

In the opinion of Bond Counsel, under existing federal law and assuming compliance with applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issue date of the Bonds, (i) interest on the Bonds (except any Bond for any period during which it is held by a "substantial user" of the Project or a "related person" within the meaning of Section 147(a) of the Code) is excluded from gross income for federal income tax purposes, and (ii) interest on the Bonds is not treated as an item of tax preference for purposes of the federal alternative minimum tax applicable to individuals and corporations and is not included in adjusted current earnings of corporations for purposes of the federal alternative minimum tax. However, interest on the Bonds received by certain S corporations may be subject to tax, and interest on the Bonds received by foreign corporations with United States branches may be subject to a foreign branch profits tax. Receipt of interest on the Bonds may have other federal tax consequences for certain taxpayers. See "TAX EXEMPTION" and "CERTAIN OTHER FEDERAL TAX CONSEQUENCES."



\$5,700,000

**HOUSING AUTHORITY OF THE CITY OF SEATTLE
VARIABLE RATE DEMAND REVENUE BONDS, 2008
(Douglas Apartments Project)**

Dated: Date of Issue

Price: 100%

CUSIP No. 812636 KE7

Due: June 1, 2040

The above-captioned bonds (the "Bonds") will be registered under a book-entry system in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as initial securities depository for the Bonds. The Bonds will bear interest at a variable rate adjusted weekly unless and until converted in whole to a Fixed Rate. Purchases of interests in the Bonds will be made in book-entry form only, in denominations of \$100,000 or any integral multiple of \$5,000 in excess of \$100,000. Purchasers will not receive certificates representing their interests in the Bonds, except as described herein. Interest on the Bonds will be payable on the first Business Day of each March, June, September and December, commencing in March, 2009. As long as the Bonds are registered in the name of DTC or its nominee, principal of, premium, if any, and interest on the Bonds will be paid to DTC, which will remit such principal, premium, if any, and interest to its participants for subsequent disbursement to the purchasers of interests in the Bonds. See "APPENDIX E - BOOK-ENTRY SYSTEM."

The Bonds are issued pursuant to a Trust Indenture (the "Indenture") between the Housing Authority of the City of Seattle (the "Authority") and The Bank of New York Mellon Trust Company, N.A. (the "Trustee"). The Authority will lend the proceeds of the Bonds to Douglas Apartments Limited Partnership, a Washington limited partnership of which the Authority is the sole general partner (the "Partnership"), to finance a portion of the cost of rehabilitating the 44-unit Douglas Apartments in Seattle, Washington, to provide 43 units of housing for low-income persons and one manager's unit (the "Project"). See "THE PARTNERSHIP AND THE PROJECT." Payment of the principal of and interest on the Bonds is supported by and payable from amounts drawn by the Trustee under an irrevocable direct pay letter of credit (the "Letter of Credit"), the stated initial expiration of which is December 17, 2010, issued by KeyBank National Association.



The Letter of Credit may be replaced with an Alternate Credit Facility upon compliance with certain conditions. See "THE LETTER OF CREDIT."

The Bonds will bear interest at a rate to be established on a weekly basis by Wells Fargo Institutional Securities, LLC, as Remarketing Agent. INTEREST ON THE BONDS IS SUBJECT TO A MAXIMUM RATE AS SET FORTH HEREIN. See "THE BONDS – Determination of Variable Rate." The Bonds will be purchased upon demand of the owners thereof on any Business Day upon compliance with certain requirements regarding notice and tender of the Bonds. See "THE BONDS – Purchase Demand Option." The Bonds are subject to conversion to a Fixed Rate. Upon such conversion and under certain other circumstances, Bondowners will be required to tender their Bonds for purchase. See "THE BONDS."

THE BONDS ARE SUBJECT TO ACCELERATION OF MATURITY, OPTIONAL AND MANDATORY REDEMPTION AND MANDATORY TENDER PRIOR TO MATURITY, IN WHOLE OR IN PART, AT THE PRICES AND UNDER THE CIRCUMSTANCES DESCRIBED HEREIN. See "THE BONDS," "REDEMPTION OF BONDS" and Appendix A – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS – The Indenture."

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY. PAYMENT OF THE PRINCIPAL AND PURCHASE PRICE OF AND INTEREST AND PREMIUM, IF ANY, ON THE BONDS IS A VALID CLAIM ONLY AS AGAINST THE SPECIAL FUNDS OF THE AUTHORITY RELATING THERETO, IS NOT AN OBLIGATION OF THE STATE OF WASHINGTON, THE CITY OF SEATTLE OR ANY MUNICIPAL CORPORATION, SUBDIVISION OR AGENCY OF THE STATE OF WASHINGTON OTHER THAN THE AUTHORITY, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF WASHINGTON, THE CITY OF SEATTLE OR ANY MUNICIPAL CORPORATION, SUBDIVISION OR AGENCY OF THE STATE OF WASHINGTON IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OR PURCHASE PRICE OF OR INTEREST OR PREMIUM, IF ANY, ON THE BONDS. THE AUTHORITY HAS NO TAXING POWER.

The Bonds are not eligible for designation as "Qualified Tax Exempt Obligations" for purposes of Section 265(b)(3)(B) of the Code; therefore, banks, thrift institutions and other financial institutions will not be permitted to deduct their interest expense allocable to the Bonds.

This Official Statement provides certain information concerning the Bonds prior to the Conversion Date. Owners and prospective purchasers of the Bonds should not rely on this Official Statement for information concerning the Bonds on or after the Conversion Date, but should look to the revisions, amendments, supplements or substitutions hereof for information concerning the Bonds on or after that date.

This cover page contains certain information for quick reference only and is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Bonds are offered when, as and if issued and received by the purchasers thereof, and subject to the opinion of Foster Pepper PLLC, Seattle, Washington, Bond Counsel and Disclosure Counsel to the Authority, as to the validity and tax exempt status of the Bonds and the approval of certain other matters for the Authority. Certain legal matters will be passed upon for the Bank by its counsel Alan W. Schulkin, Esq., Seattle, Washington, and by its co-counsel Calfee, Halter & Griswold, LLP, Cleveland, Ohio. It is expected that the Bonds will be available for delivery through the facilities of DTC in New York, New York, or to the Trustee on behalf of DTC by Fast Automated Securities Transfer (FAST), on or about December 17, 2008.



