



Legislation Details (With Text)

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On agenda: 9/20/2021
Final Action: 9/27/2021 **Ord. No.** Ord 126443

Title: 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.

Sponsors: Teresa Mosqueda

Indexes:

Attachments: 1. Summary and Fiscal Note, 2. Presentation, 3. Signed Ordinance 126443, 4. Affidavit of Publication

Date	Ver.	Action By	Action	Result
9/27/2021	1	City Clerk	attested by City Clerk	
9/27/2021	1	Mayor	returned	
9/27/2021	1	Mayor	Signed	
9/24/2021	1	City Clerk	submitted for Mayor's signature	
9/20/2021	1	City Council	passed	Pass
9/10/2021	1	Finance and Housing Committee	pass	Pass
8/17/2021	1	Finance and Housing Committee	discussed	
8/16/2021	1	City Council	referred	
7/23/2021	1	Council President's Office	sent for review	
7/20/2021	1	City Clerk	sent for review	
7/20/2021	1	Mayor	Mayor's leg transmitted to Council	

CITY OF SEATTLE

ORDINANCE _____

COUNCIL BILL _____

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

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

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

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

WHEREAS, the City seeks to promote housing affordable to lower-income households in locations that help increase access to education, employment, and social opportunities, while supporting a more inclusive

city and reducing displacement from Seattle neighborhoods or from the city as a whole; and
WHEREAS, the City seeks to increase permanently affordable homeownership opportunities; NOW,
THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

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

5.73.010 Purpose

The purpose of this Chapter 5.73 is to increase and maintain affordable housing opportunities in new and existing multifamily housing, including through rehabilitation of vacant buildings, within the city of Seattle. To achieve these purposes, this Chapter 5.73 provides for special valuations of eligible improvements in areas zoned for multifamily developments. In addition to increasing affordable housing, Chapter 5.73 seeks to affirmatively further fair housing as Seattle grows. Chapter 5.73 is intended to and should be interpreted and construed to comply with chapter 84.14 RCW.

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

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 ~~((a dwelling unit, SEDU, or congregate residence sleeping room))~~ an MFTE unit that does not exceed 30 percent of the monthly percentage of median income ~~((as designated by this Chapter 5.73))~~ required by subsection 5.73.040.B or subsection 5.73.090.D.2, 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 applicable, as calculated by the Office of Housing according to a methodology consistent with subsection 5.73.040.C.

“Assessor” means the King County Assessor.

“Bedroom” means a ~~((habitable room))~~ sleeping area in a dwelling unit that meets the following criteria: (1) ~~((gross floor area equals at least 70 square feet))~~ requirements for a habitable space, as defined by Chapter 2 of the Seattle Building Code; (2) ~~((wall dimensions equal at least 7 feet))~~ minimum room widths and ceiling heights according to section 1207.1 and section 1207.2 of the Seattle Building Code; (3) natural ~~((lighting is provided through an exterior opening in accordance with Section 1204.2.2 of the Seattle Building Code, or through an opening to an adjoining room in accordance with Section 1204.2.1))~~ light requirements according to section 1204.2 of the Seattle Building Code; (4) natural ventilation ~~((is provided through an exterior opening in accordance with Section 1202.5.1 of the Seattle Building Code, or through an opening to an adjoining room in accordance with Section 1202.5.1.1 of the Seattle Building Code, or through an opening below grade in accordance with Section 1202.5.1.2))~~ requirements according to section 1202.5 of the Seattle Building Code; and (5) ~~((the habitable room is completely separated))~~ complete separation of the habitable space from other portions of the dwelling unit by walls and one or more exit access doorways, consistent with Chapter 2 of the Seattle Building Code.

