAS, Chapter 5.73 of the Seattle Municipal Code, 2004 Multifamily Housing Property
7 Tax Exemption Program, was adopted by Ordinance 121415 and amended by Ordinances
8 121700, 121915, 122730, 123550, 123727, 124877, 124919, and 125932; and

9 WHEREAS, Chapter 5.73 increases affordable housing opportunities in new multifamily
10 housing by providing for special valuations of eligible improvements in areas zoned for
11 multifamily development; and

12 WHEREAS, the City seeks to promote housing affordable to lower-income households in
13 locations that help increase access to education, employment, and social opportunities,
14 while supporting a more inclusive city and reducing displacement from Seattle
15 neighborhoods or from the city as a whole; and

16 WHEREAS, the City seeks to increase permanently affordable homeownership opportunities;

17 NOW, THEREFORE,

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

19 Section 1. Section 5.73.010 of the Seattle Municipal Code, last amended by Ordinance
20 125932, is amended as follows:

21 **5.73.010 Purpose**

22 The purpose of this Chapter 5.73 is to increase and maintain affordable housing opportunities in
23 new and existing multifamily housing, including through rehabilitation of vacant buildings,

1 within the city of Seattle. To achieve these purposes, this Chapter 5.73 provides for special
2 valuations of eligible improvements in areas zoned for multifamily developments. In addition to
3 increasing affordable housing, Chapter 5.73 seeks to affirmatively further fair housing as Seattle
4 grows. Chapter 5.73 is intended to and should be interpreted and construed to comply with
5 chapter 84.14 RCW.

6 Section 2. Section 5.73.020 of the Seattle Municipal Code, last amended by Ordinance
7 126278, is amended as follows:

8 **5.73.020 Definitions**

9 “Affordable rent” means monthly rent plus tenant-paid utilities and any mandatory
10 recurring fees required as a condition of tenancy for ~~((a dwelling unit, SEDU, or congregate
11 residence sleeping room))~~ an MFTE unit that does not exceed 30 percent of the monthly
12 percentage of median income ((as designated by this Chapter 5.73)) required by subsection
13 5.73.040.B or subsection 5.73.090.D.2, as applicable.

14 “Affordable sale price” means a sale price for an MFTE unit that is affordable to an
15 eligible household according to subsection 5.73.040.C.1.a or subsection 5.73.040.C.1.b, as
16 applicable, as calculated by the Office of Housing according to a methodology consistent with
17 subsection 5.73.040.C.

18 “Assessor” means the King County Assessor.

19 “Bedroom” means a ~~((habitable room))~~ sleeping area in a dwelling unit that meets the
20 following criteria: (1) ~~((gross floor area equals at least 70 square feet))~~ requirements for a
21 habitable space, as defined by Chapter 2 of the Seattle Building Code; (2) ((wall dimensions
22 equal at least 7 feet)) minimum room widths and ceiling heights according to section 1207.1 and
23 section 1207.2 of the Seattle Building Code; (3) natural ((lighting is provided through an exterior

1 ~~opening in accordance with Section 1204.2.2 of the Seattle Building Code, or through an~~
2 ~~opening to an adjoining room in accordance with Section 1204.2.1))~~ light requirements
3 according to section 1204.2 of the Seattle Building Code; (4) natural ventilation ((is provided
4 ~~through an exterior opening in accordance with Section 1202.5.1 of the Seattle Building Code, or~~
5 ~~through an opening to an adjoining room in accordance with Section 1202.5.1.1 of the Seattle~~
6 ~~Building Code, or through an opening below grade in accordance with Section 1202.5.1.2))~~
7 requirements according to section 1202.5 of the Seattle Building Code; and (5) ((the habitable
8 ~~room is completely separated))~~ complete separation of the habitable space from other portions of
9 the dwelling unit by walls and one or more exit access doorways, consistent with Chapter 2 of
10 the Seattle Building Code.

11 “Compact unit” means a residential unit that is a SEDU, a congregate residence sleeping
12 room, or a unit with net unit area of 400 square feet or less, regardless of the number of
13 bedrooms.