Wells Fargo Institutional Securities, LLC

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HOUSING AUTHORITY OF THE CITY OF SEATTLE

Board of Commissioners

Chair	Katie Hong
Vice Chair	Yusuf Cabdi
Commissioner	Sybil Bailey
Commissioner	Nora Gibson
Commissioner	John Little
Commissioner	Juan Martinez
Commission	Kollin Min

Officers

Executive Director	Thomas M. Tierney
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TRUSTEE

The Bank of New York Mellon Trust Company, N.A.
Seattle, Washington

PARTNERSHIP

Douglas Apartments Limited Partnership
Seattle, Washington

BOND COUNSEL AND DISCLOSURE COUNSEL

Foster Pepper PLLC
Seattle, Washington

UNDERWRITER

Wells Fargo Institutional Securities, LLC
Seattle, Washington

REMARKETING AGENT

Wells Fargo Institutional Securities, LLC
Seattle, Washington

The information contained in this Official Statement has been furnished by the Authority, the Partnership, the Bank, DTC and other sources that are believed to be reliable. No dealer, broker, salesperson, or other person has been authorized by the Authority or Wells Fargo Institutional Securities, LLC (the "Underwriter"), to give any information or to make any representations other than those made herein. Any such other information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information and expressions of opinions herein are subject to change without notice and neither the delivery of this document nor the sale of any of the Bonds shall, under any circumstances, create any implication that the information herein is correct as of any time subsequent to the date hereof.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE INDENTURE HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OF DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

Wells Fargo Institutional Securities, LLC ("WFIS"), is a registered broker/dealer and a member of the FINRA and SIPC. WFIS is a brokerage affiliate of Wells Fargo & Company. WFIS is solely responsible for its contractual obligations and commitments. Nondeposit investment products offered by WFIS are not FDIC insured, are subject to investment risk, including loss of principal, and are not guaranteed by a bank unless otherwise specified.

From time to time, Wells Fargo Bank, N. A., and other banks and companies affiliated with WFIS may lend money to an issuer of securities or debt that are underwritten or dealt in by WFIS. Within the prospectus or other documentation provided with each such underwriting or placement there will be a disclosure of any material lending relationship by an affiliate of WFIS with such an issuer and whether the proceeds of such an issuance of such debt securities will be used by the issuer to repay any outstanding indebtedness of any WFIS affiliate.

From time to time, WFIS may participate in a primary or secondary distribution of securities bought or sold by a purchaser of bonds. WFIS and its affiliates may also act as an investment advisor to issuers whose securities may be sold to a purchaser of those bonds.

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SUMMARY STATEMENT

THE FOLLOWING SUMMARY STATEMENT IS FURNISHED SOLELY TO PROVIDE LIMITED INTRODUCTORY INFORMATION REGARDING THE TERMS OF THE BONDS AND DOES NOT PURPORT TO BE COMPREHENSIVE. ALL SUCH INFORMATION IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE MORE DETAILED DESCRIPTION APPEARING IN THE OFFICIAL STATEMENT. THE OFFERING OF THE BONDS TO POTENTIAL INVESTORS IS MADE ONLY BY MEANS OF THE ENTIRE OFFICIAL STATEMENT.

- THE BONDS:*** The Bonds are being issued by the Housing Authority of the City of Seattle (the “Authority”) in the aggregate principal amount of \$5,700,000. Unless and until converted to a Fixed Rate, the Bonds will bear interest at a variable rate, payable on the first Business Day of each March, June, September and December, commencing in March, 2009. The variable rate will be determined weekly by the Remarketing Agent, initially Wells Fargo Institutional Securities, LLC, subject to the initial Maximum Rate of 10% per annum. The Bonds will be issued as fully registered bonds in book-entry form only, in denominations of \$100,000 and integral multiples of \$5,000 in excess thereof within a single maturity. See “BOOK ENTRY SYSTEM.”
- PURPOSE:*** Proceeds of the Bonds will be used to provide part of the funds needed to finance a portion of the cost of rehabilitating the 44-unit Douglas Apartments to provide 43 units of housing for low-income persons within The City of Seattle, Washington and one manager’s unit (the “Project”), which will be leased to the Partnership. See “THE PARTNERSHIP AND THE PROJECT” for a more detailed description.
- SECURITY:*** The Bonds are primarily secured by and payable from draws under the Letter of Credit issued by KeyBank National Association. See “SECURITY FOR THE BONDS” and “THE LETTER OF CREDIT” herein.
- PURCHASE DEMAND:*** Owners of the Bonds will have the right to require the purchase of their Bonds on seven days’ notice given to the Remarketing Agent and the Trustee in the form attached hereto as Appendix D. See “THE BONDS – Purchase Demand Option.”
- OPTIONAL REDEMPTION:*** The Bonds are subject to redemption in whole or in part on the first Business Day of any month, at the price of par plus interest accrued to the date of redemption.
- MANDATORY REDEMPTION:*** The Bonds are subject to mandatory redemption prior to maturity in whole or in part at a redemption price equal to the principal amount to be redeemed plus accrued interest thereon to the date of redemption as described herein under the heading “REDEMPTION OF BONDS.”
- MANDATORY TENDER:*** The Bonds are subject to mandatory tender under certain conditions as described herein under the headings “THE BONDS – Mandatory Tender Upon Conversion,” “- Mandatory Tender for Alternate Credit Facility,” and “- Mandatory Tender in Lieu of Redemption.”

TAX EXEMPTION:

In the opinion of Bond Counsel, under existing federal law and assuming compliance by the Authority and the Partnership with applicable requirements of the Internal Revenue Code of 1986, as amended (the “Code”), that must be satisfied subsequent to the issue date of the Bonds, (i) interest on the Bonds (except any Bond for any period during which it is held by a “substantial user” of the Project or a “related person” within the meaning of Section 147(a) of the Code) is excluded from gross income for federal income tax purposes, and (ii) interest on the Bonds is not treated as an item of tax preference for purposes of the federal alternative minimum tax applicable to individuals and corporations and is not included in adjusted current earnings of corporations for purposes of the federal alternative minimum tax. However, interest on the Bonds received by certain S corporations may be subject to tax, and interest on the Bonds received by foreign corporations with United States branches may be subject to a foreign branch profits tax. Receipt of interest on the Bonds may have other federal tax consequences for certain taxpayers. See “TAX EXEMPTION” and “CERTAIN OTHER FEDERAL TAX CONSEQUENCES.”

NO RATING:

The Authority has not applied for a rating on the Bonds.

***NO CONTINUING
DISCLOSURE:***

The Bonds are exempt from continuing disclosure requirements. See “NO CONTINUING DISCLOSURE.”

