

Return Address:

City of Seattle Office of Housing
PO Box 94725
Seattle, WA 98124-4725
Attn: Mike Kent

Please print or type information **WASHINGTON STATE RECORDER'S Cover Sheet** (RCW 65.04)

Document Title(s) (or transactions contained therein): (all areas applicable to your document must be filled in)

1. MFTE Agreement 2. _____

Reference Number(s) of Documents assigned or released:

Additional reference #'s on page _____ of document

Grantor(s) (Last name, first name, initials)

1. City of Seattle

Additional names on page _____ of document.

Grantee(s) (Last name first, then first name and initials)

1. 3 M 42 LLC

Additional names on page _____ of document.

Assessor's Property Tax Parcel/Account Number

0952006565, 0952006580

Assessor Tax # not yet assigned

Legal description (abbreviated: i.e. lot, block, plat or section, township, range)

PARCEL A:

LOTS 12, 13, AND 14, BLOCK 51, BOSTON CO.'S PLAT OF WEST SEATTLE, AS RECORDED IN VOLUME 3 OF PLATS, PAGE 19, RECORDS OF KING COUNTY, WASHINGTON;

EXCEPT THE EAST 2.00 FEET THEREOF AS CONVEYED TO THE CITY OF SEATTLE IN DEED RECORDED UNDER RECORDING NUMBER 20071128000420.

PARCEL B:

LOTS 15 AND 16, BLOCK 51, BOSTON CO.'S PLAT OF WEST SEATTLE, AS RECORDED IN VOLUME 3 OF PLATS, PAGE 19, RECORDS OF KING COUNTY, WASHINGTON;

EXCEPT THAT PORTION AS CONVEYED TO THE CITY OF SEATTLE IN DEED RECORDED UNDER RECORDING NUMBER 20071128000420.

ALL SITUATE IN THE CITY OF SEATTLE, COUNTY OF KING, STATE OF WASHINGTON.

The Auditor/Recorder will rely on the information provided on the form. The staff will not read the document to verify the accuracy or completeness of the indexing information provided herein.

I am requesting an emergency nonstandard recording for an additional fee as provided in RCW 36.18.010. I understand that the recording processing requirements may cover up or otherwise obscure some part of the text of the original document.

Signature of Requesting Party

Unofficial Copy

**MULTIFAMILY HOUSING LIMITED PROPERTY TAX EXEMPTION
AGREEMENT**

THIS MULTIFAMILY HOUSING LIMITED PROPERTY TAX EXEMPTION AGREEMENT (“Agreement”) is entered into on the date signed below between 3 M 42 LLC, a Washington limited liability company, referred to as “Applicant,” and The City of Seattle, a Washington municipal corporation, referred to as “City”.

Recitals.

1. Applicant applied for a limited property tax exemption as provided for in Chapter 84.14 RCW and Chapter 5.73 SMC for new multifamily rental housing as part of a MIXED-USE development (“Multifamily Housing”) in the Seattle Residential Targeted Area, and the Director of Housing (“Director”) has approved the application; and
2. Applicant has submitted to the City preliminary site plans and floor plans (“Preliminary Plans”) for the Multifamily Housing constructed as part of a MIXED-USE project (“Project”) on property situated at 4532 42nd Avenue SW in Seattle, Washington, and described more specifically as follows:

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hereafter referred to as the "Property"; and

3. Applicant is the owner of the Property; and
4. NO existing rental housing building that contained four or more occupied dwelling units was demolished on the Property within eighteen (18) months prior to Applicant's submission of its application for limited property tax exemption; and
5. The City has determined that the Multifamily Housing will, if completed, occupied, and owned as proposed, satisfy the requirements for a final certificate of tax exemption;

NOW, THEREFORE, in consideration of the mutual promises herein, City and Applicant do mutually agree as follows:

1. Conditional Certificate of Acceptance of Tax Exemption.

Subject to Applicant's execution of this Agreement, City agrees to issue a Conditional Certificate of Acceptance of Tax Exemption ("Conditional Certificate"), which will expire three (3) years from the date of approval unless extended by the Director as provided in SMC 5.73.070. Applicant understands and agrees that this Agreement and the Conditional Certificate pertain to rental housing and that in the event that individual residential units within the Multifamily Housing are sold, this Agreement will automatically terminate, and any Conditional Certificate issued pursuant to this Agreement is void. For purposes of this Agreement, a sale will be deemed to have occurred when an instrument transferring title to an occupant or proposed occupant of an individual residential unit is recorded.

