

Special Notice

Intended audience: County assessors, cities, counties, local governing authorities, property owners of multi-family housing, nonprofit organizations that provide housing.

July 25, 2021

Legislative changes to the multi-family property tax exemption (MFTE)

The 2021 Legislature passed [Engrossed Second Substitute Senate Bill 5287](#) (E2SSB 5287), making several changes to the multi-family housing property tax exemption. This bill is effective July 25, 2021.

What the bill does

This bill amends [RCW 84.14.005](#), [84.14.010](#), [84.14.020](#), [84.14.030](#), [84.14.040](#), [84.14.090](#), [84.14.100](#), and adds a new section to chapter [84.14 RCW](#). Below is information on the most notable changes.

Modifies definitions

Changes are made to several definitions in [RCW 84.14.010](#):

- Expands the definition of “city”, to include any city, until December 31, 2031.
- Decreases the required unincorporated population for qualifying counties from 350,000 to 170,000.
- Allows the median family income for the city or metropolitan statistical area the project is located as an alternative method when determining “low-income” and “moderate-income” households.
- Changes the definition of “multiple-unit housing” to include a group of buildings having four or more dwelling units, rather than requiring a single building to have four or more dwelling units.

Creates new 20-year multi-family property tax exemption

[E2SSB 5287](#) provides two options for property owners to qualify for a new 20-year property tax exemption:

Option 1: At least 25% of properties that commit to be built by or sold to a qualified

PO BOX 47478 | OLYMPIA, WASHINGTON 98504-7478 | 360-705-6705 | [dor.wa.gov](#)

To request this document in an alternate format, please complete the form [dor.wa.gov/AccessibilityRequest](#) or call

360-705-6705. Teletype (TTY) users please dial 711.

nonprofit organization or local government that will assure permanent affordable homeownership and is located in a qualifying city. Until December 31, 2031, a city not otherwise eligible to offer this exemption may offer this exemption in areas that meet certain minimum zoning density requirements of 25 dwelling units or more per acre, or for a city with a population of 20,000 or less, 15 dwelling units per acre.

Option 2: Properties that commit to rent at least 20% of their units to low-income households for at least 99 years, and are located within one mile of high capacity transit of at least 15-minute scheduled frequency. In addition, the city must have a population of no more than 65,000 as of July 25, 2021, and have implemented a mandatory inclusionary zoning requirement for affordable housing.

Changes to existing multi-family property tax exemptions

The following changes are made to the existing 8-year and 12-year exemptions:

- Until December 31, 2026, allows a city not otherwise eligible to offer the existing 12-year exemption, to offer it for properties that commit to renting or selling at least 20% of the units to low and moderate-income households. In addition, the property must meet minimum density requirements of 15 dwelling units per acre, or for cities with a population over 20,000, 25 dwelling units per acre.
- Provides a 12-year extension to the existing 8-year and 12-year exemptions that are within 18 months of expiring. Properties must commit to rent or sell at least 20% of the units to low-income households as well as meet any locally adopted requirements.
- Requires property owners to provide qualifying tenants with relocation assistance in an amount equal to one month's rent, within the final month of the tenant's lease, upon the expiration of a 12-year exemption or 12-year exemption extension.
- Authorizes a city or county to extend the deadline for completion for an additional five years for any applications submitted on or before February 15, 2020, when there are outstanding application requirements.

Other

Additional changes worth noting include the following:

- Authorizes local jurisdictions to assign and collect an administrative fee to cover program oversight costs associated with the new 20-year exemption in which at least 25% of properties commit to be built by or sold to a qualified nonprofit organization or local government assuring permanent affordable homeownership and is located in a qualifying city.
- Prohibits the approval of new exemptions beginning January 1, 2032, and the granting of extensions beginning January 1, 2046.
- Changes the date cities and counties must report annually to the Department of Commerce from December 31 to April 1. Also, requires a city or county to be in compliance with the reporting requirement to offer certificates of tax exemption for this property tax exemption.
- Requires the Department of Commerce to implement an audit program for properties

PO BOX 47478 | OLYMPIA, WASHINGTON 98504-7478 | 360-705-6705 | dor.wa.gov

To request this document in an alternate format, please complete the form dor.wa.gov/AccessibilityRequest or call

360-705-6705. Teletype (TTY) users please dial 711.

receiving this exemption. Authorizes a penalty to be imposed when the audit finds the property is not adhering to the conditions of the exemption.

Questions?

If you have questions or need additional information, please contact the Department of Revenue, Property Tax Division at 360-534-1400.

PO BOX 47478 | OLYMPIA, WASHINGTON 98504-7478 | 360-705-6705 | dor.wa.gov

To request this document in an alternate format, please complete the form dor.wa.gov/AccessibilityRequest or call 360-705-6705. Teletype (TTY) users please dial 711.