***NOT QUALIFIED TAX
EXEMPT OBLIGATIONS:***

The Bonds are not eligible for designation as “Qualified Tax-Exempt Obligations” for banks, thrift institutions and other financial institutions.

OFFICIAL STATEMENT

\$5,700,000

HOUSING AUTHORITY OF THE CITY OF SEATTLE VARIABLE RATE DEMAND REVENUE BONDS, 2008 (Douglas Apartments Project)

INTRODUCTION

The purpose of this Official Statement, including the cover, appendices and the documents incorporated herein by reference, is to set forth certain information in connection with the sale by the Housing Authority of the City of Seattle (the "Authority") of its Variable Rate Demand Revenue Bonds, 2008 (Douglas Apartments Project) (the "Bonds"), in the principal amount of \$5,700,000.

The Bonds are being issued pursuant to a Trust Indenture (the "Indenture") between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), to provide funds to make a loan (the "Loan") to Douglas Apartments Limited Partnership, a Washington limited partnership of which the Authority is the sole general partner (the "Partnership"), pursuant to a Loan Agreement (the "Loan Agreement") between the Authority and the Partnership, to provide financing for a portion of the cost of rehabilitating the Douglas Apartments in the City of Seattle, Washington, to provide housing for low-income persons (the "Project"), and to pay certain costs of issuing the Bonds. See "THE PARTNERSHIP AND THE PROJECT."

Concurrently with and as a condition to the issuance of the Bonds, the Partnership will cause to be delivered to the Trustee an irrevocable direct pay letter of credit (the "Letter of Credit") issued by KeyBank National Association (the "Bank"), pursuant to a Reimbursement Agreement (the "Reimbursement Agreement") between the Bank and the Partnership. See Appendix A – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS – The Reimbursement Agreement." Unless extended, the Letter of Credit will expire on December 17, 2010, or on such earlier date as is provided therein. See "THE LETTER OF CREDIT." The Letter of Credit will be in an amount equal to the principal amount of the Bonds plus an amount equal to 98 days of interest on the Bonds outstanding computed at the rate of 10% per annum. The Trustee is required under the Indenture to draw upon the Letter of Credit to pay (1) principal of and interest on the Bonds when due and (2) the Purchase Price of Bonds tendered to the Trustee and not remarketed by the Remarketing Agent.

The Bonds mature on June 1, 2040, and are dated the Date of Issue. The Bonds will bear interest at a rate determined on a weekly basis by Wells Fargo Institutional Securities, LLC (the "Remarketing Agent"). **INTEREST ON THE BONDS IS SUBJECT TO A MAXIMUM RATE (initially, 10% per annum).** See "THE BONDS – Determination of Variable Rate." **Interest on the Bonds will be payable monthly on the first Business Day of each March, June, September and December, commencing in March, 2009. Owners of the Bonds will have the right to tender their Bonds to the Trustee after seven days' notice and to receive 100% of the principal amount thereof plus accrued interest (the "Purchase Price").** See "THE BONDS – Purchase Demand Option."

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM PROCEEDS OF DRAWS ON THE LETTER OF CREDIT AND CERTAIN OTHER REVENUES PLEDGED BY THE AUTHORITY UNDER THE INDENTURE. PAYMENT OF THE PRINCIPAL AND PURCHASE PRICE OF AND PREMIUM, IF ANY, AND INTEREST ON THE BONDS IS A VALID CLAIM ONLY AS AGAINST THE SPECIAL FUNDS OF THE AUTHORITY RELATING THERETO, IS NOT AN OBLIGATION OF THE STATE OF WASHINGTON, THE CITY OF SEATTLE OR ANY MUNICIPAL CORPORATION, SUBDIVISION OR AGENCY OF THE STATE OF WASHINGTON OTHER THAN THE AUTHORITY, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF WASHINGTON, THE CITY OF SEATTLE OR ANY MUNICIPAL CORPORATION, SUBDIVISION OR AGENCY OF THE STATE OF WASHINGTON IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OR PURCHASE PRICE OF OR PREMIUM, IF ANY, OR INTEREST ON THE BONDS. THE AUTHORITY HAS NO TAXING POWER.

Included in this Official Statement is information concerning the Authority, the Bank, the Partnership, the Project and the sources of payment for the Bonds, together with summaries of the terms of the Bonds and certain provisions of the Indenture, the Letter of Credit, the Reimbursement Agreement, the Loan Agreement and certain documents related thereto. All references herein to agreements or documents are qualified in their entirety by references to the definitive forms thereof, copies of which are available for inspection at the corporate trust office of the Trustee at 601 Union Street, Suite 520, Seattle, Washington 98101-2321.

Wells Fargo Institutional Securities, LLC, has been appointed Remarketing Agent for the Bonds. The Remarketing Agent may resign or be replaced as provided in the Indenture and the Remarketing Agreement.

SECURITY FOR THE BONDS

The Bonds are limited obligations of the Authority, and are secured or will be secured by: (1) all rights, title and interests of the Authority in the Loan Agreement (with certain reservations and exceptions noted in the Loan Agreement); (2) all Funds and accounts established under the Indenture and all Investment Earnings thereon and money, securities and obligations therein (subject to disbursements from any such fund or account upon the conditions set forth in the Indenture); (3) all money and securities from time to time held by the Trustee under the terms of the Indenture and any and all other real or personal property of every name and nature concurrently therewith or from time to time thereafter by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred as and for additional security thereunder by the Authority or by anyone in its behalf, or with its written consent, to the Trustee, but excluding money collected for the indemnification of the Authority or the Trustee; and (4) all proceeds of all of the foregoing. See Appendix A – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS – The Indenture.”

Payment of the principal of and interest on the Bonds is supported by and payable from amounts drawn by the Trustee under an irrevocable direct pay letter of credit (the “Letter of Credit”), the stated initial expiration of which is December 17, 2010, issued by the Bank. The Letter of Credit may be replaced with an Alternate Credit Facility on certain conditions. See “THE LETTER OF CREDIT.”

THE BONDS

This Official Statement describes certain terms of the Bonds while they are Variable Rate Bonds. There are material provisions of the Bonds not described in this Official Statement which would apply if and when the Bonds are converted to a Fixed Rate. It is currently anticipated that should the Bonds be converted to Fixed Rate, a new disclosure document will be distributed describing certain terms of the Fixed Rate Bonds.

