

Multi-Family Tax Exemption Program Compliance Guidelines



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Program Overview

This Compliance Manual is intended to provide a basic description and explanation of the rules and regulations to maintain compliance for properties participating in the Multifamily Tax Exemption program (MFTE) through the City of Shoreline.

When a property owner participates in the MFTE program, the Owner is obligated to provide a certain number of affordable housing units for a specific period of time as outlined in the contract with the City of Shoreline. For purposes of this manual, affordable housing is generally defined as any rental unit subject to maximum limits on tenant incomes and rents. Specific income- and rent-restricted rental housing units within a given Property are termed “Designated Units.” The City of Shoreline will monitor the property owners’ compliance with their affordability obligations throughout the contractual term of affordability. An Owner’s obligation to provide income- and rent restricted units takes effect as soon as lease-up begins and continues until the affordability obligation under any executed covenant, contract, or agreement is extinguished for all Designated Units within the Property. The heart of the compliance monitoring process is the annual certification process. Most certification work is carried out via an annual report and supporting documents that the Owner submits annually to the City of Shoreline. The monitoring process may also include periodic audits, such as site visits and reviews of tenant files and other documentation. The City of Shoreline’s website provides links to the forms referenced in this manual and can be found at: [Multifamily Property Tax Exemption \(MFTE\) Program | City of Shoreline \(shorelinewa.gov\)](https://shorelinewa.gov). Please use this link to obtain the latest copies of all forms and any additional program guidance.

Income Eligibility

Affordable housing residents must be income eligible, which means they have verifiable income or are receiving state or federal benefits at or below the income limits of the property. Income limits for initial occupancy and annual re-certification, given in percentage of the Area Median Income (AMI), are found in the MFTE contract¹ or affordable housing covenant² between the property owner and the City of Shoreline.

The maximum allowable income is determined by the AMI level of the property and the household size of the applicant or occupant. Income is the sum of all gross amounts (before any taxes or deductions) either through direct income or payments on the behalf of all members of the household. The total household income is the projected/anticipated income for the 12 months after lease commencement. All sources of income must be verified before initial occupancy as well as annually for the MFTE Program.

¹ Multi-Family Housing Limited Property Tax Exemption Contract.

² Declaration of Affordable Housing Covenants.



For each source of income or asset listed on the Certification of Household Eligibility, a corresponding verification must be in the file. All verifications must be dated within 120 days prior to the certification effective date. If a verification is older than 120 days, a new verification must be obtained.

See the City's website for the current annual [Income, Rent and Utility Allowance limits](#).

Initial Occupancy – Income Certification Process

There are four main steps for the income certification process at the point of move-in.

1. **Income Disclosure.** Adult applicants disclose all income and assets anticipated to be available to the household for 12 months following the lease start date by filling out the [Certificate of Household Eligibility](#).
2. **Income and Asset Verification.** All adult applicants, defined as 18 years of age and older, must disclose all income and assets anticipated to be available to the household for 12 months following the lease start date.
3. **Income Calculation.** The property calculates the total household income based on verifiable documentation.
4. **Eligibility Determination.** The property compares the total household income to the annual income cap for household/unit size and makes eligibility determination.

If the total household income calculated is AT OR BELOW the maximum income for the unit size, the household is eligible for the MFTE program.

If the total household income calculated is ABOVE the maximum income for the unit size, the household is not eligible for the MFTE program.

Income Verification

Income is the sum of all gross amounts (before any taxes or deductions) either through direct income or payments on the behalf of all members of the household from a source outside of the household. Income sources can include, but are not limited to:

Income Sources

- Wages
- Self-Employment/Contract Work
- Military Pay
- Child Support/Alimony/Palimony
- Pension/Social Security/SSI/Disability
- Public Assistance/TANF
- Unemployment
- Gift Income for recurring monthly payments from family members/friends
- Student Income



If an applicant discloses future expected income (i.e. alimony payments that will start after occupancy or a return to work after a short-term medical leave) that exceed the initial eligibility level, we would conclude that the applicant is not eligible for an affordable unit.

Sources not included as income

- Pell Grants/Federal Student Aid
- One-time gifts
- Lump sum or 1x payouts, e.g., inheritance, life insurance (but *may* be included as an asset)
- Payments/reimbursements for medical expenses
- Dollar value of food stamps/WIC/SNAP
- Live-in Aid income, if household has a reasonable accommodation
- Income for children under 18 years old

Re-certification

The re-certification process is similar to the process used at initial qualification for housing and must take place on or before the household’s anniversary date of occupancy or once every twelve months (in the case of month-to-month). The re-certification process can begin up to 120 days from the household’s anniversary date and requires the tenant to submit the most up-to-date eligibility verification documents listed above. For most properties, tenants can re-certify at up to 20 percentage points higher than the initial eligibility income level. Specific re-certification levels are found in the property’s MFTE contract or affordable housing covenant, which indicate:

Unit Type	Income Level at Move-In	Income Level at Re-certification
Studio/1 Bedroom	70%	90%
2 Bedroom or more bedrooms	80%	100%

If a tenant’s annual income exceeds the eligibility income level at re-certification, the tenant will no longer be eligible for the MFTE program. An income ineligibility determination upon re-certification does not provide justification for an eviction. If a tenant’s annual income exceeds the eligibility income level at re-certification, the options are as follows:

- 90 days from lease expiration the tenant must move to a market rate unit to make the existing unit available to a MFTE qualified household, OR
- With advance approval by the City, a tenant may retain the unit they currently reside in, paying market rent, if the next available, comparable sized market rate unit is made available or a new designated unit is allocated as an affordable unit within 90 days.

