



MULTI FAMILY TAX EXEMPTION PROGRAM

City of SeaTac

2024



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MULTI-FAMILY TAX EXEMPTION AT A GLANCE

- ❖ **What is the MFTE Program?** It provides limited exemptions from ad valorem property taxation for qualified new multi-family housing constructed in accordance with the requirements of the program.
- ❖ **What is the purpose of the MFTE Program?** To stimulate new construction of multi-family housing in the Urban Center to increase housing opportunities.
- ❖ **Where does it apply?** Within the Urban Center Boundary (see Appendix A)
- ❖ **Washington State Law Code Reference:** [RCW 84.14](#)
- ❖ **SeaTac Municipal Code Reference:** [SMC 3.85](#)
- ❖ **How many units constitute multi-family housing?** Per [SMC 3.85](#), it is a building having twenty (20) or more dwelling units designed for permanent residential occupancy.
- ❖ **What are the tax exemptions?** Qualifying multi-family housing receive property tax exemptions on the value of eligible improvements for eight (8) years for market-rate housing and twelve (12) years for affordable housing.
- ❖ **What constitutes market rate housing?** Housing that already exists or is part of a proposed development that is based on existing area market values and demand, rather than relying on any kind of subsidies or government assistance.
- ❖ **What constitutes affordable housing?** Residential housing that is rented by a person or household whose monthly housing costs, including utilities other than telephone, do not exceed thirty percent (30%) of the household's monthly income.
- ❖ **What is a low-income household?** A single person, family, or unrelated persons living together whose adjusted income is at or below eighty percent (80%) of the median family income adjusted for family size, for the county, city, or metropolitan statistical area, where the project is located, as reported by HUD.
- ❖ **What is a moderate-income household?** A single person, family, or unrelated persons living together whose adjusted income is more than eighty percent (80%) but is at or below one hundred fifteen percent (115%) of the median family income adjusted for family size, for the county, city, or metropolitan statistical area, where the project is located, as reported by HUD.
- ❖ **Application:** The MFTE application is available online at: <https://lama.seatacwa.gov/>.
- ❖ **Conditional Certificate Application Submittal Checklist:** The *Multi-Family Property Tax Exemption Conditional Certificate Application Submittal Checklist* is available online at: <https://www.seatacwa.gov/government/city-departments/community-and-economic-development/permits-land-use-applications>
- ❖ **Program Reporting:** Following approval of the Final MFTE Certificate, projects will report annually to demonstrate ongoing compliance with program requirements.

PROGRAM SUMMARY

The Multifamily Property Tax Exemption (MFTE) program provides special tax valuations for new multi-family housing located within the Urban Center. This exemption is authorized under Washington State Law (RCW 84.14) and the SeaTac Municipal Code ([SMC 3.85](#)). Qualifying multi-family housing receives property tax exemptions on the value of eligible improvements for eight (8) years for market-rate housing and twelve (12) years for affordable housing.

The purpose of the MFTE is to encourage residential opportunities and stimulate new construction of multifamily housing within the Urban Center. Only projects located within the Urban Center (defined in Appendix A) are eligible to apply for the MFTE program.

The MFTE program offers tax exemptions for two types of housing developments:

Development Type One: 12 Year Affordable Housing Program

Qualifying affordable housing developments are eligible for a twelve (12) year tax exemption. For the property to qualify for the twelve (12) year exemption, applicants must commit to renting or selling at least twenty percent (20%) of the multi-family housing units as affordable housing units to low- and moderate-income households, and the property must satisfy that commitment and any additional affordability and income eligibility conditions adopted by the City of SeaTac as defined by [SMC 3.85.050](#). Income and rent limits are updated annually and available on the City of SeaTac [Website](#).

Importantly, housing developments must include a mix of both low- and moderate-income units to qualify for the tax exemption.

In the case of projects intended exclusively for owner occupancy, the minimum requirement of this subsection may be satisfied solely through housing affordable to moderate-income households.

Development Type Two: 8 Year Market-Rate Housing Program

Market-Rate Housing developments are eligible to receive an eight (8) year tax exemption. There are no additional requirements for this tax exemption.