Certain capitalized terms not defined in the body of this Official Statement are defined in Appendix A – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS – Certain Definitions.” All other capitalized terms used but not defined in this Official Statement have the meanings assigned to them in the Indenture.

General

The Bonds will be issued as fully-registered bonds in denominations of \$100,000 or any integral multiple of \$5,000 in excess of \$100,000. The Bonds will be dated as of the Date of Issue and will mature on June 1, 2040. Each Bond will bear interest from the later of the date of first authentication and delivery of the Bonds or the most recent date to which interest has been paid or made available for payment pursuant to the Indenture.

The Bonds initially will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as initial securities depository for the Bonds. For as long as the Bonds are held in book-entry form, principal of, premium, if any, on and interest on the Bonds will be paid to DTC, which will make payments to its participants for subsequent disbursement to the beneficial owners of the Bonds. If any Bonds are in certificated form, the principal of those Bonds will be payable at the corporate trust office of the Trustee. Interest on certificated Bonds will be payable by check of the Trustee mailed on the Interest Payment Date to the owners of such Bonds as shown on the Bond Register on the Record Date, provided that the Trustee will, at

the written request of any Owner, make payments of interest on such Bonds by wire transfer to an account within the United States designated in writing by the Owner not less than 15 days prior to the Record Date.

Determination of Variable Rate

The Bonds will bear interest computed on the basis of actual days elapsed in a year of 365 or 366 days, as the case may be. The Remarketing Agent will determine the interest rate for each Interest Period on or before each Wednesday (or, if that day is not a Business Day, the first Business Day thereafter) (the “Determination Date”). The interest rate on the Bonds will be in effect from the first day following each Determination Date to and including the following Determination Date.

The interest rate on the Bonds for each Interest Period will be determined by the Remarketing Agent, having due regard for prevailing market conditions and the yields at which comparable securities are being sold, as the rate of interest that, if borne by the Bonds, on the first day of the applicable Interest Period, would equal but would not exceed the rate that would result in a market value for such Bonds equal to 100% of the principal amount thereof. **THE BONDS ARE SUBJECT TO A MAXIMUM RATE** (initially, 10% per annum).

If the Remarketing Agent fails to establish the interest rate or if the interest rate is held to be invalid or unenforceable for any Interest Period, then the interest rate in effect for the preceding Interest Period will remain in effect.

Computations Binding

The computation by the Remarketing Agent of interest rates has been authorized and approved by the Authority and the Partnership and, except in the case of obvious error, will be conclusive and binding upon the Authority, the Partnership, the Bond Registrar, the Trustee, the Bank, the Remarketing Agent and the Owners of the Bonds.

Mandatory Tender Upon Conversion

All Bonds will be subject to mandatory tender by 11:00 a.m., New York City time, on the date the Bonds begin to bear interest at a Fixed Rate (the “Conversion Date”) for purchase at the Purchase Price by 3:30 p.m., New York City time, on such date (the “Tender Date”). Accrued interest on the Bonds will be payable on the Tender Date to the Owners as of the applicable Record Date. **Any Bonds not so tendered will be deemed tendered for purchase and will cease to accrue interest on the Tender Date as provided in the Indenture.**

Mandatory Tender for Alternate Credit Facility

All Bonds are subject to mandatory tender by 11:00 a.m., New York City time, on the effective date of the substitution of an Alternate Credit Facility (also a “Tender Date”) for purchase at the Purchase Price by 3:30 p.m., New York City time, on such date. Accrued interest on the Bonds will be payable on the Tender Date to the Owners as of the applicable Record Date. Bondowners have the right to retain their Bonds upon substitution of an Alternate Credit Facility by delivering a Notice of Retention in the form attached to the Notice of Mandatory Tender. **Any Bonds not so tendered for which no Notice of Retention has been received will be deemed tendered for purchase and will cease to accrue interest on the Tender Date as provided in the Indenture.** For more information on the provision of an Alternate Credit Facility, see Appendix A – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS – The Indenture.”

Mandatory Tender in Lieu of Redemption

At the option of the Authority and with the consent of the Bank and upon at least 10 days’ written notice to the Trustee and the Partnership, Bonds that would otherwise be redeemed upon or to prevent the occurrence of a Determination of Taxability shall instead be subject to mandatory tender at the Purchase Price, on the date such Bonds would otherwise be redeemed, and remarketed by the Remarketing Agent as taxable Bonds. The procedures governing such tender shall be those procedures for the tender of Bonds upon the substitution of an Alternate Credit Facility (see “Mandatory Tender for Alternate Credit Facility” above), including the right of Bondowners to retain such Bonds.

Notice of Tender

The Trustee, or the Bond Registrar on behalf of the Trustee, will give notice of the Tender Date to the Owners of the Bonds subject to mandatory tender, at least 15 days before the Tender Date, which notice will (1) specify the Tender Date; (2) state that from and after the Tender Date the Bonds held by that Owner will cease to bear interest; and (3) state that the Bonds are subject to mandatory tender to the Trustee or the Remarketing Agent on the Tender Date for purchase at the Purchase Price and that any Bonds not delivered to the Trustee or the Remarketing Agent on the Tender Date will be deemed to have been delivered on such Tender Date, subject to the right of Bondowners to retain Bonds in the event of a mandatory tender for provision of an Alternate Credit Facility or in the event of a mandatory tender in lieu of redemption.

Purchase Demand Option

A Bondowner, or the beneficial owner if the Bonds are registered in the name of DTC or its nominee, of any Bond may require the purchase of a Bond (or any portion thereof in Authorized Denominations, so long as any remaining portion is also in an Authorized Denomination) upon delivering a Purchase Demand, in the form set forth as Appendix D and available from the Trustee or the Remarketing Agent, to the Trustee and the Remarketing Agent at the addresses and/or facsimile numbers specified in the form of Purchase Demand, stating that the Bondowner or beneficial owner will tender its Bond to the Trustee for purchase on the Tender Date specified in that notice (the "Purchase Date"). If the Purchase Date so specified is earlier than a Business Day not less than seven days after receipt of the Purchase Demand by the Trustee and the Remarketing Agent, then the Purchase Date will be the first Business Day that is at least seven days after such date of receipt. The Purchase Demand will be irrevocable and will bind the Bondowner or beneficial owner to tender the Bond described in the Purchase Demand to the Trustee at or before 11:00 a.m., New York City time, on the Purchase Date, accompanied by a written instrument of transfer, in form and with guaranty of signatures satisfactory to the Trustee, duly executed by the Owner or its attorney duly authorized in writing.

