



Planning & Community  
Development

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# Multi-family Property Tax Exemption Program

[SMC 3.27](#) and [RCW 84.14](#)

## **What is MFTE?**

The City of Shoreline offers Multifamily residential Property Tax Exemptions (MFTE) to encourage multifamily development and to provide affordable housing.

- The program is only available for investors who build or rehabilitate four or more units to rent.
- Initially established in 2002, the MFTE program was simplified into one comprehensive 12-year affordable program on February 9, 2015. For projects with a covenant for 99-year affordability and located in station areas, a 20-year MFTE program became available in October of 2021.
- The MFTE is only on the ad valorem value of improvements; the land value continues to be taxed.
- The 12-year period begins the first full calendar year after the project is completed.
- For projects nearing the end of their 12-year MFTE program, a 12-yr extension is available for application.

## **Where is MFTE offered?**

Shoreline's MFTE program is currently offered in nine target areas. A map of each area listed below is attached to this handout. \*The 20-year MFTE program is offered in these areas, which are also zoned for mandatory affordable housing.

- [145th Street Station Sub-Area\\*](#)
- [185th Street Station Sub-Area\\*](#)
- [Aurora Ave N Corridor](#)
- [Ballinger Way NE Commercial Area](#)
- [Hillwood Commercial Area](#)
- [North City Business District](#)
- [Richmond Beach Commercial Area](#)
- [Ridgecrest Commercial Area](#)
- [Southeast Neighborhoods Commercial Area](#)

## **Who is eligible?**

To be eligible for a property tax exemption under this program, the project must satisfy the following requirements:

- The project must be located within one of the residential targeted areas designated in [SMC 3.27.030](#).
- The project must be multifamily housing consisting of at least four dwelling units within a residential structure or as part of a mixed-use development, in which at least 50 percent of the space must provide for permanent residential occupancy.

### **Hours of Operation:**

Monday 8:00 am–5:00 pm  
Tuesday 8:00 am–5:00 pm  
Wednesday 1:00 pm–5:00 pm  
Thursday 1:00 pm–5:00 pm  
Friday 8:00 am–5:00 pm  
Permit Processing Ends at 4:00 pm  
Daily

- The project must be designed to comply with the City's comprehensive plan, applicable development regulations, and applicable building and housing code requirements.
- At least 20 percent of the housing units must be affordable housing as defined in [SMC 3.27.020](#). Studio and one-bedroom units must be affordable to households making 70% of the King County Median Income, adjusted for household size. Two or more-bedroom units must be affordable to households making 80% of the King County Median Income, adjusted for household size.
- For the rehabilitation of existing occupied multifamily projects, at least four additional residential units must be added except when the project has been vacant for 12 consecutive months or more.
- The project must be scheduled for completion within three years from the date of issuance of the conditional certificate.
- Property proposed to be rehabilitated must fail to comply with one or more standards of the applicable state or local building or housing codes. If the property proposed to be rehabilitated is not vacant, an applicant must provide each existing tenant housing of comparable size, quality, and price and a reasonable opportunity to relocate.
- The mix and configuration of housing units used to meet the requirement for affordable units under this chapter shall be substantially proportional to the mix and configuration of the total housing units in the project.
- The applicant must enter into a contract with the city under which the applicant has agreed to the implementation of the project on terms and conditions satisfactory to the city. The contract must be approved by the city council.

### **Rent and Income Limits**

- Actual [rent and income limits](#) will be determined by the City each year, based on the King County Area Median Income (AMI), when it is published by the U.S. Department of Housing and Urban Development (HUD).
- Maximum monthly housing costs will be set at 30% of the maximum monthly household income and include basic utilities and any expenses required by the property owner (e.g., renter's insurance, King County Sewer Capacity charges, pest control, common area utilities). If tenants must pay their own utility bills, the City will deduct allowances from the maximum housing cost to determine the maximum rent.
- In other respects, owners must treat tenants in affordable units on the same basis as all other tenants; this includes screening process and criteria (other than household size and income), access to facilities and amenities, lease terms, and other policies. The owner may charge tenants of affordable units extra for amenities or services that are optional; that is, optional for all tenants and not required for tenancy.