2. Agreement to Construct Multifamily Housing.

- a. Applicant agrees to construct the Project on the Property, including the Affordable Units, substantially as described in the Preliminary Plans, subject to such modifications as may be required to comply with applicable codes and ordinances, including the design review process. In no event shall Applicant provide fewer than four (4) new dwelling units or housing units in a Congregate Residence designed for Permanent Residential Occupancy as part of the Project. At least fifty percent (50%) of the space in each building of the Project must be devoted to Permanent Residential Occupancy.

- b. Applicant agrees to comply with all applicable zoning requirements, land use regulations, and building and housing code requirements contained or incorporated in SMC Titles 22, 23, and 25. Applicant further agrees that execution of this Agreement by the Director, or issuance of a Conditional Certificate by the City pursuant to SMC Chapter 5.73 in

no way constitutes approval of proposed improvements on the Property with respect to applicable provisions contained or incorporated in SMC Titles 22, 23, and 25 or obligates the City to approve proposed improvements.

c. Applicant agrees that the Multifamily Housing will be completed within three (3) years from the date of approval, unless extended by the Director for cause as provided in SMC 5.73.070.

3. Agreement to Provide Affordable Housing.

a. Applicant agrees that, from the date of application for the Final Certificate of Tax Exemption, and for the entire period of time for which the Multifamily Housing receives a tax exemption, a certain minimum number of the residential units in the Project shall be Affordable Units. Affordable Units means residential units rented at an Affordable Rent to Income Eligible Occupants. Affordable Rent means that the monthly rent plus tenant paid utilities and any mandatory recurring fees required as a condition of tenancy for the unit does not exceed 30 percent of the monthly imputed Median Income designated by SMC Chapter 5.73 for qualifying units. In accordance with SMC 5.73.040 B.1., in projects that contain at least the minimum number of Dwelling Units with two or more Bedrooms, according to Table A for 5.73.040.B, a minimum of 20 percent of all units in the Project shall be Affordable Units rented to tenants whose household annual income is at or below 40 percent of Median Income for housing units in Congregate Residences or small efficiency Dwelling Units, at or below 65 percent of Median Income for studio units, at or below 75 percent of Median Income for one-Bedroom units, at or below 85 percent of Median Income for two-Bedroom units, and at or below 90 percent of Median Income for three-Bedroom and larger units.

"Dwelling Unit" means a room or rooms located within a structure that are configured to meet the standards of Section 23.42.048 and that are occupied or intended to be occupied by not more than one household as living accommodations independent from any other household, pursuant to Section 23.84A.008.

"Congregate Residence" means a use in which rooms or lodging, with or without meals, are provided for nine or more non-transient persons not constituting a single household, excluding single-family Dwelling Units for which special or reasonable accommodation has been granted, pursuant to Section 23.84A.006.

"Bedroom" means a habitable room in a Dwelling Unit that meets the following criteria: (1) gross floor area measures are no less than 70 square feet; (2) wall dimension measures are no less than 7 feet; (3) lighting is provided through an exterior opening in accordance with

Section 1205.2.2 of the Seattle Building Code or, in the case of adjoining spaces, in accordance with Section 1205.2.1 of the Seattle Building Code; (4) ventilation is provided through an exterior opening to the outdoors in accordance with Section 1203.5.1 of the Seattle Building Code or, in the case of adjoining spaces, in accordance with Section 1203.5.1.1 of the Seattle Building Code or, in the case of openings below grade, in accordance with Section 1203.5.1.2 of the Seattle Building Code; and (5) walls and exit access doorway(s), consistent with Chapter 2 of the Seattle Building Code, provide a complete separation from the rest of the Dwelling Unit.