All Bonds as to which a properly completed and delivered Purchase Demand has been received by the Trustee and the Remarketing Agent will be deemed tendered, whether or not received by the Trustee on the Purchase Date. If funds are available and on hand with the Trustee on the Purchase Date to pay the Purchase Price of such Bonds, INTEREST ON SUCH BONDS, WHETHER OR NOT RECEIVED BY THE TRUSTEE, WILL CEASE TO ACCRUE ON THE PURCHASE DATE.

The Remarketing Agent, upon receipt of a Purchase Demand, will use its best efforts to find a purchaser for the Bonds subject to the Purchase Demand at a price equal to the Purchase Price. The Remarketing Agent will cause to be paid to the Trustee, on the Purchase Date, all amounts representing proceeds of the remarketing of such Bonds. If such amounts, plus all other amounts received by the Trustee for the purchase of tendered Bonds, are not sufficient to pay the Purchase Price of tendered Bonds on the Purchase Date, the Trustee will draw on the Letter of Credit to the extent necessary to pay the Purchase Price of Bonds for which remarketing proceeds are not available to pay such Purchase Price. The Trustee will purchase tendered Bonds at the Purchase Price. PAYMENT WILL BE MADE ONLY TO THE REGISTERED OWNER(S) OF THE BONDS.

NO OWNER OF ANY BONDS CALLED FOR REDEMPTION OR MANDATORY TENDER WILL HAVE THE RIGHT TO REQUIRE PURCHASE OF THOSE BONDS UNLESS THE PURCHASER HAS RECEIVED NOTICE OF SUCH REDEMPTION OR MANDATORY TENDER.

Book-Entry Only

The Bonds initially will be registered in the name of Cede & Co., as nominee of DTC, and held by DTC on behalf of the beneficial owners of the Bonds. DTC will, by book entry, record beneficial ownership and transfers of the Bonds in its custody and will forward all notices and payments received in respect of any Bonds held by it to its Participants for subsequent distribution or disbursement to the beneficial owners of the Bonds. DTC acts as agent solely for its Participants and not for the beneficial owners of the Bonds, the Authority, the Partnership or the Underwriter. See "APPENDIX E – BOOK-ENTRY SYSTEM."

SO LONG AS CEDE & CO., AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF THE BONDS, REFERENCES HEREIN TO THE BONDOWNERS OR REGISTERED OWNERS OF THE BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

Each beneficial owner, acting through DTC, will have all the rights and privileges of the ownership of its Bond or Bonds and will not be required to act in concert with other beneficial owners of the Bonds held by DTC. DTC will forward to the beneficial owners any notices received in respect of their Bonds and will act in accordance with their instructions with respect thereto.

NONE OF THE AUTHORITY, THE TRUSTEE, THE BANK, THE REMARKETING AGENT OR THE PARTNERSHIP WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES, WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE TO THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS OF THE BONDS. THE AUTHORITY CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS OF PRINCIPAL OF OR INTEREST ON THE BONDS PAID TO DTC OR ITS NOMINEE, AS THE REGISTERED OWNER, OR ANY NOTICES TO THE BENEFICIAL OWNERS OR THAT THEY WILL DO SO ON A TIMELY BASIS, NOR THAT DTC WILL ACT IN A MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

REDEMPTION OF BONDS

Extraordinary Mandatory Redemption

The Bonds are subject to mandatory redemption prior to maturity, within maturities selected by the Partnership, at a price equal to the principal amount of Bonds called for redemption plus accrued interest to the redemption date and without premium, as follows:

- (a) except as otherwise provided for herein under the heading “THE BONDS – Mandatory Tender in Lieu of Redemption,” as a whole, on the first date for which notice of redemption can be given upon an occurrence of a Determination of Taxability with respect to some or all of the Bonds, or as a whole or in part, upon receipt by the Trustee of an opinion of Bond Counsel to the effect that such redemption is required to prevent a Determination of Taxability;
- (b) as a whole, on the Interest Payment Date immediately preceding the expiration date of the Letter of Credit that is at least two Business Days prior to such expiration date (1) if the Trustee has not received written notice from the Partnership prior to the 45th day preceding such Interest Payment Date, that the Partnership has obtained a commitment for an extension of the Letter of Credit or an Alternate Credit Facility to take effect on or prior to the expiration date, together with a copy of an irrevocable commitment for delivery of an Alternative Credit Facility or an extension of the Letter of Credit satisfying the conditions of the Indenture, or (2) if the extension of the Letter of Credit or Alternate Credit Facility is not delivered, together with the documents required by the Indenture, to the Trustee at least 10 days before that Interest Payment Date;
- (c) as a whole or in part within maturities selected by the Partnership, on the next Interest Payment Date for which timely notice of redemption can be given, upon the destruction, damage or condemnation of all or a portion of a Project and the decision of the Partnership not to repair or replace the Project as described in the Loan Agreement;
- (d) as a whole or in part within maturities selected by the Partnership, on the first Interest Payment Date for which timely notice of redemption can be given, after completion of the Project, in an amount equal to money and investments remaining in the Project Fund;
- (e) as a whole, on the next Interest Payment Date for which timely notice of redemption can be given, at the direction of the Authority and with the consent of the Bank, so long as the Letter of Credit is

in full force and effect and the Bank is not in default thereunder, upon the occurrence of an event of default under the Loan Agreement or the Regulatory Agreement; and

- (f) in whole, on the first date for which timely notice of redemption can be given, upon receipt by the Trustee of notice from the Bank of the occurrence of an event of default under the Reimbursement Agreement, and the direction from the Bank to redeem Bonds.

Optional Redemption

The Bonds are subject to optional redemption prior to maturity on the first Business Day of any calendar month, at the option and written direction of the Partnership and with the written consent of the Bank given to the Trustee at least 45 days prior to the redemption date, in whole or in part randomly, at the price of par plus accrued interest to the date of redemption. The Authority anticipates that approximately \$3,750,000 principal amount of Bonds will be redeemed in one or more installments by July 31, 2010; however, the timing of such redemptions is subject to change.

The Partnership has agreed under the terms of the Loan Agreement to exercise its right to redeem Bonds at the times and in the amount set forth in that agreement. The Authority and the Partnership may amend such requirements in their discretion. The Partnership may redeem Bonds in excess of the amounts required by the Loan Agreement.

If the Bond Registrar does not have funds in its possession on the redemption date sufficient to pay the redemption price (including interest accruing to the redemption date) of all of the Bonds to be optionally redeemed for any reason, then the purported optional redemption and such notice of redemption shall be void and the Bond Registrar will so notify the Trustee. Such event will not constitute an Event of Default under the Indenture.