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

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

“Congregate residence” is defined according to 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 ~~((of the multifamily housing))~~ or, for permanently affordable homeownership, a qualified non-profit organization and the City that contains the terms and conditions, including ~~((designation of and requirements))~~ for each MFTE ((units)) 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 ((City’s)) 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. ~~((A renter))~~ For renter-occupied multifamily housing, a household with total annual income, certified as a condition to initial occupancy of an MFTE unit, no greater than the applicable percentage of median income for the MFTE unit according to subsection 5.73.040.B or subsection 5.73.090.D.2, as applicable ; or

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

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

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

“Median income” means the annual median family income for the Seattle area, as published from time to time by the United States Department of Housing and Urban Development (HUD), with adjustments according to household size, which adjustments shall generally be based upon a method used by HUD to adjust income limits for subsidized housing, ~~((and))~~ which ~~((adjustments))~~ for purposes of determining affordability of rents or sale prices shall be based on the average size of household ~~((considered to correspond))~~ that corresponds to the size and type of the housing unit, all in a manner determined by the Director. In addition,

further adjustments shall be made so that median income will not decrease from the prior year nor increase more than four and one-half percent from the prior year. The median income most recently published by the Director shall be used to calculate income limits and correlating rent or sale price limits. The Director may establish by rule the method for determining median income.

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

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

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

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

1. Affordable housing as defined according to RCW 43.185A.010; and
2. Built by or sold to a qualified non-profit organization; and
3. Affirmatively marketed and sold to eligible households that receive homebuyer education and counseling from a qualified non-profit organization; and
4. Subject to a 99-year ground lease or deed restriction, to be executed at initial sale and each successive sale, that provides:
 - a. Resale restrictions designed to provide affordability for eligible households with annual incomes no higher than 80 percent of median income;
 - b. A right of first refusal for a qualified non-profit organization to purchase the MFTE

unit at resale;

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

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

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

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

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

“Rehabilitation improvements” means the creation of at least four net new ~~((dwelling units, SEDUs, or congregate residence sleeping rooms))~~ residential units through either: (1) substantial improvements to a building that fails to comply with one or more applicable Seattle Building Code standards according to Title 22, the residential portion of which has been vacant for at least 24 months prior to issuance of the first building permit; or (2) substantial improvements to a building that contains occupied residential units, provided the project causes no “displacement” as defined in subsection 22.210.030.E.

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

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

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

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

“Substantial improvement” ~~((means any repair, reconstruction, rehabilitation, alteration, addition, or~~

~~other improvement of a building or structure, the cost of which, in any five-year period, equals or exceeds 50 percent of the market value of the structure before the improvement or repair is started. If the structure has sustained damage whereby the cost of restoring the structure to its before-damaged condition would equal or exceed 50 percent of the market value of the structure before the damage occurred, any repairs are considered substantial improvement regardless of the actual repair work performed))~~ is defined according to the Seattle Existing Building Code, Chapter 2.

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

5.73.040 Eligibility

* * *

B. Additional requirements for renter-occupied multifamily housing:

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

2. ~~((H))~~ For an exemption according to subsection 5.73.090.A, if fewer than eight percent of the total ~~((dwelling)) residential units~~ ~~((, SEDUs, and congregate residence sleeping rooms))~~ in the multifamily housing are configured with two or more bedrooms or the multifamily housing includes a congregate residence, a minimum of 25 percent of total ~~((dwelling)) residential units~~ ~~((, SEDUs, and congregate residence sleeping~~

~~rooms in the multifamily housing)) shall be MFTE units promptly leased at affordable rents to eligible households with annual incomes at or below 40 percent of median income for congregate residence sleeping rooms, at or below 40 percent of median income for SEDUs ((within)) in a ((building with a mix of unit types)) project that also includes studio units, one-bedroom units, two-bedroom units, or three-bedroom units, at or below 50 percent of median income for SEDUs in ((buildings)) a project where 100 percent of the units are 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. ((This subsection 5.73.040.B.2 shall apply to projects that include congregate residences.))~~

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.

~~((3))~~ 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.

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

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

b. Comparability. ~~((Dwelling units, SEDUs, and congregate residence sleeping rooms in each building that comprises the multifamily housing))~~ MFTE units shall be generally comparable to the other units ~~((to be developed))~~ 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.