14 “Compliance period” means the period beginning ~~((with))~~ on the date of the Final
15 Certificate and ending on December 31 of the ~~((twelfth))~~ final year of tax exemption according
16 to Section 5.73.090.

17 “Congregate residence” is defined according to Section 23.84A.006.

18 “Conditional Certificate” means a Conditional Certificate of Tax Exemption.

19 “Contract” means the standard form agreement, prepared by the Office of Housing,
20 between the owner ~~((of the multifamily housing))~~ or, for permanently affordable
21 homeownership, a qualified non-profit organization and the City that contains the terms and
22 conditions, including ((designation of and requirements)) for each MFTE ((units)) unit as
23 designated according to the Final Certificate, for the duration of the compliance period as a

1 condition of eligibility of the Multifamily Housing for a property tax exemption according to this
2 Chapter 5.73.

3 “Director” means the Director of the (~~(City’s)~~) Seattle Office of Housing or any other
4 City office, department, or agency that shall succeed to its functions with respect to this Chapter
5 5.73, or the Director’s authorized designee.

6 “Dwelling unit” is defined according to Section 23.84A.008.

7 “Eligible household” means:

8 1. (~~(A renter)~~) For renter-occupied multifamily housing, a household with total
9 annual income, certified as a condition to initial occupancy of an MFTE unit, no greater than the
10 applicable percentage of median income for the MFTE unit according to subsection 5.73.040.B
11 or subsection 5.73.090.D.2, as applicable; or

12 2. (~~(An owner)~~) For owner-occupied housing, a household with total annual
13 income, certified as a condition to purchase of an MFTE unit, no greater than the applicable
14 percentage of median income for the MFTE unit according to subsection 5.73.040.C.1; or

15 3. (~~(A renter)~~) For renter-occupied housing, a household with total annual income
16 verified upon recertification according to Section 5.73.105 (~~(not to equal or exceed 1.5)~~) less
17 than one and one-half times the maximum annual income for the MFTE unit according to the
18 percentage of median income (~~(as designated)~~) according to subsection 5.73.040.B or subsection
19 5.73.090.D.2, as applicable.

20 “Final Certificate” means a Final Certificate of Tax Exemption.

21 “Median income” means the annual median family income for the Seattle area, as
22 published from time to time by the United States Department of Housing and Urban
23 Development (HUD), with adjustments according to household size, which adjustments shall

1 generally be based upon a method used by HUD to adjust income limits for subsidized housing,
2 ~~((and))~~ which ~~((adjustments))~~ for purposes of determining affordability of rents or sale prices
3 shall be based on the average size of household ~~((considered to correspond))~~ that corresponds to
4 the size and type of the housing unit, all in a manner determined by the Director. In addition,
5 further adjustments shall be made so that median income will not decrease from the prior year
6 nor increase more than four and one-half percent from the prior year. The median income most
7 recently published by the Director shall be used to calculate income limits and correlating rent or
8 sale price limits. The Director may establish by rule the method for determining median income.

9 “MFTE unit” means a dwelling unit, SEDU, or congregate residence sleeping room in
10 multifamily housing that is ~~((rented))~~ leased at an affordable rent to an eligible household
11 according to subsection 5.73.040.B or subsection 5.73.090.D.2, as applicable, or sold at an
12 affordable sale price to an eligible household according to subsection 5.73.040.C.1.

13 “Multifamily housing” means the residential uses in ~~((one or more residential or mixed-~~
14 ~~use structures, each of which includes at least four net new dwelling units, SEDUs, or congregate~~
15 ~~residence sleeping rooms designed for permanent residential occupancy for which))~~ a project that
16 may be eligible for a property tax exemption ~~((under))~~ according to this Chapter 5.73. ~~((may be~~
17 ~~eligible.))~~

18 “Owner” means the ~~((project))~~ owner or owners of record of the property that includes
19 the multifamily housing. “Owner” shall not mean eligible household.

