MFTE Expiration and Program Exit Process

Guidance for Multifamily Tax Exemption Projects Approaching Exemption Expiration

Purpose

This policy establishes the City's process for managing Multifamily Tax Exemption (MFTE) projects as they approach the end of their exemption period (8, 12, or 20 years under RCW 84.14), including tenant protections, owner notification obligations, and how the exemption's expiration interacts with the statewide rent stabilization law (HB 1217 / RCW 59.18.700–.710).

Applicability

Applies to all active MFTE projects administered by the City nearing the end of their certificate of tax exemption term, regardless of program length (8-year market-rate, 12-year affordable, or 20-year affordable/ownership). Certificates may be withdrawn, extended, or allowed to expire.

Certificate of Exemption Expiration

At the conclusion of the exemption period, the Assessor adds the residential improvement value back to the tax rolls as "new construction" for assessment purposes under chapters 84.55 and 36.21 RCW. Income and rent restrictions on the affordable units end unless subject to local or state rent increase protections or the owner has applied for and been granted an extension.

Existing tenants are not required to vacate. The unit simply converts from a restricted unit to a market-rate unit going forward. At MFTE expiration, the unit has a change in rent/income restriction status, this is not a lease termination event. If the MFTE household voluntarily leaves the unit may then be converted to market rate.

Local rent increase restriction

On July 3, 2023, Vancouver City Council adopted Ordinance M-4416, amending the MFTE program. Among other changes, the ordinance restructured the income-based options to a 12-year exemption (20% of units restricted to households at or below 80% of median family income) and a rent increase cap of a 5% + CPI annual rent cap that applies specifically following the expiration of an income-based exemption for the following 5 years. This local rent increase restriction applies to any MFTE projects approved after July 3, 2023.

Statewide rent increase cap under HB 1217
Separately, HB 1217 caps annual rent increases at 7% + CPI or 10% (whichever is lower) on nearly all residential tenancies statewide and requires 90 days' written notice using the statutory form for any increase. New construction is exempt from this cap for 12 years from the certificate of occupancy date (RCW 59.18.710), but that clock runs independently of the MFTE exemption term — for most 12-year and 20-year MFTE projects, the HB 1217 new-construction exemption will already have lapsed before the MFTE exemption ends.

Which cap controls
Where local and state requirements differ, the more protective standard governs. Because M-4416's 5% + CPI cap is stricter than HB 1217's 7%+CPI/10% cap, the local cap is what actually limits rent increases on former MFTE income-based units after expiration — HB 1217 doesn't loosen that. Owners should not assume that reaching the end of MFTE, or even exhausting any HB 1217 exemption, means a return to unrestricted rent-setting on units that went through the income-based option. The 90-day notice and statutory notice form requirement applies regardless of which cap governs.

Notice to the Assessor. At the expiration of the certificate City staff shall notify the Clark County Assessor that the project will no longer be exempt from property tax.

Certificate of Exemption Withdrawal

If the owner intends to convert the MFTE development to another use, or if the owner intends to discontinue compliance with the affordable housing requirements or any required condition of the exemption, the owner must notify the City of Vancouver and Clark County Assessor within 60 days of the change in use or intended discontinuance. Upon notice of change in use or withdrawal, the Clark County assessor may impose an additional tax on the property, together with the interest and penalty, and a priority lien may be placed on the land, pursuant to Chapter 84.14 RCW.

Certificate of Exemption Extension

Owners of projects using the 12-year affordable exemption may apply for a 12-year extension, provided the application is submitted within 18 months of expiration but no later than 120 days from the certificate expiration to accommodate City Council hearing and decision timelines.

Certificate extensions are an “at-will” decision by City Council and are not guaranteed.

The MFTE final certificate extension is subject to the requirements of Vancouver Municipal Code Chapter 3.22, including but not limited to conditions listed on the extension application form.

City Notifications

A notice to owners approaching MFTE expiration will include:

1. Timeline: The MFTE program staff will send the first owner notice at 24 months (informational, extension option), a second notice at 18 months (deadline reminder), and a third notice at 6 months (relocation assistance and reassessment logistics).
2. Tenant relocation assistance obligation (for 12-year MFTE program): amount, timing, and eligibility criteria.
3. Assessor notification requirement and 60-day deadline if discontinuing compliance.
4. HB 1217 applicability: statewide rent cap and 90-day notice/form requirement continue to apply after MFTE restrictions lift, and owners should confirm their certificate of occupancy date to know whether they're still within any HB 1217 new-construction exemption window.
5. Reassessment: improvements return to the tax roll as new construction for the following assessment year; owners should expect a tax bill increase and may want to plan for it.
6. Existing tenants remain in place: MFTE expiration changes rent-setting authority going forward, not occupancy.
7. Annual reporting obligations: end once the exemption expires and is not extended.
8. A point of contact at the City of Vancouver Housing Division for questions, and an invitation to discuss the extension option before the 18-month deadline passes.