



Seattle
Office of Housing

Compliance Manual for Market Incentive and/or Land Use (MILU) Regulatory Agreements

Published: December 31, 2025

Effective Date: February 17, 2026

Contents

Chapter 1. Introduction.....	1
Roles and Responsibilities.....	1
Key Terms	1
Questions?	2
Chapter 2. Lease-Up.....	2
Pre-Lease Inspections	2
Beginning Lease-Up.....	2
Affirmative Marketing	3
Household Demographics	3
Leases.....	3
Lease-Up Reports	4
Leasing Vacant Units	4
The Americans with Disabilities Act (ADA) Units and Accommodations	4
Chapter 3. Qualifying Households: Income Certification and Recertification	4
What is Income?	5
Income Certification.....	5
Self-Certification of Income	6
Income Recertification	6
Qualifying Specific Types of Households	9
Chapter 4. Housing Cost Limits and Setting Rents	11
Housing Cost Limits	11
Setting Contract Rent	12
Rent Increases	12
Chapter 5. Compliance.....	13
File Review and Audits	13
Reporting.....	14
Compliance Determination	14
Corrective Actions: Over-Income Households or Missing Documentation	15
Changes in Building Ownership/Management	15
Changes in Restricted Unit Count or Type	15
Compliance Fees	16
Publicly Funded Properties	16

Chapter 6. When MILU Agreements End	16
Compliance Period	16
Expiration of Affordability Restrictions	16
MILU Agreement Requirements vs Effective Leases	16
Change of Use	17
Final Report	17
MFTE Extensions	17
Appendix. Verifying Income and Assets.....	18
Verification Options for Income from Wages.....	18
Other Common Types of Wage Income	18
Verification of Non-Wage Income.....	19
No Income/Between Jobs/ Recent Graduates.....	20
Other Income Verification Procedures.....	20
Income from Assets	21
Calculating Income.....	21
Income Certification Forms.....	22

Chapter 1. Introduction

The City of Seattle uses incentives and regulatory tools to support the development of cost-restricted housing for income-eligible households. Examples include the Multifamily Property Tax Exemption (MFTE), Incentive Zoning (IZ), and Mandatory Housing Affordability (MHA), and other unique market incentive or land use agreements.

Property owners and managers must review their property's specific Market Incentive and/or Land Use (MILU) regulatory agreement(s) to ensure compliance with all requirements. This guidance is supplemental to the MILU agreement(s) unique to each property.

All forms referenced in this manual can be found on [The Office of Housing's website](#). Please download the forms directly from the website to ensure that you are using the most recent version. Electronic signatures are accepted on all compliance forms.

Roles and Responsibilities

The Office of Housing (OH) works with property owners and managers ("management") to ensure compliance with MILU agreement(s) to provide cost-restricted housing for income-eligible households.

Management must:

1. **Lease to eligible households.** Lease housing cost-restricted housing units to income-qualified households in compliance with their MILU agreement(s) and all applicable local, state, and federal laws.
2. **Submit reports.** Provide complete and timely reports.
3. **Communicate changes.** Notify OH of any changes or situations that impact the property's ability to provide housing in accordance with MILU agreement(s).
4. **Stay current.** Keep informed of regulatory updates and changes.
5. **Allow monitoring.** Cooperate with OH staff during inspections and annual reviews.
6. **Know the property's agreement(s).** Understand and follow all terms and requirements in the property's MILU agreement(s). When questions arise, management must reach out to OH for assistance or clarification.

OH staff must:

1. **Monitor compliance.** Track property performance and ensure adherence to agreements and compliance requirements.
2. **Enforce agreements.** Enforce MILU agreement rules and requirements.
3. **Provide support.** Offer technical assistance and training to property management.
4. **Communicate updates.** Notify owners and managers of buildings with restricted units of changes to rules and regulations.
5. **Provide reporting.** Prepare and distribute annual reports.

Key Terms

Annual Property Certification or "APC": This is a report completed annually by management to document compliance with MILU agreement(s).

Area median income or “AMI”: AMI is an estimate of the median household income in a geographic area. It is used to regulate income and affordability of apartments and is expressed as a percentage (e.g., 50% of AMI). AMI limits are calculated based on limits published annually by the U.S. Department of Housing and Urban Development (HUD) and are adjusted for the size of the household.

Housing cost limit: This is the maximum of what a household can pay for rent, utilities, renter’s insurance, and any mandatory fees to live in a MILU agreement-restricted unit. OH publishes AMI limits, which include the housing cost limits, annually in the spring on our website (these may also be called “rent limits,” “gross rent limits” or “max rent”).

MILU agreement: A market incentive or land use (“MILU”) regulatory agreement or covenant(s) recorded on the title of the property with one or more restricted units. MILU Agreements are executed by the City of Seattle and the property owner/developer. Examples of market incentive and land use affordable housing covenants include the Multifamily Property Tax Exemption (MFTE), Incentive Zoning (IZ), Mandatory Housing Affordability (MHA), Master Planned Communities such as Yesler Terrace, development of affordable housing on religious lands or surplus property and reduced minimum parking.

Restricted unit: A home with a housing cost limit that can only be occupied by income-eligible residents.

Unrestricted unit: These homes do not have housing cost limits or income limits.

Questions?