PROGRAM REQUIREMENTS

Both Income-Based and Market-Rate projects must meet all of the following requirements to be eligible for a tax exemption:

1. The property must be located in the Urban Center (see map included at Appendix A).
2. The project must consist of at least twenty (20) dwelling units of multi-family housing, located within a residential structure or a mixed-use development, which are intended for permanent residential occupancy, rental housing or home ownership. (This excludes hotels, motels, or other short- term rental options that offer accommodation on a daily or weekly basis.)
3. The property must be used and/or developed in a way that increases or preserves property valuation, and the use or development of the property must represent an increased investment in the property and property maintenance that results in an increase in the over-all property values in the target area.
4. The project must comply with all zoning requirements, land use regulations, and building code

requirements contained in the SeaTac Municipal Code and applicable upon land use permit approval or submittal of a complete building permit application, whichever occurs sooner.

5. For the duration of the exemption granted, the property shall be in full compliance with the provisions of the SeaTac Municipal Code ([SMC 3.85](#))
6. New construction of multi-family housing must be completed within three (3) years from the date of approval of the application or by any extended deadline granted by the City.
7. The owner must enter into a written agreement with the City, approved by the City Council and the City, in which the owner has agreed to the implementation of the development on terms and conditions satisfactory to the City.
8. Following approval of the Final MFTE Certificate, projects will report annually to demonstrate ongoing compliance with program requirements.

APPLICATION PROCESS

The MFTE application is available online at: <https://lama.seatacwa.gov/>.

The *Multi-Family Property Tax Exemption Conditional Certificate Application Submittal Checklist* can be found on the City's Permits & Land Use Applications [page](#).

Application Fees

The MFTE program is subject to fees at the time of application. All associated MFTE fees can be found under Development Related Fees on the City's [Fee Schedule](#).

Applications will be reviewed for completeness upon submission and applicant fee payment. Tax exemption application times do not include land use, engineering or building permit processing timelines. Please coordinate with the Development Review team on other project timelines.

After staff have reviewed the application and find that the project meets MFTE requirements, an agreement will be drafted for approval by the SeaTac City Council. Upon approval of the agreement, a conditional certificate is recorded with the King County Assessor and issued to the property owner. The conditional certificate shall expire three (3) years from the date of approval unless an extension is granted.

PROGRAM TIMELINE



PROJECT COMPLETION – FINAL CERTIFICATE

Upon completion of the construction as provided in the contract between the owner and the City (Multifamily Housing Limited Property Tax Exemption Agreement), and upon issuance of a permanent certificate of occupancy, the owner may request a final certificate of tax exemption.

The owner shall submit the information listed below to obtain the Final Certificate of Tax Exemption:

- An audited statement of expenditure made with respect to each multi-family housing unit.
- An audited statement of total expenditures made with respect to the entire property, including total project costs.
- A description of the completed work.
- A statement of qualification for the exemption.
- A statement that the work was completed within the required three (3) year period or any approved extension.

Once a Final Certificate of Tax Exemption is issued, the City will record it with the King County Assessor and forward it, along with the above documentation, to the King County Assessor's Office within ten (10) days, for implementation of the exemption through the property tax code. The tax exemption begins January 1st of the year immediately following the calendar year in which the Final Certificate of Tax Exemption is issued.

Conditional Certificate Extension

If the project does not receive an occupancy permit within three years from the City Council approval date, an extension up to twenty-four (24) consecutive months may be granted if the applicant can meet the conditions of [SMC 3.85.090](#). The applicant shall submit a written request stating the grounds for the extension together with a fee as established in the [City's fee schedule](#) for the City's administrative cost to process the request.

Duration of Exemption

The eight (8) or twelve (12) year tax exemption begins January 1st of the year immediately following the calendar year in which the Final Certificate of Tax Exemption is issued.

ANNUAL COMPLIANCE REVIEW AND REPORTING

Annual Certification

Within thirty (30) days after the first anniversary of the date the City filed the Final Certificate of Tax Exemption and each year thereafter, for the duration of the exemption as set forth in [SMC 3.85.040](#), the property owner shall file a certification with the City.

The certification will include the following information:

- A statement of occupancy and vacancy of the multi-family units during the previous year.
- A certification that the property has not changed use since the date of filing of the final certificate of tax exemption and continues to be in compliance with the contract ((Multifamily Housing Limited Property Tax Exemption Agreement), with the City.
- A description of any improvements or changes to the property made after the filing of the final

certificate or most recent certification, as applicable.

Failure to submit the annual certification may result in cancellation of the tax exemption.