Table A for 5.73.040.B

Total Dwelling and/or Congregate Residence Units and Corresponding Minimum Units with Two or More Bedrooms

Project Size (Total Units)	Minimum Dwelling Units with two or more Bedrooms
Less than or equal to 100	4
101 to 150	6
151 to 200	8
201 to 250	10
251 to 300	12
More than 300	12, plus 2 for every additional 50 Dwelling Units or housing units in a Congregate Residence

Affordable Units; Unit Size, Type, Distribution, Comparability

The Affordable Units shall be provided in a range of sizes comparable to those units that are available to other residents. To the extent practicable, the type of layout (including but not limited to number of bedrooms, and layouts that are traditional, “open”, or including additional rooms such as a den or second bathroom,) in the Affordable Units must be in the same proportion as the type of layout of units within the entire development. The Affordable Units shall generally be distributed throughout the development (i.e., not located predominantly on one floor in a multi-floor building or next to noisy or adverse use) and have

substantially the same functionality as the other units in the development. Affordable Units shall have comparable finishes, hardware, and appliances as market rate units of similar type.

For purposes of this Agreement, Affordable Rent means that the annual rent plus tenant paid utilities for the unit do not exceed 30% of the percentage of Median Income designated by SMC 5.73.040.A.7. Median Income means annual family median income for the Seattle-Bellevue-Everett Primary Metropolitan Statistical Area, as published from time to time by HUD. Income Eligible Occupants means that the Household Annual Income at initial occupancy of the Affordable Unit is no greater than the percentage of Median Income designated by SMC 5.73.040.A.7. Household Annual Income is defined in subsection b.(2) below.

b. Applicant is responsible for verifying the income of households occupying Affordable Units no later than the date of initial occupancy.

(1) Prospective tenants of Affordable Units shall be advised of the definition of Annual Income at the time they are provided with an application for tenancy.

(2) For purposes of this Agreement, Annual Income means the annual income of a Family as determined, unless otherwise approved in writing by the City, in accordance with 24 C.F.R. Section 5.609 or successor provision. The Owner shall follow the requirement in 24 C.F.R. Section 5.617 when making subsequent Annual Income determinations of persons with disabilities after their initial occupancy. Annual Income is calculated for prospective tenants by projecting the income anticipated to be received over the twelve-month period following the date of initial occupancy, based on the prevailing rate of income of each person at the time of income verification, which shall be no more than 120 days prior to the date of initial occupancy.

The Owner shall obtain from each tenant, no less than annually, a certification of Family size and Annual Income in form acceptable to the City.

Owners must attempt to obtain Third Party Verification whenever possible to substantiate income at each certification. The verification documents must be supplied directly to the independent source by the Owner and returned directly to the Owner from the independent source. In the event that the independent source does not respond to the Owner's faxed, mailed, or emailed request for information, the Owner may pursue oral third party verification. If written or oral third party documentation are not available, the Owner may accept original documents (pay stubs, W-2, etc.) at the discretion of the Director and must document why third party verification was not available. At the discretion of the Director, the Owner may accept tenant self-

certifications from households in Affordable Units after the initial income verification and first annual recertification.

(3) Documentation of tenant income eligibility for Affordable Units shall be obtained by Applicant or Applicant's agent and maintained on file for audit or inspection through the term of the tenancy, and for six (6) calendar years thereafter. Documentation shall include, at a minimum, an application signed by the prospective tenant declaring monthly or annual income, and certifying that the information thereon is correct, and evidence of current income.

(4) For renter-occupied Affordable Units, the Owner shall continue to charge Income Eligible Occupants no more than the maximum affordable rent allowable until the income of the Family in the Affordable Unit is determined upon recertification to be more than 150 percent of the income limit for the class of the Affordable Unit.