Notice and Effect of Call for Redemption

The Trustee, or the Bond Registrar on behalf of the Trustee, will give notice of redemption by first class mail, mailed not less than 30 days and not more than 60 days prior to the date fixed for redemption to each Owner of the Bonds to be redeemed at the address of such Owner appearing in the Bond Register. Notwithstanding the foregoing, in the case of mandatory redemption of Bonds pursuant to paragraph (a) of the "Extraordinary Mandatory Redemption" section above to prevent a Determination of Taxability, notice will be given by the Trustee within five Business Days of receipt of the opinion of Bond Counsel described in such paragraph (a), and the redemption date will be not more than 15 days after the notice of such redemption is mailed by the Trustee. In the case of a mandatory redemption pursuant to paragraph (b)(2) of the "Extraordinary Mandatory Redemption" section above, notice will be given at least five days before the Interest Payment Date on which the Bonds are to be redeemed. In the case of redemption pursuant to paragraph (f) of the "Extraordinary Mandatory Redemption" section above, notice will be given within one Business Day after receipt by the Trustee of notice from the Bank, and the redemption date will be not more than five days after the notice is mailed.

For so long as the Bonds are held in book-entry form, notices of redemption shall be given by the Trustee solely in accordance with the Letter of Representations.

Notice of redemption having been given as aforesaid, the principal amount of the Bonds to be redeemed will become due and payable on the redemption date at the redemption price specified, and on and after such date (unless the Trustee does not have funds available to pay such redemption price) such principal amount of the Bonds shall cease to bear interest. Neither the failure of an Owner to receive such notice nor any defect in any notice will affect the sufficiency of the proceedings for such redemption.

Partial Redemption

In the case of a redemption of fewer than all of the Outstanding Bonds, the Trustee will call or cause to be called Bonds for redemption randomly in the manner determined by the Bond Registrar in its sole discretion, first from among Bank Bonds. If the Bonds are registered in the name of DTC or its nominee, DTC will select the particular Bonds to be redeemed. No Bond may remain Outstanding in a principal amount that is not an Authorized Denomination.

TRUSTEE

The information under this heading has been provided solely by the Trustee, and is believed to be reliable, but has not been independently verified by the Underwriter or the Authority. No representation whatsoever as to the accuracy, adequacy or completeness of such information is made by the Underwriter or the Authority.

The Authority has appointed The Bank of New York Mellon Trust Company, N.A., Seattle, Washington, as Trustee. The Trustee is to carry out such duties as are assigned to it under the Indenture, which provides that the Trustee is undertaking no duties except in accordance with the terms of the Indenture. Except for the contents of this section, the Trustee has not reviewed or participated in the preparation of the Official Statement and assumes no responsibility for the nature, contents, accuracy or completeness of the information set forth in the Official Statement or for the recitals contained in the Indenture or the Bonds, or the validity, sufficiency, or legal effect of any such documents.

Furthermore, the Trustee has no oversight responsibility, and is not accountable, for the use or application by the Authority of any of the Bonds authenticated or delivered pursuant to the Indenture or for the use or application of the proceeds of the Bonds by the Authority or Partnership. The Trustee has not evaluated the risks, benefits or propriety of any investment in the Bonds and makes no representation, and has reached no conclusions, regarding the value or condition of any assets pledged or assigned as security for the Bonds, the technical or financial feasibility of the Project, the status for federal or state income tax purposes of the Bonds, or the investment quality of the Bonds, about all of which the Trustee expresses no opinion and expressly disclaims the expertise to evaluate.

THE LETTER OF CREDIT

Indenture Provisions Relating to the Letter of Credit

The Indenture directs the Trustee to draw upon the Letter of Credit to pay the principal and Purchase Price of and interest on the Bonds when due, whether on any interest payment, redemption or maturity date, including accelerated maturity, and to pay on each Purchase Date the Purchase Price of any Bonds tendered or deemed tendered pursuant to a Purchase Demand or a notice of mandatory tender and not remarketed.

Under the Indenture, the Trustee is directed to draw on the Letter of Credit immediately upon receiving a notice from the Bank that an event of default has occurred under the Reimbursement Agreement and to redeem all outstanding Bonds. See Appendix A – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS – The Reimbursement Agreement.”

The Letter of Credit

The direct pay Letter of Credit initially delivered will be an irrevocable obligation of the Bank that will expire on December 17, 2010, unless extended or earlier terminated as described below. The Letter of Credit will permit the Trustee, in accordance with the terms thereof, to draw up to (i) an amount not exceeding the aggregate principal amount of Bonds outstanding to pay (a) principal of such Bonds when due (whether upon redemption, acceleration or maturity of the Bonds) or (b) the portion of the Purchase Price of such Bonds equal to the principal amount of Bonds tendered or deemed tendered for purchase to the extent remarketing proceeds are not available for such purchase plus (ii) an amount equal to 98 days of accrued interest on the outstanding Bonds, computed at a rate of 10% per annum, to pay (a) interest on the Bonds or (b) the portion of the Purchase Price of Bonds tendered or deemed tendered for purchase equal to the accrued interest, if any, on such Bonds to the extent remarketing proceeds are not available for such purchase.

The Letter of Credit will automatically terminate on the earliest of (i) honoring by the Bank of the final drawing available to be made under the Letter of Credit; (ii) the Bank's receipt of the Letter of Credit and a written certificate from the Trustee stating that no Bonds are outstanding under the Indenture; (iii) the Bank's receipt of the Letter of Credit and a written certificate from the Trustee stating that an Alternate Credit Facility has been accepted by the Trustee and is in effect; (iv) the Bank's receipt of the Letter of Credit and a written certificate from the Trustee stating that the interest rate on the Bonds has been converted to a Fixed Rate; or (v) the stated expiration date of the Letter of Credit, which currently is December 17, 2010.

The Bank's obligation under the Letter of Credit will be reduced to the extent of the principal component of any drawing thereunder, plus the allocable interest component, subject to reinstatement as described below. With respect to a drawing by the Trustee to pay interest on the Bonds on an Interest Payment Date, the amount drawn for interest will be automatically reinstated under the Letter of Credit on the day the drawing is honored. Amounts drawn under the Letter of Credit to pay the Purchase Price of Bonds tendered or deemed tendered for purchase will be reinstated under the Letter of Credit (i) to the extent that money is received by the Bank (other than from drawings under the Letter of Credit) from the Trustee upon subsequent remarketing of such Bonds or (ii) upon the Trustee's certification that the Trustee is holding for the Bank's benefit Bonds, together with an amount of money, the aggregate amount of which is equal to or greater than the principal portion of such drawing. With respect to a drawing by the Trustee upon redemption, acceleration or maturity of the Bonds, the amount available under the Letter of Credit for payment of principal of or interest on such Bonds will be reduced accordingly and will not be reinstated.