20 “Permanently affordable homeownership” means a dwelling unit that is:

- 21 1. Affordable housing as defined according to RCW 43.185A.010; and
- 22 2. Built by or sold to a qualified non-profit organization; and

1 3. Affirmatively marketed and sold to eligible households that receive homebuyer
2 education and counseling from a qualified non-profit organization; and

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

5 a. Resale restrictions designed to provide affordability for eligible
6 households with annual incomes no higher than 80 percent of median income;

7 b. A right of first refusal for a qualified non-profit organization to
8 purchase the MFTE unit at resale;

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

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

11 “Permanent residential occupancy” means ~~((dwelling units, SEDUs, or congregate~~
12 ~~residence sleeping rooms))~~ residential units that provide permanent residences for ~~((renter or~~
13 ~~owner))~~ households. This excludes ~~((hotels, motels, short-term rentals,))~~ hotel, motel, and short-
14 term rental units and other residences that predominately offer rental or vacation
15 accommodations on a monthly, weekly, or daily basis.

16 “Project” means the project, as identified by ~~((a))~~ the current SDCI ~~((record))~~ building
17 permit number with a CN or PH suffix, that includes the multifamily housing.

18 “Qualified non-profit organization” means a non-profit organization and any subsidiary
19 or affiliate of such organization.

20 “Rehabilitation improvements” means the creation of at least four net new ~~((dwelling~~
21 ~~units, SEDUs, or congregate residence sleeping rooms))~~ residential units through either:

22 (1) substantial improvements to a building that fails to comply with one or more applicable
23 Seattle Building Code standards according to Title 22, the residential portion of which has been

1 vacant for at least 24 months prior to issuance of the first building permit; or (2) substantial
2 improvements to a building that contains occupied residential units, provided the project causes
3 no “displacement” as defined in subsection 22.210.030.E.

4 “Residential targeted area” means an area or areas designated by the City Council
5 pursuant to this Chapter 5.73.

6 “SDCI” means the Seattle Department of Construction and Inspections.

7 “SEDU” means a “Dwelling unit – small efficiency” as defined according to Section
8 23.84A.008.

9 “Substantial compliance” means compliance with Title 22 building and construction
10 codes applicable to rehabilitation improvements.

11 “Substantial improvement” (~~means any repair, reconstruction, rehabilitation, alteration,~~
12 ~~addition, or other improvement of a building or structure, the cost of which, in any five-year~~
13 ~~period, equals or exceeds 50 percent of the market value of the structure before the improvement~~
14 ~~or repair is started. If the structure has sustained damage whereby the cost of restoring the~~
15 ~~structure to its before-damaged condition would equal or exceed 50 percent of the market value~~
16 ~~of the structure before the damage occurred, any repairs are considered substantial improvement~~
17 ~~regardless of the actual repair work performed)) is defined according to the Seattle Existing
18 Building Code, Chapter 2.~~

19 Section 3. Section 5.73.040 of the Seattle Municipal Code, last amended by Ordinance
20 125932, is amended as follows:

21 **5.73.040 Eligibility**

22 * * *

23 B. Additional requirements for renter-occupied multifamily housing:

1 1. ~~((H))~~ For an exemption according to subsection 5.73.090.A, if at least eight
2 percent of the total ~~((dwelling)) residential units ~~((and SEDUs))~~~~ in the multifamily housing are
3 configured with two or more bedrooms and the multifamily housing does not include a
4 congregate residence, a minimum of 20 percent of the total ~~((dwelling)) residential units ~~((and~~~~
5 ~~SEDUs in the multifamily housing)~~ shall be MFTE units promptly leased at affordable rents to
6 eligible households with annual incomes at or below 40 percent of median income for SEDUs,
7 ~~((within a building with a mix of unit types,))~~ at or below 60 percent of median income for studio
8 units, at or below 70 percent of median income for one-bedroom units, at or below 85 percent of
9 median income for two-bedroom units, and at or below 90 percent of median income for three-
10 bedroom and larger units. ~~((This subsection 5.73.040.B.1 shall not apply to projects that include~~
11 ~~congregate residences.))~~