Management should contact their property’s assigned OH asset manager with questions about compliance. If you are unsure who your assigned asset manager is, do not have an assigned asset manager or have a general inquiry, please email OFH_IncentiveCompliance@seattle.gov.

Copies of executed MILU agreements are available online through the [King County Recorder Office's website](#) or from OH. Please contact OH if you need help finding the agreement or agreements for your building. OH staff are also available to answer questions about specific provisions of your agreement(s) and topics addressed in this manual.

Chapter 2. Lease-Up

Pre-Lease Inspections

Contact the Office of Housing at least 45 days before beginning any leasing activities to schedule a pre-lease inspection. The list of conditionally approved restricted units in a building is finalized after the pre-lease inspection.

Beginning Lease-Up

Notify the Office of Housing when pre-leasing begins. OH will assign an asset manager to the property who can answer questions about lease-up, compliance matters, and training opportunities.

Affirmative Marketing

Affirmative marketing is a proactive approach to housing marketing that helps to ensure that 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.

Management must conduct affirmative marketing at least two weeks prior to initiating any advertising or marketing for the general public. Detailed guidance on affirmative marketing, forms and other resources are available on OH's website.

Household Demographics

OH collects demographic information from households that lease restricted units. Each household that moved into a restricted unit on or after January 1, 2020 must sign a Resident Demographic Form prior to move-in and this form must be kept in their file. Households may decline to provide demographic information but all adults (18 years or older) must sign and date the form to confirm that they were given the option to complete it.

The Resident Demographics Form is available on OH's website. Management also reports household demographic data in the Annual Property Certification (APC), due January 31, every year.

Leases

Lease terms for restricted and unrestricted units must be identical except as detailed in this section. Leases for restricted units must include:

- Information about annual income recertification requirements. Most MILU agreements require annual recertification of household income and size.
- Information about the housing cost limit, including the monthly rent amount, adjusted to reflect the utility estimate and deductions for any mandatory recurring fees required for occupancy.
- Prohibition on subleases and short-term rentals. Minimum initial lease length is 12 months.
- A completed and signed copy of the Lease Rider.

The full lease, Lease Rider, and any other addenda for a restricted unit must be signed by all adult members of the household and management before the household moves in. OH requests copies of those documents during audits. The Lease Rider can be found on OH's website.

There can only be one lease in effect at a time for each apartment. For example, all residents of a three-bedroom apartment must be on the same lease. There may be an individual lease for each of the three bedrooms only if the MILU Agreement or, in the case of MFTE, the Final Certificate of Tax Exemption defines the units in the building as congregate sleeping rooms.

Lease-Up Reports

Management must provide a rent role and two sample household files for the project when the property is 25%, 50% and 75% leased. The lease-up rate for restricted and unrestricted units must be comparable.

Leasing Vacant Units

Management must make a good faith effort to promptly lease vacant restricted units. Good faith efforts may include and are not limited to:

- Affirmative marketing of available units.
- Working with [Housing Connector](#) to advertise available units.
- Informing [Seattle Housing Authority](#) of available units.
- Implementing a waiting list for restricted units.
- Offering rent concessions or lowering the rent.

Management must notify their assigned asset manager of any vacancies longer than 45 days. Please use the Vacancy Report Form, available on OH's website. The OH asset manager will work with management on a plan to lease up any restricted units with extended vacancies. Efforts to lease vacant units must also be noted in the property's Annual Property Certification (APC).

The Americans with Disabilities Act (ADA) Units and Accommodations

The share of restricted units that are ADA accessible should be proportional to the share of total ADA accessible units in the building. If a household makes a reasonable accommodation request for an ADA unit and the building does not have an ADA restricted unit available, the property owner or manager can accommodate the request by temporarily swapping one of the non-ADA restricted units to an ADA unit. Management must communicate the reasonable accommodation need and proposed unit swap to OH before leasing the unit.

Chapter 3. Qualifying Households: Income Certification and Recertification

This chapter and the Appendix provide step-by-step guidance on determining household eligibility and conducting income certifications and recertifications.

Management must verify and document a household's income eligibility prior to leasing restricted units. Maximum household income and housing cost limits are outlined in the property's MILU agreement. If you are unsure about your property's applicable regulations, review your agreement or contact your assigned OH asset manager. MILU agreements are recorded with the [King County Recorder's Office](#) and generally run with the land. This means the obligations will continue even if the original property owner sells the property or transfers ownership. Management must refer to the income and housing cost limits published annually on the OH website and ensure that households leasing restricted units are income-eligible.

Households must complete the process of income certification before signing a lease for a restricted unit, and, for some properties, annually throughout tenancy (called recertification).

Changes in household composition or moving to another restricted unit may trigger requalification requirements.

Note: Some types of prospective renters must complete specific qualification steps before income certification. This includes rent subsidy recipients, students and employees of the property owner or manager. For these households, please see the section below titled “Qualifying Specific Types of Households” before completing the income certification process. All other households can skip this section and continue to standard income certification.

What is Income?

All sources of income must be verified before the household moves in. Household income is the gross annual amount (before any taxes or deductions) of the following for all members of the household:

- Earned income (for example, wages and salaries, overtime pay, commissions, fees, tips, bonuses, self-employment, and other compensation).
- Unearned or non-wage income (for example, retirement, Social Security benefits).
- Deposits on bank statements.