Alternate Credit Facility

Under certain conditions, the Partnership may provide an Alternate Credit Facility in place of the Letter of Credit then in effect. See Appendix A – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS – The Indenture."

THE REMARKETING AGENT

Pursuant to the Indenture and the Remarketing Agreement dated the Date of Issue (the "Remarketing Agreement"), between Wells Fargo Institutional Securities, LLC (the "Remarketing Agent") and the Authority, Wells Fargo Institutional Securities, LLC has been appointed initial Remarketing Agent for the Bonds. The Remarketing Agent will determine the interest rates on the Bonds in accordance with the Indenture and is required to use its best efforts to remarket the Bonds in accordance with the Remarketing Agreement. The Remarketing Agent may suspend its duties immediately, in certain circumstances as set forth in the Indenture and the Remarketing Agreement. The Remarketing Agent may resign or be removed, with or without cause, at any time as set forth in the Indenture and the Remarketing Agreement. Under certain circumstances, the resignation or removal of the Remarketing Agent may be effective without the appointment of a successor.

THE PARTNERSHIP AND THE PROJECT

The information under this heading has been provided solely by the Authority and is believed to be reliable, but has not been independently verified by the Underwriter. No representation whatsoever as to the accuracy, adequacy or completeness of such information is made by the Underwriter.

The Partnership

Douglas Apartments Limited Partnership (the "Partnership") is a Washington limited partnership organized in September, 2007, with its principal offices located at 120 Sixth Avenue North, Seattle, Washington 98109. The general partner of the Partnership is the Authority, a Washington public housing authority formed in 1939, among other things, to develop and maintain affordable housing. The sole purpose of the Partnership is to acquire, construct, equip and operate the Project.

The Project

The Project consists of three vacant existing two- and three-story buildings located at 4811 S. Henderson Street in the Rainier Beach neighborhood of Seattle, Washington, and known as the Douglas Apartments. The buildings will be gutted and renovated into 44 units, consisting of 39 one-bedrooms, 4 two-bedrooms and 1 three-bedroom unit, to provide affordable housing for low-income families and individuals and one manager's unit.

Site work at the property will include replacement of failing asphalt parking surface, repair or replacement of storm and sewer lines, repair or replacement of hard-drains and catch-basins, grating and paving of the alley behind the buildings, repairs to the existing rockery and retaining walls, site lighting upgrades, and replacement of the concrete walkways. Exterior building work will include seismic upgrades, structural repairs at the exterior walkways, replacement of the failing guardrails on walkways and stairs, a new roof with additional insulation, new siding and

new windows and doors. Building interior work will include upgrades to existing electrical and mechanical systems, installation of a fire sprinkler system and smoke detectors and abatement of asbestos, lead paint and mold. Additionally, upgrades will include the replacement of all cabinets, appliances, flooring and bath fixtures.

Current plans for additional amenities onsite include office space for management; a community room for various recreational, social and educational activities; a new playground structure; and renovated laundry rooms. The Project will also include new landscaping throughout the property.

All former residents of the Douglas Apartments have been relocated pursuant to a relocation plan approved by the City of Seattle. Eligibility to receive relocation benefits was based on household size and income. Property Management and Relocation staff reviewed income declared by residents to identify sources and determine total household income to ensure that tenants received the appropriate level of benefits, services and assistance. Relocation staff assessed the income and eligibility of the residents and noted outcomes in the tenant file. Relocation staff tracked the results, completed a Site Occupant Record Form and confirmed the number of rooms each household occupies, and then identified comparable units for relocation.

The Development Team and its Consultants

Development Consultant. Beacon Development Group, the development consultant for the Project, was formed in October 1998 to develop affordable housing throughout Washington State and to provide development and consulting services to non-profit housing sponsors and public housing authorities. In its ten years, Beacon Development Group has completed, or has under construction, nearly 2,000 units in 52 developments, worth over \$260,000,000. The mission of Beacon Development Group is to provide superior quality housing development, consulting and planning services to develop subsidized affordable housing and contribute to the preservation and creation of healthy communities. Development and consulting services for the Project include pre-development feasibility, funding application preparation, development and construction oversight.

General Contractor. The Authority called for bids for construction of the Project and selected Synergy Construction, Inc., as general contractor. The Authority and Synergy Construction, Inc. have executed a construction contract.

Project Management. The Authority will have all management responsibilities for the Project. Day-to-day management of the Project will be the responsibility of the Authority.

Architects. Tonkin Hoyne Architecture and Urban Design of Seattle is providing architectural services for the rehabilitation of the Project. Established in 1972, Tonkin Hoyne provides architectural and planning services for a wide variety of projects, including multifamily housing, libraries, school buildings and museums.

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SOURCES AND USES OF PROJECT FUNDS

The estimated cost of the Project is \$13,000,000. The table below sets forth the estimated application of the Bond proceeds and other funding sources. The following section contains brief descriptions of the estimated permanent funding sources and uses for the Project.

Sources:	
Long-term Bond proceeds ¹	\$1,950,000
State of Washington Housing Trust Fund	2,500,000
City of Seattle Loan	3,650,000
Deferred Developer Fee	291,058
Partner's Equity	<u>2,608,000</u>
Total Sources	\$10,999,058
Uses:	
Construction	\$9,700,603
Costs of Issuance	107,249
Developer Fee	975,945
Required Reserves	<u>215,261</u>
Total Uses	\$10,999,058

Source: The Authority.

¹It is expected that tax credit equity and other sources in the amount of approximately \$3,750,000 will be used to retire a portion of the Bonds upon completion of the construction of the Project. See "REDEMPTION OF BONDS – Optional Redemption."

OTHER PROJECT FUNDING SOURCES

Low-Income Housing Tax Credits

In exchange for contributing equity capital for developing housing that is affordable to households with low or limited incomes, investors are entitled to a direct write-off on their federal taxes. Properties developed by use of the tax credit generally must remain affordable for 30 years under the applicable tax requirements, and may be subject to an extended affordability requirement under State law and other funding requirements. Because equity capital generated by the credit only furnishes a portion of a project's financing, the program also has inspired an effective public/private partnership through which government agencies, commercial lenders and private entities can invest in the revitalization of local neighborhoods.