12 2. ~~((H))~~ For an exemption according to subsection 5.73.090.A, if fewer than eight
13 percent of the total ~~((dwelling)) residential units ~~((, SEDUs, and congregate residence sleeping~~~~
14 ~~rooms))~~ in the multifamily housing are configured with two or more bedrooms or the multifamily
15 housing includes a congregate residence, a minimum of 25 percent of total ~~((dwelling))~~
16 ~~residential units ~~((, SEDUs, and congregate residence sleeping rooms in the multifamily~~~~
17 ~~housing)~~ shall be MFTE units promptly leased at affordable rents to eligible households with
18 annual incomes at or below 40 percent of median income for congregate residence sleeping
19 rooms, at or below 40 percent of median income for SEDUs ~~((within))~~ in a ~~((building with a mix~~
20 ~~of unit types))~~ project that also includes studio units, one-bedroom units, two-bedroom units, or
21 three-bedroom units, at or below 50 percent of median income for SEDUs in ~~((buildings))~~ a
22 project where 100 percent of the units are SEDUs, at or below 60 percent of median income for
23 studio units, at or below 70 percent of median income for one-bedroom units, at or below 85

1 percent of median income for two-bedroom units, and at or below 90 percent of median income
2 for two-bedroom and larger units. (~~This subsection 5.73.040.B.2 shall apply to projects that~~
3 ~~include congregate residences.~~)

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

7 ((~~3~~)) 4. If the total number of MFTE units calculated according to this subsection
8 5.73.040.B contains a fraction, then the number of MFTE units shall be rounded up to the next
9 whole number.

10 ((~~4~~)) 5. MFTE units (~~(, including when the MFTE units are in multifamily~~
11 ~~housing in more than one building,)) shall ((generally meet)) satisfy the following requirements:~~

12 a. Distribution. Except as provided in subsection (~~(5.73.040.B.4.e,~~
13 ~~dwelling units, SEDUs, and congregate residence sleeping rooms in each building that comprises~~
14 ~~the multifamily housing)) 5.73.040.B.5.c, MFTE units shall be generally distributed throughout
15 each structure (~~(in the development containing units))~~ that comprises the multifamily housing.~~

16 b. Comparability. (~~(Dwelling units, SEDUs, and congregate residence~~
17 ~~sleeping rooms in each building that comprises the multifamily housing)) MFTE units shall be
18 generally comparable to the other units (~~(to be developed))~~ in each structure that comprises the
19 multifamily housing in terms of the following:~~

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

22 2) Number and size of bedrooms and bathrooms;

23 3) Net unit area measured by square feet;

1 4) Access to amenity areas;

2 5) Functionality; and

3 6) Term of the lease.

4 c. The Office of Housing shall develop, by rule, different distribution
5 requirements for MFTE units within buildings greater than 95 feet in height as defined by the
6 Land Use Code. The Office of Housing shall report to the Chair of the Housing, Health, Energy,
7 and Workers' Rights Committee, or its successor committee, on proposed criteria at least 30 days
8 prior to adoption of a rule.

9 C. Additional requirements for owner-occupied multifamily housing:

10 1. A minimum of either:

11 a. For an exemption according to subsection 5.73.090.B, 20 percent of the
12 total dwelling units ((and SEDUs)) in ((the)) multifamily housing, which shall total at least four
13 net new units, shall be MFTE units sold at affordable sales prices ((, in accordance with
14 subsection 5.73.040.C.2,)) to eligible households with annual incomes at or below 100 percent of
15 median income for studio units and one-bedroom units, and at or below ((+20)) 115 percent of
16 median income for two-bedroom ((or)) and larger units, or

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

21 2. Resale of ((an)) each MFTE unit shall not occur without prior notice to the
22 Director.

1 a. ~~((Upon))~~ If the share and affordability of MFTE units is according to
2 subsection 5.73.040.C.1.a, upon receipt of such notice, the ~~((tax exemption under this Chapter~~
3 ~~5.73 shall be either (a) immediately cancelled in accordance with chapter 84.14 RCW, or~~
4 ~~(b) extended based upon a determination that the terms of the resale are consistent with this~~
5 ~~Chapter 5.73, including this subsection 5.73.040.C))~~ Director shall determine the status of the tax
6 exemption according to subsection 5.73.110.E. ~~((The Director shall establish by rule the method~~
7 ~~for calculating an affordable sale price.))~~

8 b. If the share and affordability of MFTE units is according to subsection
9 5.73.040.C.1.b, the resale of an MFTE unit shall provide permanently affordable homeownership
10 for eligible households with incomes no higher than 80 percent of median income.