C. Additional requirements for owner-occupied multifamily housing:

1. A minimum of either:

a. For an exemption according to subsection 5.73.090.B, 20 percent of the total dwelling units ((and SEDUs)) in ((the)) multifamily housing, which shall total at least four net new units, shall be MFTE units sold at affordable sales prices ((, in accordance with subsection 5.73.040.C.2,)) 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 ((120)) 115 percent of median income for two-bedroom ((or)) 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 ((an)) each MFTE unit shall not occur without prior notice to the Director.

a. ((Upon)) If the share and affordability of MFTE units is according to subsection 5.73.040.C.1.a, upon receipt of such notice, the ((tax exemption under this Chapter 5.73 shall be either (a) immediately cancelled in accordance with chapter 84.14 RCW, or (b) extended based upon a determination that the terms of the resale are consistent with this Chapter 5.73, including this subsection 5.73.040.C)) Director shall determine the status of the tax exemption according to subsection 5.73.110.E. ((The Director shall

~~establish by rule the method for calculating an affordable sale price.))~~

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 ~~((principle))~~ principal residence ~~((for the duration of its ownership))~~ and the eligible household shall not lease the unit ~~((;))~~ unless the Director ~~((approves))~~ provides prior approval of a limited short-term exception.

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

~~5))~~ 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.

~~((6))~~ 5. ~~((Multifamily))~~ MFTE units in multifamily housing that is owned by a cooperative and occupied by the shareholders of a cooperative ~~((may qualify as))~~ shall be 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 ~~((will))~~ 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 5.73 from ad valorem property taxation for up to a total of 12 successive years beginning January 1 of the year immediately following the calendar year that the original 12-year exemption expires according to subsection 5.73.090.A if:

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

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

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

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

c. The written request includes:

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, and status as either a market-rate unit or MFTE unit;

3) Current rent roll for the multifamily housing;

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

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

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

7) 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

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

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

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

studio units, at or below 60 percent of median income for one-bedroom units, at or below 75 percent of median income for two-bedroom units, and at or below 80 percent of median income for three-bedroom and larger units.

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

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

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

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

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

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

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

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

1) 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

2) For compact units, studio units, and one-bedroom units, no greater than 80 percent of median income and, for two-bedroom and larger units, no greater than 90 percent of median income, provided the annual income of the tenant household, as verified according to Section 5.73.105, is less than one and one-half times 80 percent of median income or 90 percent of median income, 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;

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 times 80 percent of median income for compact units, studio units, and one-bedroom units or equals or exceeds one and one-half times 90 percent of median income for two-bedroom and larger units.

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

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

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

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

1. ~~(the)~~ The value of land or to the value of non-residential improvements or to the value of

other improvements not qualifying under this Chapter 5.73; ((;))

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

3. ~~((or to increases))~~ 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,

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

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

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

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

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

1. For renter-occupied multifamily housing:

~~((1))~~ a. For each ~~((dwelling))~~ residential unit ~~((, SEDU, or congregate residence sleeping unit located))~~ in the multifamily housing qualifying for a property tax exemption under this Chapter 5.73, ((

~~including each MFTE unit,)) a statement of the ((average vacancy rate and average)) contract rent, net of utility, sewer capacity charge, renter's insurance, and any other fees that are a condition of the lease, ((for)) during the previous calendar year;~~

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

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

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

~~((4. Documentation of compliance with the requirements of Section 5.73.040, as applicable;~~

~~5)) e. ((For renter-occupied MFTE units,)) The verified annual income and household size of each eligible household, consistent with Section 5.73.105; ((at the time of initial lease-up or the most recent income recertification, and for owner-occupied MFTE units, the verified annual income of each eligible household at the time of initial purchase; and~~

~~6)) f. ((Property)) A copy of the most recent tax assessment for ((the previous calendar year)) the property that includes the multifamily housing.~~

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

* * *

D. ~~((The))~~ For renter-occupied multifamily housing, the owner shall also file a certification with the Director, verified upon oath or affirmation, containing the ~~((average vacancy rate and average))~~ lease start and end dates and contract rent, net of utility, sewer capacity, renter's insurance, and any other fees that are a condition of the lease, for each ~~((dwelling unit, SEDU, or congregate residence sleeping room))~~ residential unit in the multifamily housing ~~((, for))~~ during the final calendar year of the compliance period and ~~((for))~~ during the calendar year immediately following the compliance period. The first post-exemption certification according to this subsection 5.73.100.D 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.