Annual Reporting

All MFTE projects are required to provide annual monitoring reports for the duration of the exemption period; eight (8) years for Market-Rate projects and twelve (12) years for affordable projects. Reports must be submitted using the City-provided Excel worksheet. Reports are submitted to the City of SeaTac and submitted to the Planning Division, Community & Economic Development at seatacplanning@seatacwa.gov

Required reporting information:

- Address and name of project.
- Term of project.
- Number of rent restricted units.
- Number of market rate units.
- Property development cost and tax information.
- Total number of units.
- For each unit:
 - Unit number.
 - Number of bedrooms.
 - Rental or owner-occupied.
 - Monthly rent payment.
 - Unit square footage.
 - Sales price for owner-occupied units (if applicable).
 - Indicate designated income-restricted unit (if required for tax exemption).
 - Utilities included in the rent.
 - Utilities paid by tenant.
 - Other standard recurring expenses paid by tenant.
 - Household size and gross income (if required for tax exemption).

Change of Ownership

The benefits and obligations of the exemption will remain with the property in the event of a transfer of ownership. To ensure program communication and compliance, property owners must provide notice to the City of SeaTac prior to any transfer of ownership or change in property management.

Project Auditing

Requirements for auditing are included under [RCW 84.14.100\(3\)](#). The goal of this auditing process is to make sure that the required number of affordable units are being provided at affordable rents or prices and that the tenants or owners have been properly screened and recertified as necessary to confirm that they meet the income restrictions. To confirm this, properties that get affordable housing tax exemptions must be audited at least once every five (5) years, with a minimum percentage of all properties audited each year. For program participants within the City of SeaTac, this audit will be conducted by the Department of Commerce. At the time of publication, Market-Rate housing exemptions will not be subject to an auditing process.

SPECIFIC AFFORDABLE HOUSING REQUIREMENTS

Affordable housing projects are eligible in the Urban Center and must meet the following:

Income and Rent Limits

Affordable housing projects with a twelve (12) year tax exemption must meet tenant income and rent limit requirements for twenty percent (20%) of the units. Throughout the exemption period, units must meet the following:

- Low Income Household units must have an occupying household with a gross income less than or equal to eighty percent (80%) of the Median Family Income (MFI) based on household size. The regional MFI is updated annually by the U.S. Department of Housing and Urban Development.
- Moderate Income Household units must have an occupying household with a gross income more than eighty percent (80%) but is at or below one hundred fifteen percent (115%) of the Median Family Income (MFI) based on household size.
- The household cannot pay more than the established limit for rent and utilities, and other housing expenses based on unit size.

Property owners can find updated Income and Rent Limits for affordable housing units on the [City website](#).

The property owner must maintain and document tenant annual income certifications throughout the tax exemption period. This includes:

- Most recent tax returns.
- Wage and salary statements.
- Written methodology for determining annual income for non-salaried tenants.
- A lease with all occupants listed for each unit.

The household income of tenants in designated affordable housing units must be reviewed with the initial lease and reported annually thereafter to ensure continued eligibility. Total household income from all sources must be at or below eighty percent (80%) MFI for low-income households, and more than eighty percent (80%) but at or below one hundred fifteen (115%) MFI for moderate-income households to meet tax exemption requirements.

- If a tenant is over the maximum income upon review, the next available comparable unit must be leased to an income-eligible tenant.
- If an adult occupant (18 or older) is added to the household, the additional member(s) must be income-certified.
- Tenants must disclose all income sources and adequate documentation must exist on file to support the income amounts disclosed.

Tenant-Paid Utilities and Housing Expenses

If the tenants pay utilities, parking for one motor vehicle if a parking space is available, or any recurring expenses required by the property owner as a condition of tenancy, the maximum rent charged will require an adjustment to include these expenses. Expenses that the property owner makes optional, such as pet rent, extra storage space, or extra parking are not considered housing expenses that fall within maximum rent calculations.

Unit Mix

Under the 12-year program, throughout the exemption period, the property must maintain twenty percent (20%) of its units as affordable housing units under the requirements of [RCW 84.14](#) and [SMC 3.85](#). The mix of affordable housing units must include both low- and moderate-income units. Affordable housing units should be comparable in terms of size, features, and number of bedrooms to the remaining units in the project. Affordable housing units may float throughout the property, however the property must have twenty percent (20%) of the units leased as rent and income-restricted at all times.

Advertising Units

The property owner should include information about the availability of designated income-based units when advertising the property. The City of SeaTac will provide a list of all MFTE properties on its website, including the number of affordable housing units.