Income Certification

Income certification should be completed before move-in, as close as possible to the lease start date and within 120 days prior to the initial lease start date. Management should not enter into any lease agreements for restricted units based on a partial or preliminary income certification.

Management and applicants must complete all four steps of the income certification process prior to signing the lease.

Step 1: Income Declaration Form (IDF)

All adult household members applying to live in a restricted unit must complete and sign the IDF documenting their wage and non-wage income sources. This includes any income from assets from which households regularly draw from to pay for rent and living expenses.

Applicants must report gross annual income (before taxes) in all instances except in the case of self-employment income, when they should report the net income. Please see the Appendix for more details.

Management must ensure that the form is completed correctly. For example, if the applicant enters “\$15.00” as the gross annual income from employment, management should clarify whether this is the applicant’s hourly wage and their employment hours.

Step 2: Income Documentation and Verification

After the IDF is completed and signed, management will ask the applicant to provide documentation of all disclosed income. All adult household members must provide three (3) consecutive bank statements. The other documents requested by management will depend on what types of income was disclosed and which verification method management chooses to use. The three options management has for verification include:

1. Using source documentation.
2. Using a third-party verification option.
3. Self-certification.

See the Appendix for detailed information about income documentation and verification.

Step 3: Income Calculation

Management must calculate income by completing the Tenant Income Certification (TIC) form and included income calculation worksheet. This is done by entering the prospective renter's gross household income as verified by documentation collected in Step 2. All income calculations must be documented and retained in the household's file. Both the applicants and property must sign the TIC. See the Appendix for detailed information on income calculations.

Step 4: Eligibility Determination.

If the gross annual household income calculated in the TIC is at or below the maximum income limit for the restricted unit, the household is income-eligible. Once the TIC has been completed and signed and the household is deemed eligible, the applicant may sign a lease for a restricted unit. The lease start date must be no later than 5 days after the TIC is signed.

Management must notify the applicant in writing if they are not income-eligible to lease the restricted unit. The notice must include the final income calculations from the TIC and management must explain the calculations if requested. The notice of determination must be kept on file with the property.

Once all of these steps are completed, the household is considered income certified. Management should contact OH with questions about calculating gross annual household income.

Self-Certification of Income

The option to self-certify income is available to households who cannot provide income documentation. Examples of instances where this might occur include but are not limited to:

- Households that earn cash income and don't receive paystubs or have other means to verify income from wages.
- People with sporadic income (e.g., seasonal workers).
- Recently unemployed individuals between jobs.
- Those affected by emergency situations who cannot access their income documentation.

Up to 10% of households certified per year at a property may self-certify their income by providing a written attestation using the standardized Self-Certification Attestation Form available on OH's website. Management should document the reason that standard documentation was unavailable in the household's file. See the Income Recertification section below for more on how self-certification can be used for recertifying income.

Income Recertification

Four events can trigger a required income recertification or requalification:

1. Scheduled annual recertification.
2. Extension of a building's property tax exemption.
3. Change in adult household composition.
4. A household moving to a different restricted unit in the building with a lower AMI restriction.

Please refer to the MILU agreement(s) for your property to confirm requirements and contact OH if you have any questions.

1) Scheduled Annual Household Income Recertification

Property owners or managers who must annually recertify household income take the following four steps:

Step 1: Determine the recertification effective date. The recertification effective date is the anniversary of the initial lease start date. The property owner or manager may initiate a household's income-recertification up to 120-days prior to the recertification effective date. The recertification must be signed no later than the effective date.

Step 2: Determine the income recertification cap. The income recertification cap is the maximum household income at or below which a current leaseholder can continue living in a restricted unit with a housing cost limit. Recertification caps vary by type of MILU agreement:

MFTE Programs

A household will remain eligible to lease a restricted unit if their household income does not exceed 1.5 times the current income limit and does not exceed 115% of AMI. This cap also applies for households recertifying income in a property that extended their tax exemption.

Mandatory Housing Affordability (MHA)

The recertification cap depends on unit size.

- Households remain eligible for a 40% AMI restricted unit until their gross annual household income exceeds 60% of AMI.
- Households remain eligible for a 60% AMI restricted units until their gross annual household income exceeds 80% of AMI.

Incentive Zoning (when required)

Incentive Zoning (IZ) units may or may not have an annual income recertification requirement. Management must review the property's covenant (available online through the [King County Recorder's Office website](#) or from OH) to confirm requirements.

In cases where IZ agreements require annual recertification, OH is temporarily allowing the following income recertification caps:

- For 40% AMI units, households remain income-eligible up to 60% AMI at recertification.

- For 50% AMI units, households remain income-eligible up to 70% AMI at recertification.
- For 80% AMI units, households remain income-eligible up to 90% AMI at recertification.

The above guidance is temporary until OH develops a more permanent policy, which may require City Council amendment to the City's incentive zoning provisions (SMC Chapter 23.58A) to expressly allow an income recertification cap.

Step 3: Initiate and complete income recertification.

The method used to recertify income will depend on the household's lease start date. Households renewing their lease in the first and second year after initial move-in can self-certify their income using the standard form on OH's website. Every third year, households renewing their lease must complete full income certification, just as they did during move-in.