### **Application and Approval Process**

The City's Affordable Housing Coordinator helps applicants understand the City's affordable housing requirements, to write and execute the MFTE contract, and to monitor compliance with the contract:

Kerry Feeman, [kfeeman@shorelinewa.gov](mailto:kfeeman@shorelinewa.gov), 206-801-2334

The process for gaining approval under the City's affordable housing rules is detailed in an attachment to this Handout.

### **Monitoring**

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 ongoing compliance and monitoring requirements. During the on-site inspection, staff 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. Property Certification Reports will be submitted to the City every 30 days during lease-up until the property is 90% complete. If lease-up is proceeding in compliance with the contract, the City will require annual reports going forward. Compliance reports list the income and household size qualifications, the contract rent, and housing cost allowances of each household in affordable units. The City

retains the right to inspect and audit the property's files from time to time to ensure compliance with the covenant, and to establish a monitoring fee to cover the City's monitoring costs.

# Attachment: Application and Approval Process

## MFTE Program

### **Task 1: Contact Affordable Housing Coordinator and ask questions.**

The Affordable Housing Coordinator helps applicants understand the City's affordable housing requirements, write and execute the covenant, and monitor compliance with covenants:

Kerry Feeman, [kfeeman@shorelinewa.gov](mailto:kfeeman@shorelinewa.gov)

The Affordable Housing Coordinator will answer questions regarding MFTE, affordable housing requirements, and this approval process.

### **Task 2: Submit Application for Conditional Certificate of MFTE.**

Complete [application](#) and send via e-mail to [kfeeman@shorelinewa.gov](mailto:kfeeman@shorelinewa.gov) for review. Make any suggested corrections before officially submitting the application to [PCD@shorelinewa.gov](mailto:PCD@shorelinewa.gov).

Once deemed complete, you will receive notice that your application has been approved.

### **Task 3: Review the below documentation for requirements for MFTE and mandatory affordable housing before submitting information for your designated affordable housing unit review.**

These criteria apply to MFTE and non-MFTE projects alike, except where specifically noted. Please see SMC 3.27.050(C) for additional MFTE application requirements and contact Affordable Housing Coordinator Kerry Feeman [kfeeman@shorelinewa.gov](mailto:kfeeman@shorelinewa.gov) with any questions.

1. **Number of affordable units.** City staff will determine if the number of designated affordable units meets requirements. In MFTE projects within MUR zones, 20% percent of all studio and 1-bedroom units must be affordable to households earning 70% of the area median income (AMI) or less, OR 10% of the units must be affordable to households earning 60% AMI or less; AND 20% of 2-or-more-bedroom units must be affordable to households earning 80% AMI or less, OR 10% of the units must be affordable to households earning 70% AMI or less. In MFTE projects outside MUR zones, 20% percent of all studio and 1-bedroom units must be affordable to households earning 70% of the area median income (AMI) or less; AND 20% of 2-or-more-bedroom units must be affordable to households earning 80% AMI or less, OR 10% of the units must be affordable to households earning 70% AMI or less under code SMC 20.40.235(B)(1)
  - In MFTE projects within MUR zones, fractions 0.5 or higher will be rounded up. Where fractions are 0.5 or lower, owners/developer may choose between providing an affordable unit or paying a fee-in-lieu under code SMC 20.40.235(E)(1).
  - Affordable units provided to satisfy the MFTE program also count toward affordable units required by the Zoning Code.
2. **Units designated.** The land use covenant in MUR zones and the MFTE contract for all affordable housing zones will designate specific units as affordable units. Affordable units may be changed, however, during the life of the covenant or contract. This enables owners to designate a different but equivalent unit in case, for example, an affordable housing tenant's income has risen beyond the eligibility level and the owner wants to allow the tenant to remain in the same unit. City staff will approve an affordable unit "swap" if the new unit is the same type as the previously affordable unit and doesn't cause affordable units to be over-concentrated in a single floor (or building, if divided among

buildings of a project). If staff agree to swap units, the owner must designate to be affordable the next available equivalent unit.