(5) If, upon recertification of income, the Annual Income of a Family in one of the Affordable Units exceeds 150 percent of the income limit for the class of the Unit, the Family ceases to be an Income Eligible Occupant. The next available unit of comparable size and amenities must be designated as an Affordable Unit and leased to an Income Eligible Occupant. The initial over-income unit may then be charged a market-rate rent.

c. Applicant agrees to make good faith efforts to rent all vacant Affordable Units. Applicant shall comply with all applicable fair housing and nondiscrimination laws, ordinances and regulations.

d. Applicant agrees to rent Affordable Units only pursuant to a form lease or rental agreement prepared by Applicant. Applicant shall provide a copy of the form of lease currently in use to the City promptly upon any request by the City. The form lease or rental agreement shall comply with all applicable laws; shall not include any provisions prohibited by applicable laws or regulations; shall prohibit subletting or assignment of the lease without the express written approval of Applicant, which approval shall not be granted by Applicant if the result would be any violation of the requirements of this Agreement to provide affordable housing; and shall state that information about the affordable housing requirements pursuant to SMC Chapter 5.73 is available from the City's Office of Housing.

e. Applicant agrees that the mix and configuration of the Affordable Units shall be substantially proportional to the mix and configuration of the total housing units in the Project. If the Project contains more than one building, Applicant agrees that all of the Affordable Units will not be located in the same building.

f. Applicant agrees that the Affordable Units shall have substantially the same level of interior fixtures and quality of finish as the other housing units in the Project.

g. The Director is authorized to limit fees charged to Income Eligible Occupants upon move-in or transfer in the same building, including, but not limited to, property administrative fees, transfer fees, last month's rent, and security deposits. Any limitations placed on fees shall not include criminal background or credit checks, which may be charged to the Income Eligible Occupant at cost.

Owners shall not authorize a fee to be charged to Income Eligible Occupants for income verification or program administration of the Multifamily Tax Exemption Program.

4. Requirements for Final Certificate of Tax Exemption.

Applicant may, upon completion of the Multifamily Housing and upon issuance by the City of a temporary or permanent certificate of occupancy, request a Final Certificate of Tax Exemption ("Final Certificate"). The request shall be in writing directed to the City's Office of Housing and be accompanied by all of the following:

- a. A statement of expenditures made with respect to each housing unit in the Project and the total expenditures made with respect to the entire Project.
- b. A description of the completed work and a statement of qualification for the exemption.
- c. Documentation that the Multifamily Housing was completed within the required three-year period or any authorized extension and in compliance with the terms of this Agreement.
- d. Information regarding Applicant's compliance with the affordability requirements in SMC 5.73.040 and this Agreement, which shall include all of the following:
 - (1) Identification of all Affordable Units, whether rented or held vacant to be rented by Income Eligible Occupants.
 - (2) Rents (or offering rents, as applicable) for all Affordable Units.
 - (3) A copy of the application form used for rental of Affordable Units.
 - (4) A copy of the form of lease or rental agreement to be used for Affordable Units.
- e. Any such further information that the Director deems necessary or useful to evaluate eligibility for the Final Certificate.

5. Agreement to Issue Final Certificate.

The City agrees to file a Final Certificate with the King County Assessor within forty (40) days of submission of all materials required by Section 4, if Applicant has:

- a. successfully completed the Multifamily Housing in accordance with the terms of this Agreement and SMC Chapter 5.73; and
- b. filed a request for a Final Certificate with the City's Office of Housing and submitted the materials described in Section 4 above; and
- c. paid to the City a fee in the amount to be determined by the Assessor to cover the Assessor's administrative costs; and
- d. met all other requirements provided in SMC Chapter 5.73 for issuance of the Final Certificate.

6. Annual Certification.

At such times as may be required by the Director, but no less than annually for the duration of the Compliance Period, the Owner shall file a certification with the Director, verified upon oath or affirmation, which shall contain such information as the Director may deem necessary or useful and shall include the following information:

- a. a statement of the occupancy and vacancy of the Multifamily Housing during the previous year; and
- b. a statement that the Multifamily Housing has not changed use since the date of filing of the Final Certificate; and
- c. a statement that the Multifamily Housing continues to be in compliance with this Agreement and the requirements of SMC Chapter 5.73; and
- d. a description of any improvements or changes to the Project made after the filing of the Final Certificate or the previous annual certification; and
- e. information and documentation sufficient to demonstrate, to the satisfaction of the Director, compliance with the affordability requirements of SMC 5.73.040.B and this Agreement, which shall, at minimum, include the following:

(1) identification of each Affordable Unit, and any substitution of Affordable Units during the previous year; and

(2) for each Affordable Unit that was initially occupied or that had a change of tenancy during the previous year, the date of each tenant's initial occupancy, the household size and Household Annual Income of each tenant household at initial occupancy, and the rent charged at initial occupancy; and