This means that at recertification, households are only required to provide source documentation of income every three years. In the interim years, they can complete the Self-Certification Attestation Form confirming that they are still income-eligible. This form is available on OH's website.

Households failing to complete their recertification prior to the effective date will be considered ineligible for the restricted unit. Property owners and managers should retain all communications with the household regarding the annual recertification process.

Step 4: Eligibility determination. If the total household income is at or below the recertification cap for the unit, the household is eligible to remain in the restricted unit.

If the household is above the cap or fails to recertify, then the household will be considered ineligible. Ineligible households may either remain in the unit as a market rate household or vacate. See Next Available Unit Rule below.

2) Recertification at extension of a building's property tax exemption

Seattle City Council passed legislation to allow expiring MFTE properties to extend their tax exemption for an additional 12 years in exchange for lower income and housing cost limits for MFTE restricted units. Management must complete recertifications for all households who moved in prior to January 1 of the 12th year of tax exemption by the September 30 deadline. For households that moved in after January 1 of the 12th year of the tax exemption, properties can use their initial certification and do not need to complete a recertification.

This recertification may result in the following:

- If during recertification a household income qualifies under the new extension limit or is less than 1.5x the new extension limit, their housing costs will be reduced to the new extension limit on January 1.

- If during recertification a household income is more than 1.5x the current AMI limit or the household refuses to recertify, the unit will become an unrestricted unit at lease renewal and a new MFTE unit needs to be restricted.

3) *Requalification due to change in household composition*

If a household seeks to add an adult member, a new income certification is required. All household members are required to provide documentation of the source and amount of their gross annual income. Income requalification is not required when the adult household members change due to:

- A restraining order, stalking, or domestic violence situation involving a household member.
- Death, illness, or disability of a household member.
- Call of a household member to military service.
- Divorce or legal separation.

4) *Requalification when a household moves to a different restricted unit in the building with a lower AMI restriction*

When households seek to move from one unit to another within a building and the income and affordability restrictions are lower than their current unit, they must recertify based on the affordability restrictions of the new unit. If the income and affordability restrictions are the same or higher, they do not need to recertify. The household's gross annual income may not exceed the household income limit for new move-ins (meaning that recertification buffers do not apply here).

If the household does not income-qualify for the requested unit, they must be given the option to remain in their original unit. Moving between restricted units because of reasonable accommodation under the Americans with Disabilities Act does not require requalification.

Next Available Unit Rule if Household is No Longer Income-Eligible

If the household's gross annual income exceeds the recertification cap, the household has two options: they can move out or they can stay in their unit. If they opt to stay, their unit converts to an unrestricted unit and they must execute a new lease. Management must work with OH to replace the restricted unit with another comparable one. That unit must be regulated at either the same or lower AMI limit as the previous restricted unit. Failure to notify OH when an ineligible household remains may result in a non-compliance finding.

Management cannot evict a household or require them to move to another apartment just because they are no longer income-eligible for the restricted unit. Management also cannot increase the rent during a fixed-term lease and must comply with all applicable laws governing rent increases and notification of rent increases.

Qualifying Specific Types of Households

Rent subsidy recipients, students and employees of the property owner or manager must be qualified.

Rent Subsidy Recipients

Prospective households who receive any kind of rent subsidy for low-income households are eligible and encouraged to apply for restricted units, regardless of type of MILU agreement(s). Common housing subsidy programs include the Housing Choice Voucher Program, administered by the Seattle Housing Authority and the Shelter-Plus-Care, Rapid Rehousing, and The Housing and Essential Needs Referral Program (HEN), administered by various nonprofit organizations.

Applicants with a housing subsidy must still be income qualified; however, housing subsidies should not be counted as income. The subsidy information should be documented and included in the income certification file and the amount of the subsidy included in the TIC (Part V. Rent). Properties must also report housing subsidies to OH during annual reporting.

Seattle Housing Authority (SHA) Section 8 Voucher Holders.

For SHA voucher holders, the SHA Calculation Summary may be used during initial application in lieu of all other income verification documents, provided it is dated 120 days or less from the lease start date

Use the SHA Calculation Summary to complete the Tenant Income Certification (TIC) form. Transfer income totals, not including any noted deductions, into the TIC. If assets are included in the Calculation Summary, do not include them on the TIC unless the household is regularly drawing from asset accounts to pay for living expenses.

Students

Households with adult students with full-time enrollment status may qualify for restricted units. "Adult Student" refers to individuals who are 18 years or older and are attending post-secondary institutions.

All students applying for a restricted unit must complete the Student Status Certification Form available on OH's website and supply supporting documentation listed on the form. Documentation will depend on whether the applicant is an undergraduate or graduate student.

Undergraduate Students

To qualify for a restricted unit as an undergraduate student, the applicant must receive need-based financial aid or subsidized loans through the Free Application for Student Aid (FAFSA) or Washington Application for State Financial Aid (WASFA).

For undergraduate students, verify receipt of need-based financial aid.

- The student must provide a copy of their FAFSA Submission Summary, showing they qualify for need-based financial aid or subsidized loans. The FAFSA Submission Summary is generated after a student completes the FAFSA or WASFA. This document will list any grants and subsidized loans the applicant qualifies for.
- The student must provide a copy of their Financial Aid Award letter issued from their educational institution showing they have accepted one or more need-based financial aid awards.
- For a list of common examples of need-based financial aid, refer to the Appendix.