3. Unit types. The affordable units must have the same mix of basic types (i.e., number of bedrooms) as the overall project under codes SMC 20.40.235(C)(2) SMC 3.27.040(A)(8). So, for example, if two-bedroom units compose 20% of the project, 20% of the affordable units should have two bedrooms.
  - “Basic types” are studios, “open” or “urban” one-bedroom units, “regular” one-bedrooms, “urban two-bedrooms,” two-bedrooms, etc.
  - Open one-bedroom units will be priced the same as regular one-bedroom units but counted separately for purposes of unit mix. Similarly, urban two-bedroom units will have the same maximum rent as regular two-bedroom units but have a separate classification for unit mix.
  - Regular and open one-bedroom units have one bedroom with an interior closet, doors to close off the room from the rest of the unit, and floor area of at least 90 square feet with a minimum dimension of 8’-8”. In two bedrooms, each bedroom meets this requirement. The purpose of this is to ensure that the room is large enough for a queen-size bed and another piece of furniture, such as a dresser. This is because one-bedroom units are priced assuming households of 1.5 people, 2-bedroom units are priced for 3 people, and so on; so, the bedroom must accommodate two people.
  - In addition to the characteristics listed above, regular one-bedroom units have a window in the bedroom, i.e., outside egress.
  - In addition to the all the characteristics of a regular one-bedroom, urban two-bedroom units have a second bedroom that lacks an exterior window; but the Planning Department has classified it as a two-bedroom unit for parking standards.
  - Dens are ignored with respect to unit types. One-bedroom units with dens, for example, will be counted along with other regular one-bedroom units.
4. Minimum floor areas. Affordable units must be the same size (floor area) as market rate units having the same number of bedrooms, unless approved by the Director under code SMC 20.40.235(C)(2)(c).
  - To streamline review, staff recommend having one or more market rate units matching the type of every affordable unit. For example, for someone planning to build an apartment building with 60 studios: 20 at 507 square feet of floor area, 20 at 518 square feet, and 20 at 525 square feet. If the project is required to have 20% of the units affordable, 12 of the studios must be affordable. If at least one (but preferably four for proportional representation per SMC 3.27.040(A)(8)) of each of the three different square-foot units is designated affordable, the Director’s approval isn’t required because the affordable and market rate units are the same size.
  - The Director may approve affordable units smaller than market-rate units, but:
    - Studios must be at least 500 square feet, one-bedrooms at least 600 square feet, two-bedrooms at least 800 square feet, and three-bedrooms at least 1,000 square feet; and
    - Rooms within the units must provide adequate space for their intended uses, in the Director’s opinion.
5. Unit locations. The affordable units must be intermingled with the market rate units of the project SMC 20.40.235(C)(2)(a).
  - If affordable units compose 10% of the total number of units in a project, then affordable units may not exceed 20% of the units on any floor. If affordable units compose 20% of the total project, then the limit per floor is 40%.
  - If the project comprises two or more buildings (or towers), the affordable units should be distributed generally with proportion to the overall distribution of units between the buildings (or towers).
6. Timing/availability. As the project opens, affordable units must be available for occupancy at the same time as the market rate units SMC 20.40.235 (C)(3). This includes affordable housing provided off-site through an alternative compliance agreement. If circumstances warrant (such as a project with two or more buildings), staff may agree to a phasing plan that specifies the timing of the affordable units in relation to certain project milestones.