(3) for any Affordable Units with turnover during the previous calendar year, the date on which any tenancy was terminated, and the time during which the unit remained vacant; and

(4) the current contract rent on the anniversary date of the Final Certificate for each Affordable Unit.

f. Within two weeks of lease-up of all Affordable Units and no later than January 31 of the first year of tax exemption, the Owner shall file a compliance certification with the Director substantially similar in format and content to the annual property certification described in subsection 5.73.100.A.

g. After the end of the Compliance Period, and at such times as may be required by the Director, the Owner shall file a certification with the Director, verified upon oath or affirmation, containing the rent levels being charged for units that were designated as Affordable Units in the final year of the Compliance Period and for the year following the Compliance Period.

7. No Violations for Duration of Exemption.

For the duration of the limited tax exemption granted under SMC Chapter 5.73, Applicant agrees that the Project and the Property will have no violations of applicable zoning requirements, land use regulations, and building and housing code requirements contained in SMC Titles 22, 23, and 25 for which the City's Department of Planning and Development or its functional successor shall have issued a notice of violation, citation or other notification that is not resolved by a certificate of compliance, certificate of release, withdrawal, or another method that proves either compliance or that no violation existed, within the time period for compliance, if any, provided in such notice of violation, citation or other notification or any extension of the time period for compliance granted by the Director of the Department of Planning and Development.

8. Notification of Transfer of Interest or Change in Use.

Applicant agrees to notify the Director within thirty (30) days of any transfer of Applicant's ownership interest in the Project or the Property. Applicant further agrees to notify the Director and the King County Assessor within sixty (60) days of any change of use of any or all of the Multifamily Housing to another use. Applicant acknowledges that such a change in use may result in cancellation of the limited tax exemption and imposition of additional taxes, interest and penalties pursuant to State law.

9. Cancellation of Exemption - Appeal.

a. The City reserves the right to cancel the limited tax exemption if at any time the Multifamily Housing no longer complies with the terms of this Agreement or with the requirements of SMC Chapter 5.73, or for any other reason no longer qualifies for a limited tax exemption.

b. If the limited tax exemption is canceled for non-compliance, Applicant acknowledges that State law requires that an additional real property tax is to be imposed in the amount of: (1) the difference between the tax paid and the tax that would have been paid if it had included the value of the non-qualifying improvements, dated back to the date that the improvements became non-qualifying; (2) a penalty of 20% of the difference calculated under (1) of this subsection b.; and (3) interest at the statutory rate on delinquent property taxes and penalties, calculated from the date the tax would have been due without penalty if the improvements had been assessed without regard to the exemptions provided by RCW Chapter 84.14 and SMC Chapter 5.73. Applicant acknowledges that, pursuant to RCW 84.14.110, any additional tax owed, together with interest and penalty, become a lien on the Property and attach at the time of any change of use of any or all of the Multifamily Housing or at the time that all or any portion of the Multifamily Housing no longer meets applicable requirements, and that the lien has priority to and must be fully paid and satisfied before a recognizance, mortgage, judgment, debt, obligation, or responsibility to or with which the Property may become charged or liable. Applicant further acknowledges that RCW 84.14.110 provides that any such lien may be foreclosed in the manner provided by law for foreclosure of liens for delinquent real property taxes.

c. Upon determining that a limited tax exemption is to be canceled, the Director, on behalf of the Council, shall notify the owner of the Property by certified mail, return receipt requested. The owner of the Property may appeal the determination in accordance with RCW 84.14.110 and SMC 5.73.110.

10. Amendments.

No modification or amendment of this Agreement shall be made unless mutually agreed upon by the parties in writing and unless in compliance with the provisions of SMC 5.73.065.

11. Binding Effect.

The provisions, covenants, and conditions contained in this Agreement are binding upon the parties hereto and their legal heirs, representatives, successors, assigns, and subsidiaries and are intended to run with the land.

12. Recording of Agreement.

The Director shall cause to be recorded, or require Applicant to record, in the real property records of the King County Department of Records and Elections, this Agreement and any other documents as will identify such terms and conditions of eligibility for limited tax exemption as the Director deems appropriate for recording, including requirements under SMC Chapter 5.73 relating to affordability.