If the undergraduate student has need-based financial aid, proceed to the income certification process.

Graduate and PhD Students

Graduate/PhD students can qualify in one of two ways:

1. The same as outlined above for undergraduate students; or
2. Provide their previous year's accepted IRS tax return, demonstrating their independent tax filing status.

If 1 or 2 are true, proceed to the standard income certification process.

Employees

On-site managers: While building owners can choose to offer on-site managers reduced rents as part of a compensation package, any unit designated for an on-site manager cannot count towards the required number of restricted units.

Other staff: Other staff employed by the property owner or property management firm are eligible to lease restricted units, so long as they meet all qualification criteria, and the unit is not conditional based on their continued employment with the company.

Any compensation in the form of rent discounts or credits for housing costs must be included as part of the household's income, with the discount or credit appearing as a separate line item along with wage income on the TIC. Any discount or credit must reduce rents below the housing cost limit required under the MILU agreement(s).

Chapter 4. Housing Cost Limits and Setting Rents

Housing Cost Limits

Management can confirm the housing cost limits at a property by reviewing the property's MILU agreement. OH publishes AMI and housing cost limits for restricted units annually in the Spring on its website. Housing costs include contract rent, utilities, renters insurance, and any other mandatory fees such as King County Sewer Capacity charges, pest control charges, utility service fees, etc.

In cases where one unit is designated to satisfy requirements of multiple MILU agreements, the most restrictive limit applies.

Fees

Mandatory recurring fees such as the King County sewer capacity fee, utility billing administrative fees, and renter's insurance required as a condition of occupancy are factored into the housing cost limits. Month-to-month fees are considered mandatory only if they are the only option offered to a household.

Fees for optional services or amenities are not counted towards the housing cost limit. Examples include, but are not limited to, pet rent, parking, and storage fees.

Utility and Renter's Insurance Estimates

If households pay for any of their basic utilities, an estimate of that cost must be deducted from the housing cost limit. OH publishes utility and renter's insurance estimates on our website.

Leases signed on or after the effective date of OH utility estimates must reflect those estimates. Leases already in effect on the effective date of OH utility estimates must reflect those estimates within 90 days of that date. Management may need to reduce rents for restricted units when OH utility estimates increase, even if those units are mid-lease.

When households do not directly pay for any utilities, no rent reduction is required.

Ratio Utility Billing: Ratio Utility Billing is when a building takes the total utility bill and back bills households proportionally by the number of occupied units or the number of leaseholders in a unit. This practice is not permitted for restricted units. OH will require buildings charging for common area and/or commercial space utilities to reimburse tenants, regardless of the utility estimates used.

King County Sewer Capacity Charge: The King County sewer capacity charge does not meet the definition of a utility. Buildings seeking to charge this fee must include it in addition to the utility estimate.

Setting Contract Rent

The maximum contract rent on a restricted unit can be calculated by taking the housing cost limit and subtracting all required fees. As a best practice, OH recommends adding a small buffer when setting rents to account for unexpected utility or renters insurance estimate increases.

The table below provides an example of how to calculate this for a hypothetical 65% AMI OBR restricted unit where tenants are responsible for all utilities and management requires households to purchase renter's insurance.

Table 11. Calculating contract rent.

Components for Calculating Contract Rent	Amount
Housing Cost Limit (65% AMI OBR Unit as of 11/2025)	\$1,787
Utility Estimate	-\$160
Renter's Insurance	-\$25
KC Sewer Capacity Fee (at cost)	-\$33
Utility Billing Fee (at cost)	-\$5
Buffer	-\$15
Maximum Contract rent	=\$1,549

Rent Increases

Properties may increase rents, so long as the rent increases meet all City and State landlord tenant laws and any requirements specific to the affordability agreement.

MFTE agreements also limit rent increases to the greater of:

1. The percentage change in affordable rent limits (i.e., housing cost limits) published by the Office of Housing compared to the previous year.
2. The maximum rent increase determined and published by the Washington State Department of Commerce under RCW 59.18.700, regardless of when a certificate of occupancy was issued, whichever is less.

If the building has or had an MFTE Program 6 Agreement (which includes all MFTE Extension Agreements), lower income and housing cost limits apply for MFTE unit residents that moved in prior to November 14, 2025. You must use the “Current Limits: MFTE Program 6 and P6 extensions” tables published on OH’s website for those MFTE units.

In addition, certain MILU agreements have specific notice requirements for rent increases. For example, some MFTE and incentive zoning agreements require 180 days’ written notice for an increase in periodic or monthly rental rate, consistent with SMC 7.24.030A. MHA agreements require six months’ notice (slightly more than 180 days) prior to any rent increase for units occupied by a household that is no longer income-eligible.

Chapter 5. Compliance

OH asset managers monitor compliance of buildings with MILU agreements during a property’s regulatory compliance period. This chapter summarizes key compliance processes.

File Review and Audits

Initial Review

OH schedules the first file review within the first six months of the compliance period. The primary purpose of this initial file review is to ensure that new properties are correctly qualifying income-eligible households. OH will work with management to correct any issues. All household files will be reviewed at this stage.