11 3. Each MFTE unit shall be owned and occupied by an eligible household as its
12 ~~((principle))~~ principal residence ~~((for the duration of its ownership))~~ and the eligible household
13 shall not lease the unit ~~((;))~~ unless the Director ~~((approves))~~ provides prior approval of a limited
14 short-term exception.

15 ~~((4. The owner shall be responsible for any costs related to initial sales of MFTE~~
16 ~~units, including but not limited to marketing to eligible households, income verification, buyer~~
17 ~~education, and verification of buyer financing.~~

18 5) 4. If the total number of MFTE units calculated according to subsection
19 5.73.040.C.1 contains a fraction, then the number of MFTE units shall be rounded up to the next
20 whole number.

21 ~~((6))~~ 5. ~~((Multifamily))~~ MFTE units in multifamily housing that is owned by a
22 cooperative and occupied by the shareholders of a cooperative ~~((may qualify as))~~ shall be
23 considered owner-occupied units for purposes of this Chapter 5.73.

* * *

Section 4. Section 5.73.090 of the Seattle Municipal Code, last amended by Ordinance 125932, is amended as follows:

5.73.090 Exemption—Duration—Limits

A. The value of ~~((Multifamily Housing))~~ renter-occupied multifamily housing qualifying under this Chapter 5.73 ~~((with))~~ shall be exempt from ad valorem property taxation as provided in RCW 84.14.020(1)(a)(ii)(B) ~~((as follows:~~

1. ~~For eligible renter-occupied multifamily housing as provided in this Chapter 5.73,))~~ for up to 12 successive years beginning January 1 of the year immediately following the calendar year of the date of the Final Certificate, ~~((or~~

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

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

D. Extended property tax exemption

1. As authorized by RCW 84.14.020(6), the Director may approve an extended exemption of the value of renter-occupied multifamily housing qualifying under this Chapter

1 5.73 from ad valorem property taxation for up to a total of 12 successive years beginning January
2 1 of the year immediately following the calendar year that the original 12-year exemption expires
3 according to subsection 5.73.090.A if:

4 a. The exemption from property taxes for the multifamily housing
5 according to subsection 5.73.090.A expires on December 31, 2021, or December 31, 2022;

6 b. A written request for an extended exemption is received by the Office
7 of Housing:

8 1) For properties with exemptions scheduled to expire on
9 December 31, 2021, no later than 30 days from the effective date of the ordinance introduced as
10 Council Bill 120153, and

11 2) For properties with exemptions scheduled to expire on
12 December 31, 2022, between September 30, 2021, and March 31, 2022; and

13 c. The written request includes:

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

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

21 3) Current rent roll for the multifamily housing;

22 4) For each residential unit in the multifamily housing, start date
23 and end date of each lease and, for vacant units, the date the unit was vacated;

1 5) A copy of the most recent property tax statement for the
2 multifamily housing;

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

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

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

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

17 a. MFTE units shall be promptly leased at affordable rents to eligible
18 households with annual incomes at or below 30 percent of median income for compact units in
19 multifamily housing that also includes units larger than compact units, at or below 40 percent of
20 median income for compact units in multifamily housing with no units larger than compact units,
21 at or below 50 percent of median income for studio units, at or below 60 percent of median
22 income for one-bedroom units, at or below 75 percent of median income for two-bedroom units,
23 and at or below 80 percent of median income for three-bedroom and larger units.

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

3 3. The owner shall provide to the Office of Housing verification of the annual
4 income of the tenant household for each MFTE unit according to Section 5.73.105:

5 a. For properties with 12-year exemptions scheduled to expire on
6 December 31, 2021, within 30 days from the effective date of the ordinance introduced as
7 Council Bill 120153; or

8 b. For properties with 12-year exemptions scheduled to expire on
9 December 31, 2022, by September 30, 2022;

10 4. The minimum number of MFTE units as a share of total residential units in the
11 multifamily housing shall be twenty percent.