Note: Certain tenant actions, such as a change to the adult household composition or requested unit transfers, may trigger income re-qualification for the unit.

How to Calculate Income

Households are deemed income-eligible if the household income is equal to or lower than the amounts published on the City of Shoreline's website and must be deemed income eligible **prior** to the lease commencement date.

When anticipating income, owners/managers must use current circumstances to anticipate projected income for the next 12 months. All income/asset verifications must be dated within 120 days prior to the move-in or re-certification effective date. If a verification is older than 120 days, a new verification must be obtained.

Wages

When determining income for regular full-time employment, include anticipated tips, raises, bonuses and overtime pay in the calculations. For applicants/households with wage income, submit the following:

- [Employment Verification](#) form; or
- Obtain 6 consecutive pay stubs or job offer letter confirming start date/pay rate

To calculate income from wages, use the following factors:

- Hourly wages by 2080 hours
- Weekly wages by 52
- Bi-weekly by 26
- Semi-monthly by 24
- Monthly by 12

If additional clarification is needed, a copy of the most recent tax return may be requested. Additionally, if an applicant no longer works at a job that has been identified as an income source, seek documentation and/or a statement from the former employer as to employee's last date of employment.

Self-Employed or Contract Work

For applicants/households with self-employment or contract work income, submit the following:

- 2 years of tax returns; OR
- [Self-Employment Verification](#) with current year Profit and Loss Statement.
- Contract Work (including Uber/Lyft/Rover) - Most recent 1099 form
 - Contract Work -A letter of engagement/project contract which outlines:
 - Start Date.
 - End Date.
 - Schedule for Payment of Fees.



Military Pay

For applicants/households with income received from service in the US Military (Active Duty and Reserves), submit the following:

- Two consecutive LES statements stating gross pay, including Basic Pay, Basic Housing Allowance and Family Separation Allowance.

Child Support, Alimony/Palimony

For applicants/households with income received from child support and/or alimony/palimony, submit the following:

- Child Support – [Child Support Verification](#) AND print out from DSHS
- Alimony/Palimony - Separation Agreement/Divorce Decree with amount received or notarized letter from former spouse paying support

Combined spousal income must be included for any person claiming financial independence from a spouse and cannot provide a Final Divorce Decree (Dissolution Order).

Pension/Social Security/SSI/Disability

For applicants/households with income from a pension, Social Security/SSI/Disability, submit the following:

- Current monthly benefit statement or current year award letter stating gross monthly benefit

Public Assistance - TANF

For applicants/households with income from public assistance, submit the following:

- Obtain DSHS letter of award addressed to applicant.

Unemployment Income

For applicants/households with weekly income from unemployment, submit the following:

- Obtain a print-out from the applicant's Secure Access Washington (SAW) account.

As individuals may apply for appeals/extensions, the weekly benefit amount shall be multiplied by 52.

Gift Income

For applicants/households with regular gift income, submit the following:

- [Gift Affidavit](#). The person(s) giving the gift must complete the form outlining the amount and frequency of gifts. The form must be signed and notarized.

Student Income

Students often have a variety of income sources to support the cost of their education/living expenses.

For student income, submit the following:

- [Gift Affidavit](#) documenting support from family members, including paying rent
- Government support received by International Students
- Regular income received from earnings (not work-study programs)
- Stipends that are not part of the financial aid award package



Utility Allowances and Mandatory Housing Expenses

Maximum Rent allowed for affordable units includes utilities and any mandatory expenses paid by the tenant. When a tenant is expected to pay for any portion of their utilities and/or mandatory expenses, such as renter’s insurance, sewer capacity charges, etc., these charges must be deducted from the maximum rent.

Utility Allowances

The deduction for utility allowances is required when tenants of Designated Units must pay out of pocket for utilities, including utility charges assessed through a third-party billing service. The utility allowance will be received by the tenant as an adjustment to the maximum rent chargeable. Changes to the utility allowance must be implemented immediately for new residents after the effective date and within 90 days of the effective date for existing tenants. [See the City’s website](#) for the current monthly Utility Allowance limits and, like rent limits, may be adjusted from year to year.