After the initial review, OH will typically review a property’s files every three years unless the property has had issues complying with MILU agreement requirements.

What goes in a household’s file?

Income certification files are reviewed by OH asset management staff and state auditors during a file audit. Every file must include:

- a. Income Declaration Form (IDF)
- b. Tenant Income Certification (TIC)
- c. Income Calculation Worksheet
- d. Documentation of income/ income verification
- e. Demographic Form
- f. Lease and Lease Rider

The file is the “story” of the household and should be easy for the auditor to follow along. Organize the files in the above numbered sequence for easy review.

Recurring Reviews

During recurring reviews, a minimum of 20% or 10 current household files will be reviewed, whichever is higher. For properties with fewer than 15 units, all household files will be reviewed. OH asset management staff may review more files at their discretion.

What will auditors and/or OH staff review?

In addition to the list of documents required for a household file (see above), please have the following documents available during the review:

- a. Copy of current lease template used for unrestricted unit tenants and addendums given to residents.
- b. Affirmative marketing forms.
- c. All files for applicants who were denied (did not income qualify or were otherwise denied).

OH staff will review to ensure completeness and accuracy of all forms and that the property is following procedures for income-qualifying households, leasing units, and reporting.

Reporting

Management is required to complete an Annual Property Certification (APC) by **January 31** each year. OH sends the report template out each year. Please contact your assigned OH asset manager if you need help accessing the report or assistance completing it.

OH asset management staff review each APC to verify that the information is accurate and complete, with an emphasis on:

- Confirming that households are correctly income-certified/recertified and eligible to lease restricted units.
- Extended vacancies are reported and addressed.
- Households' monthly housing expenses do not exceed the applicable limits.

OH will monitor document uploads on a periodic basis to ensure all documents have been provided. Should management fail to upload the needed documents, OH will email the building management to request the missing documents within two weeks. If after another two weeks, management fails to provide the requested documents for a building, OH will email a second request to provide the documents within two weeks. If the property fails to provide the requested documents, OH will move forward and issue the Summary of Non-Compliance with information provided.

Compliance Determination

OH issues Certificates of Compliance after Annual Property Certifications (APCs) have been reviewed and the property is in compliance with its MILU agreement(s). OH staff will work with management if a Summary of Non-Compliance is issued.

If upon review, the building is not in compliance with the MILU agreement, OH will notify management of any instances of non-compliance identified in a letter detailing any compliance

findings, areas of concern, and, if applicable, any necessary follow-up actions. Management has two weeks to respond to a non-compliance letter.

When OH determines the submitted APC and/or corrective actions taken are satisfactory, OH will issue an annual certificate of compliance.

If management fails to respond, provide the requested documentation, and/or make the necessary corrections, OH will issue a Summary of Non-Compliance to the property owner. Actions by the City of Seattle in the event of failure to cure deficiencies with 30 days of the date of the Summary of Non-Compliance may vary depending on terms of the MILU agreement(s). However, for MFTE properties, OH may instruct the King County Assessor's Office to remove the property tax exemption for the residential improvements.

Corrective Actions: Over-Income Households or Missing Documentation

Approving an over-income or ineligible household to move into a restricted unit will require an additional comparable unit to be restricted. The unit occupied by the over-income household or household with missing documentation must continue to be treated as a restricted unit until that household moves out. This means that:

- Housing costs must remain at or below the applicable AMI limit (i.e., housing cost limit). OH may request rent ledgers to document compliance.
- Income recertification must be completed annually for that household (if required by the MILU agreement).
- The APC must reflect that the units are restricted (both the unit occupied by the over-income household and the newly restricted unit).

OH must approve any changes/conversions of restricted units to unrestricted units.

Files with missing or incomplete documentation for a household in a restricted unit must be corrected as soon as possible for the property to receive a certificate of compliance. If the missing or incomplete documentation is not corrected within 30 days of the finding, the Next Available Unit rule will be triggered.

Changes in Building Ownership/Management

Property owners must notify OH staff prior to any transfer of ownership or sale of a property or any change in management company. Please provide new contact information for any new property management company or staffing change.

Property owners must secure and account for all resident files before transitioning to a new management company to prevent paperwork from being lost, which may jeopardize compliance with MILU agreements.

Changes in Restricted Unit Count or Type

Any change to unit type, unit count, unit status or change in use must be communicated to and approved by OH prior to leasing the unit. Failure to do so may result in the termination of a property's tax exemption.

Compliance Fees

OH invoices management for annual compliance monitoring fees if required consistent with the building's MILU agreement(s). Annual compliance monitoring fees are payable to OH. OH sends invoices to properties by May 1 each year with payment due no later than June 30 of that year.

Publicly Funded Properties

If a property has both MILU agreements and public funding agreements, the most restrictive requirements apply to each restricted unit. Properties in the OH loan portfolio will be monitored in accordance with procedures for all City-funded properties. Properties may also be subject to compliance monitoring required according to non-City regulatory agreements (e.g., Washington State Housing Finance Commission (WSHFC), Seattle Housing Authority).

Publicly funded properties must complete a WBARS annual report. However, OH-funded properties are not required to complete the APC unless notified by OH to do so.