12 5. Upon approval of an extended tax exemption according to this Chapter 5.73,
13 the Director shall file a Final Certificate with the Assessor. The applicant shall provide the Office
14 of Housing a check payable to the Assessor to cover the Assessor's fee for administrative costs.

15 6. To allow ongoing occupancy of MFTE units by existing tenants who, while
16 they qualify as eligible households under pre-extension contracts, do not qualify as eligible
17 households according to subsection 5.73.090.D.2.a, and to steadily transition multifamily
18 housing to full compliance with extended exemption requirements, the following provisions
19 apply:

20 a. For each MFTE unit that is occupied on December 31 of the calendar
21 year the exemption would expire according to subsection 5.73.090.A, the affordable rent
22 according to the current tenant's lease agreement as of January 1 of the subsequent calendar year
23 and thereafter shall be:

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

4 2) For compact units, studio units, and one-bedroom units, no
5 greater than 80 percent of median income and, for two-bedroom and larger units, no greater than
6 90 percent of median income, provided the annual income of the tenant household, as verified
7 according to Section 5.73.105, is less than one and one-half times 80 percent of median income
8 or 90 percent of median income, as applicable, and at least one and one-half times the limit for
9 the MFTE unit according to subsection 5.73.090.D.2.a;

10 3) According to subsection 5.73.105.B if the annual income of the
11 tenant household, as verified according to Section 5.73.105, equals or exceeds one and one-half
12 times 80 percent of median income for compact units, studio units, and one-bedroom units or
13 equals or exceeds one and one-half times 90 percent of median income for two-bedroom and
14 larger units.

15 b. Each vacant MFTE unit, including each MFTE unit that is vacant on
16 December 31 of the calendar year the exemption would expire according to subsection
17 5.73.090.A, shall be promptly leased at an affordable rent to an eligible household according to
18 subsection 5.73.090.D.2.a.

19 c. If the number of required MFTE units increases from 20 percent to 25
20 percent of total residential units according to subsection 5.73.090.D.4, the next available
21 residential unit, consistent with subsection 5.73.040.B.5, shall be designated as an MFTE unit, as
22 approved by the Office of Housing consistent with requirements of this Chapter 5.73, until 25

1 percent of the total residential units in the multifamily housing are MFTE units leased to eligible
2 households.

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

6 ((B)) E. The property tax exemption for multifamily housing does not apply to:

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

9 2. ~~((nor does the exemption apply to increases))~~ Increases in assessed valuation of
10 land and non-qualifying improvements; ~~((;))~~

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

15 4. For rehabilitation improvements, the value of any improvements constructed on
16 the property prior to the date the Office of Housing receives the application for the project
17 according to Section 5.73.050.

18 F. For the purposes of chapter 84.55 RCW and chapter 36.21 RCW, the value of the
19 multifamily housing shall be considered new construction on the date the exemption ends
20 according to Section 5.73.090, as if the property were not exempt under this Chapter 5.73.

21 Section 5. Section 5.73.100 of the Seattle Municipal Code, last amended by Ordinance
22 125932, is amended as follows:

1 **5.73.100 Annual (~~Project~~) MFTE certification**

2 A. At such times as may be required by the Director, but no less than annually for the
3 duration of the compliance period, the owner or a qualified non-profit organization, as
4 applicable, shall file (~~a project~~) an MFTE certification with the (~~Director~~) Office of Housing,
5 verified upon oath or affirmation, which shall contain such information as the Director may
6 deem (~~necessary or useful, including but not limited to~~) needed to determine compliance with
7 contract and Chapter 5.73 requirements and to assess costs and benefits to the public of this
8 Chapter 5.73. At a minimum, the Office of Housing shall require:

9 1. For renter-occupied multifamily housing:

10 (~~1~~) a. For each (~~dwelling~~) residential unit (~~(, SEDU, or congregate~~
11 ~~residence sleeping unit located~~) in the multifamily housing qualifying for a property tax
12 exemption under this Chapter 5.73, (~~including each MFTE unit,~~) a statement of the (~~average~~
13 ~~vacancy rate and average~~) contract rent, net of utility, sewer capacity charge, renter's insurance,
14 and any other fees that are a condition of the lease, (~~for~~) during the previous calendar year;