13. Audits and Inspection of Records.

Applicant understands and agrees that the City has the right to audit or review appropriate records to assure compliance with this Agreement and SMC Chapter 5.73 and to perform evaluations of the effectiveness of the Multifamily Housing Property Tax Exemption program. Applicant agrees to make appropriate records available for review or audit upon seven (7) days' written notice by the City.

14. Notices.

All notices to be given pursuant to this Agreement shall be in writing and shall be deemed given when hand-delivered within normal business hours, when actually received by facsimile transmission, or two business days after having been mailed, postage prepaid, to the parties hereto at the addresses set forth below, or to such other place as a party may from time to time designate in writing.

OWNER: 3 M 42 LLC
c/o Braseth Construction
Attention: Mark Braseth
3835 West Marginal Way SW
Seattle, WA 98106
Phone: 206-937-5661
Email: mark.a@brasethconstruction.com

CITY:

City of Seattle
Office of Housing
700 Fifth Avenue, #5700
PO Box 94725
Seattle, Washington 98124-4725
Phone: (206) 684-0721 Fax: (206) 233-7117
Attention: Director

15. Defined Terms.

All capitalized terms not otherwise defined in this Agreement are defined in SMC Chapter 5.73.

16. Severability.

In the event that any term or clause of this Agreement conflicts with applicable law, such conflict shall not affect other terms of this Agreement that can be given effect without the conflicting terms or clause, and to this end, the terms of the Agreement are declared to be severable.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the dates indicated below.

CITY:
The City of Seattle

OWNER:
3 M 42 LLC
a Washington limited liability company

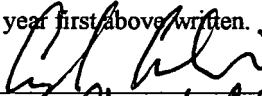
By: [Signature]
Steve Walker
Director of Housing
Date: 9/21/17

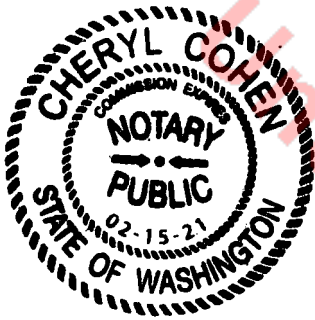
By: [Signature]
Name: Mark A. Braseth
Its: Manager
Date: 8/2/2017

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

On this 21 day of September, 2017, personally appeared before me **Steve Walker**, to me known to be the **Director of Housing of The City of Seattle**, the municipal corporation that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said municipal corporation for the uses and purposes therein mentioned and on oath stated that he was authorized to execute said instrument.

WITNESS my hand and official seal the date and year first above written.


Print name: Cheryl Cohen
NOTARY PUBLIC in and for the State of Washington,
residing at Nes Places
My Commission expires 2-15-21

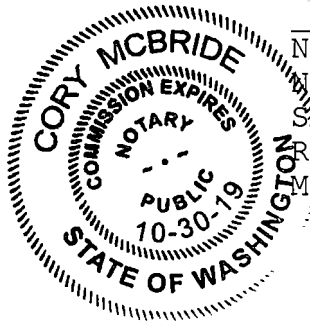
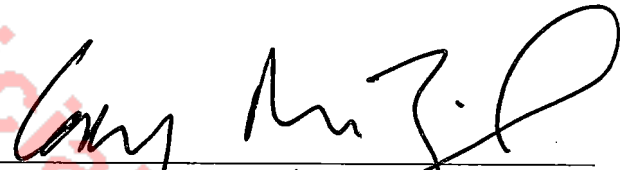


Official Copy

STATE OF WASHINGTON)
) SS
COUNTY OF KING)

I certify that I know or have satisfactory evidence that MARK A. BRASETH, the person who appeared before me, the Managing Member of 3 M 42 LLC a Washington State Limited Liability Company, and said person acknowledged that he signed this instrument and acknowledged it to a voluntary act for the uses and purposes mentioned in this instrument and on oath stated he was authorized to execute said instrument.

DATED: 8/2/17



Name: Cory McBride
NOTARY PUBLIC in and for the
State of Washington
Residing at: Seattle, WA
My Commission expires: 10/30/19