Chapter 6. When MILU Agreements End

Compliance Period

The date when MILU agreement requirements end varies. For example, MFTE agreements for newly constructed multifamily housing are in effect from initial lease-up until the 12th year the tax exemption is in effect. Most MHA agreements have 75-year compliance periods. Some types of MILU agreements have 50-year terms. Management should refer to the MILU agreement(s) recorded on the title of their property to determine when restrictive covenants are scheduled to end. Reporting requirements often extend beyond the end of a compliance period. Please contact OH if you have any questions.

Expiration of Affordability Restrictions

If affordability restrictions are scheduled to expire, management will need to do the following:

- At least one year prior to the scheduled expiration, notify the Seattle Department of Construction & Inspections (SDCI) of the pending MILU agreement expiration date and request a determination of applicability of Tenant Relocation Assistance Ordinance (TRAO) requirements.
- Provide notice to residents of restricted units regarding the scheduled termination of the MILU agreement and the options available to them, including remaining in their apartment. Notices must also inform residents whether tenant relocation assistance is available/ how to apply for it.

MILU Agreement Requirements for Effective Leases

Property owners and managers must honor the terms of a signed lease for tenants in restricted units even if the affordability requirements expire during the lease period.

Change of Use

Demolishing or converting a property to nonresidential use does not absolve the property owner from meeting the terms of the MILU agreement(s), which typically run with the land. Property owners and managers must notify their assigned OH asset manager of any planned change of use to determine follow-up actions in accordance with governing code and MILU agreements.

As with expiring properties, a change of use may trigger TRAO. Property owners and managers will need to contact SDCI to determine if this is the case.

Final Report

Following the expiration of any MILU agreement, management must complete a final Annual Property Certification (APC). This report is due no later than January 31 of the year following the expiration. OH will review the report and issue a final certificate of compliance that will serve to close the compliance period.

MFTE Extensions

MFTE properties may apply for an additional 12 years of tax exemption. Properties seeking the extension must do so no later than May 1 of the scheduled expiration year. In addition to submitting a complete application, properties will need to provide current year income certifications for all households.

Factors that may prohibit approving an extension application include:

- Project would not be eligible under current rules.
- Project has SDCI-issued violations.
- Project has outstanding findings of non-compliance and/or a pattern of non-compliance.

When a property owner extends their MFTE tax exemption, they agree to lower AMI limits for all restricted units. All households living in restricted units must be income recertified.

Appendix. Verifying Income and Assets

Management must verify that each household residing in a restricted unit is income-eligible prior to move-in and then again at the time of annual recertification, if applicable. This appendix describes the process for verifying household income.

Verification Options for Income from Wages

Management can choose from two options when verifying gross income from wages:

Verification Option 1: Source Documentation

- A minimum of three (3) months of current and consecutive paystubs, OR
- Verifiable offer letter, OR
- W-2 or previous year's tax return.

Verification Option 2: Third party verification.

Third party verification involves another party, such as an employer or service, confirming the household's income information.

- Third party verification forms are available on OH's website; or
- The Work Number is a subscription service that can be used to confirm an individual's employment status and earnings

Other Common Types of Wage Income

Overtime, Tips, Bonuses and Commissions

If the wage verification indicates overtime, include this amount in the income calculation. If tip income is disclosed in the wage verification, include that amount in the income calculation. If bonuses and/or commissions are identified as part of the wage verification, include this amount in the income calculation. Hiring bonuses may be excluded.

Self-Employment and Contract Work

Self-employed household members must provide their previous year's tax return, including Schedule C Profit and Loss statement when applying to live in a restricted unit. If the previous year's return has not been filed, use the prior year's return so long as it isn't after April 15, unless the applicant can provide proof they have filed for an extension.

Any household member who works as an independent contractor must provide a Form 1099. Income reported on a 1099 is gross income and the contractor is responsible for their own expenses and taxes. Similarly to those who are self-employed, contractors must provide a Schedule C profit and loss statement.

Unemployment

Verification may include a benefit letter, online statement, or unemployment check stub if the gross amount is listed.

Verification of Non-Wage Income

Social Security

Use the gross amount of periodic income (before any deduction for Medicare, etc.) from the Social Security Administration (SSA), including pension, disability, SSI, survivor benefits. This includes benefits for minors. Verification may include an online statement from the MY Social Security website or a benefit letter no older than the last COLA.

Public Assistance

Use the gross monthly income of support the household receives from the Washington State Department of Social and Health Services (DSHS). Do not include food assistance (also called Food Stamps or SNAP) or Housing and Essential Needs (HEN) income. Verification may include a printout from the DSHS Benefit Verification System or current benefit letter.

Pensions and Other Periodic Income

Use the gross amounts of regular periodic distributions from pensions, insurance policies, retirement accounts, and/or other similar benefits when calculating household income. Use online statements or benefit letters (no older than 12 months old) for verification. For government pensions, if any portion is paid directly to a former spouse, do not include that portion in annual income.

Annuities

Use the gross amounts of regular periodic payments from annuities. A statement or benefit letter may serve to verify annuity income.

Alimony and Child Support

Alimony or child support payments *received* by the household members must be included in determining household income. A statement from the Office of Support Enforcement showing amounts paid, a written statement from the person providing the support, or a copy of the most recent support check are acceptable forms of verification. A resident's written self-certification of the amount received or bank statements may serve as verification in the event other forms of verification are not available.