15 b. Lease start and end dates for each residential unit in the multifamily
16 housing and, for vacant units, the date the unit was vacated;

17 (~~2~~) c. A certification that the (~~amount of~~) multifamily housing's gross
18 floor area in permanent residential occupancy (~~at the multifamily housing is the same as~~) equal
19 to or greater than the amount as verified at the date of the Final Certificate; (~~and is in~~
20 ~~compliance with the contract and the requirements of this Chapter 5.73;~~)

21 (~~3~~) d. A description of improvements or modifications to the multifamily
22 housing, if any, made after the date of the Final Certificate or (~~last~~) most recent annual
23 (~~project~~) MFTE certification, as applicable;

1 ~~((4. Documentation of compliance with the requirements of Section~~
2 ~~5.73.040, as applicable;~~
3 5) e. ~~((For renter-occupied MFTE units,))~~ The verified annual income and
4 household size of each eligible household, consistent with Section 5.73.105; ~~((at the time of~~
5 ~~initial lease up or the most recent income recertification, and for owner-occupied MFTE units,~~
6 ~~the verified annual income of each eligible household at the time of initial purchase; and~~
7 6) f. ~~((Property))~~ A copy of the most recent tax assessment for ~~((the~~
8 ~~previous calendar year))~~ the property that includes the multifamily housing.

9 2. For permanently affordable homeownership, a qualified non-profit organization
10 shall annually document compliance of each MFTE unit and eligible household with the
11 requirements according to subsection 5.73.040.C.

12 * * *

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

1 Section 6. Section 5.73.105 of the Seattle Municipal Code, last amended by Ordinance
2 125932, is amended as follows:

3 **5.73.105 Annual income ~~((certification))~~ verification**

4 A. Annual MFTE certifications according to Section 5.73.100 shall include verification
5 of income for each household occupying an MFTE unit. ~~Income ((certifications)) verifications~~
6 shall be in accordance with standardized procedures and policies established by the Office of
7 Housing for administration of this Chapter 5.73. ~~((and other programs that incentivize the~~
8 ~~inclusion of rent and income restricted units in predominantly market rate residential buildings.~~

9 B. ~~For renter-occupied MFTE units, the owner shall charge eligible households no more~~
10 ~~than the affordable rent until the annual income of the eligible household is determined upon~~
11 ~~recertification to equal or exceed 1.5 times the maximum annual income for the MFTE unit~~
12 ~~according to the percentage of median income as designated according to subsection 5.73.040.B.~~

13 C) B. If ~~((, upon recertification of income,))~~ the annual income of a tenant of an MFTE
14 unit, as verified according to this Section 5.73.105, equals or exceeds ~~((1.5))~~ one and one-half
15 times the maximum ~~((annual income for the MFTE unit according to the percentage of median~~
16 ~~income as designated))~~ allowed according to subsection 5.73.040.B or subsection 5.73.090.D.2,
17 as applicable, the tenant shall no longer be an eligible household and the next available
18 ~~((dwelling unit, SEDU, or congregate residence sleeping room))~~ residential unit of the same unit
19 type in the multifamily housing, ~~((that is comparable to the MFTE unit occupied by such tenant))~~
20 as approved by the Office of Housing consistent with this Chapter 5.73, shall be newly
21 designated as an MFTE unit and promptly leased to an eligible household. Upon lease-up of the
22 ~~((comparable))~~ newly designated MFTE unit satisfying requirements of this Chapter 5.73, rent

1 for the unit occupied by the tenant no longer qualifying as an eligible household may be leased at
2 market-rate rent after expiration of the lease.

3 C. A tenant that refuses to provide income verification according to this Section 5.73.105
4 shall no longer be an eligible household and the next available residential unit of the same unit
5 type in the multifamily housing, as approved by the Office of Housing consistent with this
6 Chapter 5.73, shall be newly designated as an MFTE unit and promptly leased to an eligible
7 household. Upon lease-up of the newly designated MFTE unit satisfying requirements of this
8 Chapter 5.73, rent for the unit occupied by the tenant no longer qualifying as an eligible
9 household may be leased at market-rate rent after expiration of the lease.