Information for Tenants

The City has rules regarding rental housing agreements between renters and landlords, which are codified in [SMC 4.05](#). They include:

- Requiring landlords to share information with renters.
- Regulating renter fees charged by landlords.
- Requiring landlords to tell renters well in advance (120+ days) of a large increase in rent.
- Prohibiting an increase in rent for an uninhabitable unit.
- Allowing renters on a fixed income to adjust the date rent is due each month.
- Allowing a landlord to request a Social Security number from a renter. If the renter does not have one, the landlord cannot require it.
- Requiring a landlord to have “just cause” before evicting a renter.

For more information, please see the Rental Housing in SeaTac [page](#) and the Renting in SeaTac [Guide](#).

Expiration of Exemption

Property owners and managers of MFTE Developments should plan for the expiration of the exemption. The exemption program expires on December 31 of the twelfth (12th) year of the exemption.

Property Managers should:

- Provide notice to the tenants regarding the end of the program.
- Honor the rent as stated in the signed and effective lease for tenants of designated units; in no case should the expiration date of the MFTE exemption supersede terms of an effective lease.
- Provide notice of an increase in rent.

NON-COMPLIANCE

Cancellation of Tax Exemption

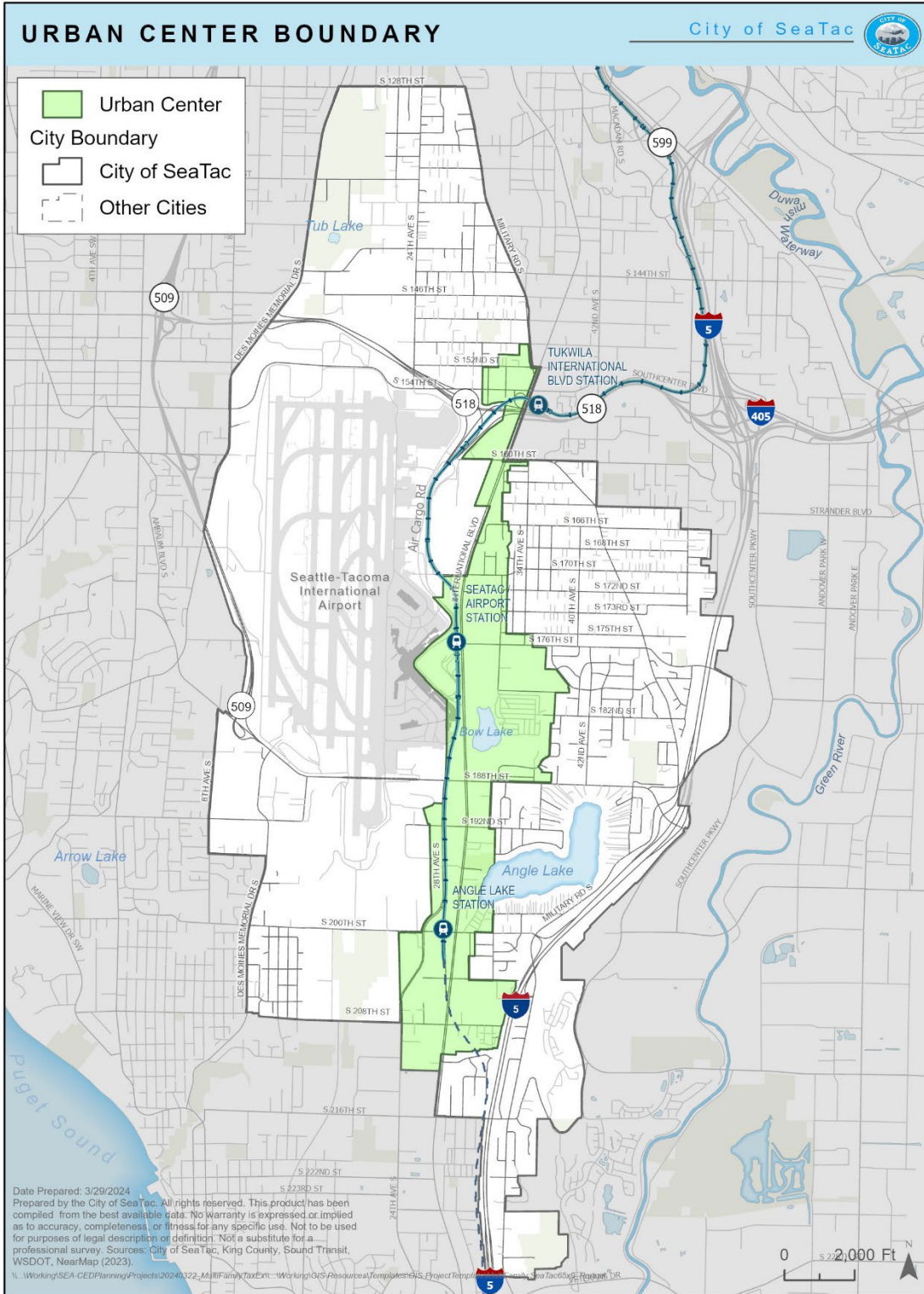
If at any time it is determined that the property no longer complies with the terms of the contract (Multifamily Housing Limited Property Tax Exemption Agreement), or the use of the property for any reason no longer qualifies for the tax exemption, the tax exemption shall be cancelled and additional taxes, interest and penalties shall be imposed pursuant to [RCW 84.14.110](#). If the owner intends to convert the multi-family housing to another use the owner must notify the City and the King County Assessor within sixty (60) days of the change in use. Upon such change in use, the tax exemption shall be canceled and additional taxes, interest and penalties shall be imposed pursuant to [RCW 84.14.110](#).