#### **Task 4: Submit the following project information to kfeeman@shorelinewa.gov.**

1. Please submit plans with designated affordable units labelled (if MFTE, can be labelled MFTE). Unit designation of studio, open one bedroom, one bedroom, two bedroom etc. should also be clearly labelled.
2. Submit a table containing the following information:
  - Unit Number
  - Unit Designation (affordable or market rate)
  - Number of Bedrooms (0, 1, 2, 3 etc.)
  - Square Footage of each unit
3. For each different type of unit (where different type is determined by number of bedrooms and square footage, for example, 0 with 506sq ft, 0 with 516sq ft, 1 with 602sq ft, 1 with 722sq ft, 2 with 900 sq ft, 2 with 966 sq ft, etc.) provide the following information:
  - Square Footage of floor area of each bedroom (for studios, this can be total square footage of unit)
  - Dimensions of each bedroom (NA for studios)
  - Presence of a door (Y/N/NA)
  - Presence of a window (Y/N/NA)
  - Presence of a closet (Y/N/NA)
  - Total number of market rate units of each type
  - Total number of affordable units of each type

#### **Task 5: Submit information for drafting of contract once designated affordable housing units are approved.**

The Affordable Housing Coordinator will prepare a MFTE contract for the project, which requires the following information from the developer/applicant (submit by email to kfeeman@shorelinewa.gov.)

- Project Name.
- Parcel ID(s).
- Project address.
- Owner (company) name, including type and state.
- Residential Targeted Area.
- Total units.
- All units: quantity of each type.
- Owner's mailing address.
- Name and title of Owner's signer.
- Abbreviated legal description.
- Full legal description.
- Floor plans indicating location of affordable units with the square footage and unit numbers clearly labelled. Plans will be attached to the covenant and will need to follow King County recording requirements.

#### **Task 6: Approve contract, execute and return to the City.**

Applicant/Owner signs the approved contract and returns it to the Affordable Housing Coordinator.

#### **Task 7: Council Approval.**

The MFTE contract will be added to the City Council calendar for consent. Once approved by City Council, the contract will be fully executed and returned to the applicant/owner.

**Task 8: Get fully-executed contract from Affordable Housing Coordinator and record it at King County Records (fee required).**

Affordable Housing Coordinator will return the fully executed contract to the applicant/owner, who will record the document with King County and send a digital copy of the recorded document to [kfeeman@shorelinea.gov](mailto:kfeeman@shorelinea.gov).

The Conditional Certificate of MFTE will be issued after all fees are paid.

**Task 9: Before pre-leasing begins, contact Affordable Housing Coordinator to schedule an on-site visit and review monitoring requirements.**

Within 45 days of pre-leasing, the applicant will schedule a building tour and compliance review meeting with the Affordable Housing Coordinator.

**Task 10: Lease up and get Certificate of Occupancy. (Pay fee in lieu of fractional units, if required.)**

Affordable Housing Coordinator will be available via e-mail and phone to answer questions during lease-up.

**Task 11: Submit application for Final Certificate of MFTE.**

Complete [application](#) and send via e-mail to [kfeeman@shorelinewa.gov](mailto:kfeeman@shorelinewa.gov) for review. Make any suggested corrections before officially submitting the application to [PCD@shorelinewa.gov](mailto:PCD@shorelinewa.gov). The application fee is paid to King County.

Once deemed complete, you will receive notice that your application has been approved.

The Final Certificate of MFTE will be issued after any remaining MFTE fees are paid to the City.

**Task 12: Submit property certification report every 30 days (and correct compliance issues, if any).**

Submit report to [kfeeman@shorelinewa.gov](mailto:kfeeman@shorelinewa.gov) and correct any compliance issues. Continue to submit a report every 30 days until the property is 90% complete.

**Task 13: Submit annual property certification and respond to corrections in a timely manner.**

The report will be reviewed, and corrections will be requested if errors are found. The owner will respond to the corrections in a timely manner and apply a credit or refund to tenants if needed.