Military Pay

The Leave and Earnings Statement (LES) verifies Base Pay, Basic Allowance for Subsistence (BAS), and Basic Allowance for Housing (BAH). Base Pay and BAH are included as income. BAS, clothing allowance, dislocation allowance, family subsistence supplemental allowance, and combat pay are considered exempt and not included as income. A recent copy of the LES showing gross pay serves as verification.

Student Income

Students often have a variety of income sources to support the cost of their education and/or living expenses. Below are examples of student income sources and what is counted in income:

Table 2 Examples of student income.

Type of Student Income	Need-based	Count as income	Do not count as income
Pell Grant	X		X
Washington College Grant	X		X
Work study	X		X
GI Bill/ VR&E	X		X
Subsidized loans	X		X
Unsubsidized loans			X
Family support/ gift income		X	
Fellowships		X	
Stipends		X	
Graduate service appointment		X	
Government sponsorship		X	
Scholarships			X
527 accounts that pay directly to the student		X	
527 accounts that pay directly to the school			X
Employment (non-work study)		X	

The Office of Housing provides a Student Certification form to document and help calculate student income.

Gift Income

Gift income (e.g., funds from friends and family) may appear on bank statements. Gift deposits appearing on bank statements should be included in the total income calculation.

Property Management Compensation

Rent discounts are often included as part of compensation packages for employees of property owners and management companies. Households applying to lease a restricted unit must disclose all rent reductions, discounts, and credits as income on the IDF form.

No Income/Between Jobs/ Recent Graduates

Any adult household member with no source of income should provide bank statements and/or use the self-certification option if no bank statements are available. Households with adults between jobs, should use income from prior employment to estimate their income. W2s or paystubs can be used to show prior employment income.

Other Income Verification Procedures

Bank Statements: Management must request three (3) months of current and consecutive bank statements from all adult household members applying to live in a restricted unit. Bank statements may include income that is not otherwise captured in paperwork.

Self-certification: In the unlikely event that none of the options above are available, self-certification of income may be used as a last resort. Up to 10% of households certified per year at a property may self-certify their income by providing a written attestation that they are income-eligible using the standardized self-certification form available on OH's website. Management should document the reason that standard documentation was unavailable in the household's file.

Income from Assets

Income from assets will not be counted unless a household is regularly drawing from asset accounts to pay for living expenses. If the household has deposits from asset accounts, document these deposits or sale of assets using statements from the following:

- Checking and Savings Accounts
- Stocks/ Bonds/ Treasury Bills/ Certificates of Deposit/ Money Market/ Crypto Accounts
- Trusts, including revocable trusts
- Individual Retirement/ Keogh/ 401 (k) accounts
- Life Insurance Annuities
- Income generated from real estate (e.g., rental income)

Deposits from asset accounts will most likely appear on household members' bank statements and should be included on the TIC and annualized as part of the income calculation for the household.

Calculating Income

Management must use the Tenant Income Certification (TIC) form to calculate annual wage and non-wage income for a household based on information in their source documentation or third-party verification. The form includes tabs with formulas to make this easy.

Once annualized income has been calculated, income from bank statements must be factored into the final total household income calculation.

The standard formula for calculating income is:

$$\begin{aligned} &\text{Annualized Income from Source Documentation or Verification} \\ &+ (\text{Annualized Deposits from Bank Statements} \\ &- \text{Duplicate Income on Source Documentation or Verification}) \\ &= \text{Projected Income} \end{aligned}$$

For **fulltime employment**, use the following factors to annualize income:

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

For **part-time employment**, multiply hourly wages by the number of anticipated hours to annualize income.

Deposits on Bank Statements

Management should use bank statements to identify income that might not be captured in source documentation.

Steps to Calculate Annual Income from Bank Statements:

- 1) Sum the total amount of deposits from three (3) months of consecutive bank statements for each adult household member. This information is typically shown at the top or bottom of each statement.
- 2) Remove duplicate income. Subtract any deposits that are already accounted for in the paystubs or other source documentation to avoid counting the same income twice.
- 3) Multiply the remaining total by four (4) to estimate annual income from bank deposits.
- 4) Add the annualized bank deposit amount to the annual income already verified through source documentation or third-party verification.
- 5) Compare the total annual income to the household income limit to confirm the household is income-eligible.
- 6) **If the household appears to be over-income, management should review the bank statement deposits more carefully to confirm what they are and if they are income.** Deposits that are not income should be removed and the calculation redone. Document the source of deposits over \$500 in the Deposit Explanation Form and maintain this in the household's file.

Examples of deposits that are not income include:

- Vendor refunds
- Transfers from other bank accounts owned by the household member
- Income tax refunds

Income Certification Forms

Income Certification Required Forms

- Income Declaration Form (IDF) -completed by household members
- Tenant Income Certification (TIC) – completed by management
- Self-Certification Attestation Form

Additional Income Certification Forms

These additional income verification forms may be necessary depending on the unique Income Declaration Form (IDF) information for each household.

- Employment Verification Form (option for third party verification)
- Student Status Certification Form
- Deposit Explanation Form (used only to confirm deposits if household is over-income during review of bank statements)