If a tax exemption is canceled due to a change in use or non-compliance, the King County Assessor may impose an additional tax on the property, together with interest and penalty, and a priority lien may be placed on the land, pursuant to [RCW 84.14](#).

Notice and Appeal of Cancellation

Upon determining that a tax exemption shall be cancelled, the City shall notify the property owner by certified mail. The property owner may appeal the determination by filing a notice of appeal with the City Clerk, together with the required appeal fee, within thirty (30) calendar days after issuance of the decision by the City, specifying the factual and legal basis for the appeal. The appeal will be heard by the Hearing Examiner. At the appeal hearing, all affected parties may be heard and all competent evidence received. The Hearing Examiner shall either affirm or repeal the decision to cancel the exemption based on the evidence received. The Hearing Examiner shall give substantial weight to the City's decision to cancel the exemption, and the City's decision will be upheld unless the owner can show that there is no substantial evidence on the record to support the City's decision. An aggrieved party may appeal the Hearing Examiner's decision to the King County Superior Court in accordance with the procedures in [RCW 34.05.510](#) through [34.05.598](#), as provided in [RCW 84.14.110\(2\)](#), within thirty (30) days after issuance of the decision of the Hearing Examiner.

APPENDIX A: URBAN CENTER



APPENDIX B: PROGRAM DEFINITIONS

Affordable housing - Residential housing that is rented by a person or household whose monthly housing costs, including utilities other than telephone, do not exceed thirty percent (30%) of the household's monthly income. For the purposes of housing intended for owner occupancy, "affordable housing" means residential housing that is within the means of low or moderate-income households.

Assessor - Refers to the King County Assessor.

The City - The City of SeaTac authorized designee.

Housing expense - A tenant's costs for rent, parking for one motor vehicle if a parking space is available, Utilities or an equivalent Utility Allowance, and any recurring expenses required by the Owner as a condition of tenancy (including but not limited to renter's insurance, pest control, and sewer system capacity charges). Expenses that the Owner makes optional, such as pet rent, extra storage space, or extra parking, are not considered Housing Expenses for the purpose of this Contract.

Low-income households - A single person, family, or unrelated persons living together whose adjusted income is at or below eighty percent (80%) of the median family income adjusted for family size, for the county, city, or metropolitan statistical area, where the project is located, as reported by the United States department of housing and urban development.

Market-rate housing - Housing that already exists or is part of a proposed development that is based on existing area market values and demand, rather than relying on any kind of subsidies or government assistance.

Moderate-income households - A single person, family, or unrelated persons living together whose adjusted income is more than eighty percent (80%) but is at or below one hundred fifteen percent (115%) of the median family income adjusted for family size, for the county, city, or metropolitan statistical area, where the project is located, as reported by the United States department of housing and urban development.

Moderate family income - A family household whose total income is no higher than eighty percent (80%) of the median income for the county as defined by HUD. Specific moderate-income levels vary according to household size.

Multi-family housing/ multiple-unit housing - A building having twenty (20) or more dwelling units designed for permanent residential occupancy.

Residential targeted area - An area so designated by the City Council as a residential targeted area in accordance with [RCW 84.14.040](#). If a part of any legal lot is within the residential targeted area, then the entire lot shall be deemed to lie within the residential targeted area. Specifically, the following area is designated as a residential targeted area: Urban Center

Urban Center - A designated residential targeted area as designated in the City's Comprehensive Plan.