10 Section 7. Section 5.73.110 of the Seattle Municipal Code, last amended by Ordinance
11 125932, is amended as follows:

12 **5.73.110 Cancellation of tax exemption—Appeal**

13 ~~((A. If at any time the Director determines that the multifamily housing no longer~~
14 ~~complies with the terms of the contract or with the requirements of this Chapter 5.73, or for any~~
15 ~~reason no longer qualifies for the tax exemption, the tax exemption shall be canceled and~~
16 ~~additional taxes, interest, and penalty imposed pursuant to State law.))~~

17 A. If an owner, owner representative, or qualified non-profit organization fails to
18 promptly correct a finding of non-compliance with this Chapter 5.73, the Director shall notify the
19 Assessor with instruction to cancel the tax exemption and assess additional taxes, interest, and
20 penalty according to RCW 84.14.110. Upon receipt of Director’s notice of intent to cancel the
21 tax exemption, owner shall satisfy tenant relocation assistance requirements according to
22 subsection 5.73.110.D.2.

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

4 ~~((B))~~ C. If the owner intends to convert any portion of the multifamily housing to
5 ~~((another use))~~ non-residential uses or ((,)) if ((applicable,)) the owner intends to ((not comply
6 ~~with any condition to the tax exemption under this Chapter 5.73 or to))~~ opt out of the tax
7 exemption and terminate the contract, the owner shall notify both the Director and the Assessor
8 ~~((within))~~ at least 60 days prior to the date of the change in use ((, noncompliance, or
9 ~~termination))~~ or opt-out. Prior to the date of the change in use or opt-out, owner shall document
10 satisfaction of tenant notification and relocation assistance requirements according to subsection
11 5.73.110.D, as applicable. Upon receipt of ((such)) notice from the owner, the Director shall
12 notify the Assessor with instruction to cancel the tax exemption ((shall be canceled)) and assess
13 additional taxes, interest, and penalty ((imposed pursuant to State law)) according to RCW
14 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.

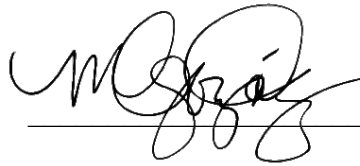
15 ~~((C))~~ G. Upon determining that a tax exemption shall be canceled, the Director shall
16 notify the owner or qualified non-profit organization, if applicable, by certified mail, return
17 receipt requested.

18 H. The owner or qualified non-profit organization, if applicable, may appeal ~~((the~~
19 ~~determination)) cancellation of an exemption~~ provided a notice of appeal specifying the factual
20 and legal basis on which the determination of cancellation is alleged to be erroneous is filed with
21 the Hearing Examiner within 30 days of receipt of notice of cancellation. The Hearing Examiner
22 will conduct a hearing pursuant to Section 3.02.090 at which all affected parties may be heard
23 and all competent evidence received. The Hearing Examiner shall affirm, modify, or reverse the

1 decision to cancel the exemption based on the evidence received. The Hearing Examiner shall
2 give substantial weight to the Director's decision and the burden of overcoming that weight shall
3 be upon the appellant. An aggrieved party may appeal the Hearing Examiner's decision to the
4 King County Superior Court as provided in RCW 34.05.510 through 34.05.598.

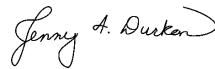
1 Section 8. This ordinance shall take effect and be in force 30 days after its approval by
2 the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it
3 shall take effect as provided by Seattle Municipal Code Section 1.04.020.

4 Passed by the City Council the 20th day of September, 2021,
5 and signed by me in open session in authentication of its passage this 20th day of
6 September, 2021.

7 

8 President _____ of the City Council

9 Approved / returned unsigned / vetoed this 27th day of September, 2021.

10 

11 Jenny A. Durkan, Mayor

12 Filed by me this 27th day of September, 2021.

13 

14 Monica Martinez Simmons, City Clerk

15 (Seal)