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

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

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

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

~~C))~~ B. If ~~((, upon recertification of income,))~~ the annual income of a tenant of an MFTE unit, as verified according to this Section 5.73.105, equals or exceeds ~~((1.5))~~ one and one-half times the maximum ~~((annual income for the MFTE unit according to the percentage of median income as designated))~~ 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 ~~((dwelling unit, SEDU, or congregate residence sleeping room))~~ residential unit of the same unit type in the multifamily housing, ((that is comparable to the MFTE unit occupied by such tenant)) 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 ((comparable)) 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.

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.

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

5.73.110 Cancellation of tax exemption-Appeal

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

A. If an owner, owner representative, or qualified non-profit organization fails to promptly correct a finding of non-compliance with this Chapter 5.73, 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. Upon receipt of Director's notice of intent to cancel the tax exemption, owner shall satisfy tenant relocation assistance

requirements according to subsection 5.73.110.D.2.

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

~~((B))~~ C. If the owner intends to convert any portion of the multifamily housing to ~~((another use))~~ non-residential uses or ~~((;))~~ if ~~((applicable;))~~ the owner intends to ~~((not comply with any condition to the tax exemption under this Chapter 5.73 or to))~~ opt out of the tax exemption and terminate the contract, the owner shall notify both the Director and the Assessor ~~((within))~~ at least 60 days prior to the date of the change in use ~~((, noncompliance, or termination))~~ or opt-out. Prior to the date of the change in use or opt-out, owner shall document satisfaction of tenant notification and relocation assistance requirements according to subsection 5.73.110.D, as applicable. Upon receipt of ~~((such))~~ notice from the owner, the Director shall notify the Assessor with instruction to cancel the tax exemption ~~((shall be canceled))~~ and assess additional taxes, interest, and penalty ~~((imposed pursuant to State law))~~ according to RCW 84.14.110.

D. Tenant notification and relocation assistance requirements

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

2. For multifamily housing approved for an exemption or extended exemption according to this Chapter 5.73, within 90 days of the date rent restrictions end for a renter-occupied unit, due to expiration of the exemption or otherwise, owner shall provide relocation assistance to each household residing in a rent- and income-restricted unit, provided that the tenant household has an annual income no higher than 80 percent of median income, which shall be verified according to Section 5.73.105. The amount of the tenant assistance shall either be equal to the monthly rent according to the current lease agreement for the unit or an amount as

required by federal, state, or local law, whichever is greater.

E. For owner-occupied MFTE units according to subsection 5.73.040.C.1.a, the tax exemption shall be canceled either (1) upon receipt of notice of resale according to subsection 5.73.040.C.2 or on (2) 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, provided the resale is consistent with subsection 5.73.040.C, as applicable.

F. For owner-occupied MFTE units according to subsection 5.73.040.C.1.b, the tax exemption shall be canceled 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, provided the resale is consistent with subsection 5.73.040.C, as applicable.

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

H. The owner or qualified non-profit organization, if applicable, may appeal ((the determination)) cancellation of an exemption provided a notice of appeal specifying the factual and legal basis on which the determination of cancellation is alleged to be erroneous is filed with the Hearing Examiner within 30 days of receipt of notice of cancellation. The Hearing Examiner will conduct a hearing pursuant to Section 3.02.090 at which all affected parties may be heard and all competent evidence received. The Hearing Examiner shall affirm, modify, or reverse the decision to cancel the exemption based on the evidence received. The Hearing Examiner shall give substantial weight to the Director's decision and the burden of overcoming that weight shall be upon the appellant. An aggrieved party may appeal the Hearing Examiner's decision to the King County Superior Court as provided in RCW 34.05.510 through 34.05.598.

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

Passed by the City Council the _____ day of _____, 2021, and signed by

me in open session in authentication of its passage this ____ day of _____, 2021.

President _____ of the City Council

Approved / returned unsigned / vetoed this ____ day of _____, 2021.

Jenny A. Durkan, Mayor

Filed by me this ____ day of _____, 2021.

Monica Martinez Simmons, City Clerk

(Seal)