Calculating Rent

All Designated Units are subject to maximum gross rent limits. In the MFTE program, rent is any amount that a tenant is required to pay for occupancy of a unit. The calculation for chargeable rent is as follows:

$$\text{Maximum Housing Expense} - \text{Allowances} = \text{Maximum Rent}$$

An example of this calculation is demonstrated below for a studio apartment:

Max Rent 70% Units (all utilities included):	\$1,490
<i>Elec & Gas Deduction:</i>	- \$38
<i>W/S/G Deduction:</i>	- \$70
<i>Renter’s Insurance:</i>	- \$13
<i>Sewage Capacity (actual cost):</i>	- \$50
Chargeable Rent:	\$1,319

Affordable housing tenants can be charged for any *non-mandatory* fees, such as, but not limited to: full pet deposits, pet rent, storage fees, cable/internet fees and any one-time fees/deposits required by the property. Failure to incorporate required renter’s insurance and the Sewer Capacity Charge are the most common errors in calculating rents. If it is determined that the property owner has charged a gross rent that exceeds the maximum allowable rent, a reimbursement will likely be required for the property to re-establish compliance. [See the City’s website](#) for the current rent limits.

For reference: If month-to-month contracts are available to market rate tenants, they must be available to affordable units. Additionally, if move-in/renewal concessions are offered to market rate units, they must be offered to affordable housing tenants.

Household Composition

The MFTE contract establishes minimum occupancy standards for properties participating in the program and identified in the contract, as follows:

Unit Type	Minimum Occupants
Studio or 1-Bedroom	1 Person
2- Bedroom	2 Persons
3-Bedroom	3 Persons
4-Bedroom	4 Persons

No maximum occupancy standards are set by the MFTE program, however, consult your management company or local building codes for guidance.

Note: Subletting and short-term rentals (ie. Airbnb) are not permitted in MFTE Designated Units.

Income Re-qualification Actions

Two actions require a household in a Designated Unit to requalify for the unit. These actions are:

- Household Composition Changes
- Unit Transfers

For all households in Designated Units, a change in the household composition or a unit transfer will require a re-qualification of the household to determine if they are able to remain income qualified to remain in a Designated Unit. The re-qualification of household eligibility must occur **prior** to the change in household composition or unit transfer. The date of the change to the household’s composition or the date of the unit transfer will be the household’s new income certification effective date. If the Owner is required to complete annual income recertifications, the first re-certification will be due on the anniversary of this new date.

Marketing and Tenant Selection

The City does not currently have a specific policy regarding the marketing of affordable units—except to follow fair housing laws to help ensure all community members have access to a range of housing choices regardless of their race, color, religion, sex, national origin, familial status, disability, or other protected class status.

Landlords must also use the same approach to select affordable housing tenants as they would for market rate units, including any rent or lease concessions.



Pre-Lease Meetings

The City of Shoreline will conduct an on-site inspection, ideally within 45-60 days prior to pre-leasing activities, to provide the leasing/management staff with an overview of the MFTE program as well as on-going compliance and monitoring requirements. During the on-site inspection, the City of Shoreline will tour the Designated Units identified in the contract confirming that the proposed units meet requirements for type, comparability, and distribution throughout the property. It is the Owner's responsibility to schedule the on-site inspection before any leasing activities begin. To schedule a pre-lease inspection, Owners (or their property management staff) should contact Housing and Human Services Coordinator, Kerry Feeman at kfeeman@shorelinewa.gov.

Lease-Up Reporting

The Lease-up Report is due to the City on a monthly basis upon the building's completion date or temporary/final certificate of occupancy and until 90% of the affordable units are rented. The Lease Up Report uses the same reporting [Annual Project Certification Form](#) as the Annual Property Compliance Report and will contain the same information, including each qualifying household's [Certification of Household Eligibility](#) and income/asset documentation.

Annual Property Compliance Report

The property's Annual Compliance Report is due (30) calendar days after the anniversary of the issuance of the property's Final Certificate of MFTE and each year thereafter for the tax exemption period. Contact City staff to confirm your property's due date, if needed. A copy of the current Annual Property Compliance Report form can be found on the City's website. Annual Property Compliance Reports must include all rental activity within the Designated Units for the prior 12 months.

Once submitted, the City staff will review the report and back-up documentation and specifically will confirm:

- Designated Units submitted in the report agree with the most recent City approved list of Designated Units.
- Household incomes fall below the published limits, as adjusted for household size.
- Annual incomes at re-certification are within the applicable income limits.
- Maximum rent charged, after deducting correct utility allowances and mandatory expenses, is at or below the allowed maximum gross rent for the period.
- Tenant reported income on the Certificate of Household Eligibility aligns with the project reported household income on the Annual Project Certification Form.

After review of the Annual Property Compliance Report, the City staff will follow up on any compliance issues that may appear, and may also schedule an on-site visit to inspect the affordable units and tenant files. Failure to submit the Annual Compliance Report and/or the additional written report within the stated deadline, may result in cancellation of the property's tax exemption.



For More Information

For more information on the City of Shoreline's MFTE program, visit the City's website at <https://www.shorelinewa.gov/business/property-tax-exemption-pte-program>

Or contact the following City staff:

Kerry Feeman
Housing and Human Services Coordinator
kfeeman@shorelinewa.gov

Bethany Wolbrecht-Dunn
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