The Partnership will receive low-income housing tax credits under Section 42 of the Code in conjunction with the issuance of the Bonds. As a condition of receiving such tax credits, the Partnership will enter into a Regulatory Agreement (Extended Use Agreement) with the Washington State Housing Finance Commission, which allocates the tax credits within the State. Pursuant to the Extended Use Agreement, the Partnership will agree, among other things, to set aside 43 of the units for no less than 37 years for rental to tenants eligible under Section 42. Initially, eight units will be targeted for households with incomes at or below 30% of the area's median income adjusted for family size ("AMI"), 13 units at 40% AMI, 18 units at 50% AMI, four units at 60% AMI. There will be one additional unit that will serve as a common space manager's unit. The Extended Use Agreement will allow for increases in tenant income consistent with maintaining Section 42 eligibility. The Authority has entered into a partnership agreement with Wincopin Circle LLLP, a Maryland limited liability limited partnership affiliated with Enterprise Community Investment, Inc. (a national syndicator of low income housing tax credits), a successor or assign of which will serve as the Limited Partner in the Partnership. The Authority, as General Partner, will agree to allocate 99.99% of the tax credits to the Limited Partner (or its successors and assigns) in exchange for a future capital contribution to the Partnership.

State Housing Trust Fund Loan

The Authority has received an award from the State of Washington Housing Trust Fund of \$2,500,000 for the Project, which loan will be assigned to the Partnership.

City of Seattle Loan

The Partnership has received an award from the City of Seattle of \$3,650,000 for the Project.

Deferred Development Fee

The Authority expects to defer approximately \$291,058 of its \$975,945 development fee.

PROJECT DOCUMENTS

In connection with the Loan, the Partnership will execute, among other things, (1) the Loan Agreement with the Authority; (2) the Regulatory Agreement; (3) the Reimbursement Agreement with the Bank and the Authority; and (4) an Assignment to the Bank, assigning rights with respect to deferred capital contributions of the Partnership's general or limited partners; and the Authority will execute the Indenture with the Trustee. The Trustee will have no interest in the Reimbursement Agreement.

See Appendix A – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS” for a brief summary of certain provisions of the documents listed above; however, such summary does not purport to be complete and reference is made to the actual documents available from the Trustee for a complete statement of their provisions.

THE AUTHORITY

General

The Authority was created in 1939 by the Seattle City Council under chapter 35.82 of the Revised Code of Washington. The Authority is a public body corporate and politic created specifically to provide low-income housing and related services. The majority of the Authority's revenue comes from rental income and from the U.S. Department of Housing and Urban Development (“HUD”). In addition, the Authority is engaged in a Cooperation Agreement with the City wherein the City provides support services (police, fire, etc.) for the Authority's developments.

The Mayor of the City appoints the seven-member non-paid Board of Commissioners of the Authority (the “Board”) for staggered four year terms. The Board is responsible for setting policies for the Authority and for hiring the Executive Director, who administers the Authority's programs and supervises its staff.

The Authority provides affordable housing for more than 22,500 people in more than 15,000 rental units throughout the City. The Authority owns more than 7,800 of these units. The others are privately owned or owned by non-profit organizations; residents receive Federal rent subsidies through programs administered by the Authority. All households have initial incomes less than 80% of the median income in the Seattle Primary Metropolitan Statistical Area (PMSA), adjusted for household size. Households pay a specified percentage of their income for rent and utilities, typically 30%.

Board Members and Senior Staff

Current members of the Board are as follows:

Katie Hong, Chair. Commissioner Hong has experience working on social policy, housing, community and economic development issues at all levels of government: federal, state, and local. Currently, Commissioner Hong serves as a Deputy Director at the Gates Foundation. Prior to being named Deputy Director of the foundation, she served as Director of the City of Seattle's Office of Housing where she worked to increase affordable housing opportunities for Seattle. She also served as Senior Policy Advisor to current Mayor Nickels. Before joining the

City, she worked in the White House Chief of Staff's office and served as Executive Policy Advisor to Washington Governor Gary Locke. Commissioner Hong's term expires in March 2009.

Yusuf Cabdi, Vice Chair. Commissioner Cabdi is originally from Somalia. He has worked with Somali and Muslim family and housing issues since settling in Seattle in 2003. A resident of the Authority's public housing, he was elected to be an at-large representative to a resident council in 2006. He has also served as the Somali Community representative in the East African Association and as a Community Support Specialist with the Somali community. He is interested in developing programs that will foster the safe and productive lives of youth in low-income public housing. Mr. Cabdi speaks several languages. Commissioner Cabdi's term expires in October 2010.

Sybil Bailey, Member. Commissioner Bailey has been a resident of Denny Terrace (one of the Authority's high rise properties) for several years. Commissioner Bailey's term expires in March 2010.

Nora Gibson, Member. Commissioner Gibson is the Executive Director of ElderHealth Northwest, the largest adult day health program in the Pacific Northwest. ElderHealth operates five adult day centers and two residential buildings that serve low-income and disabled adults. Ms. Gibson's 30-year career has focused on providing community-based long-term care for aging adults. She is affiliated with a number of professional organizations and is currently a Board member at the National Pioneer Network, the Brain Injury Association of Washington, Alzheimer's Association Board of Directors, and Washington Adult Day Services Association. She also serves on the Seattle Senior Housing Program (SSHP) Review Committee. Commissioner Gibson's term will expire in March 2011

John Littel, Member. Commissioner Littel is the Political Director for a Northwest trade union. He was previously Assistant to the Executive Secretary of the Seattle Building Trades Council where he was responsible for negotiations and labor relations at the Authority and King County Housing Authority. Mr. Littel also serves as Vice Chairperson for the Washington State Correction Industries, is a Board Member on the King County Workforce Development Council, is Chairperson for the Seattle School District School-to-Work Advisory Council, and part of the Washington Environmental Council. He recently served as a member of the Yesler Terrace Citizen Review Committee. Commissioner Little's term expires in October 2010.

Juan Martinez, Member. Commissioner Martinez is currently the State Field Director for the Washington Tax Fairness Coalition, where he works with a coalition of community, education, labor, faith, and human services organizations who advocate for a progressive tax system that will benefit working families. Mr. Martinez spent five years working for the Department of Social and Health Services, as a case manager for a variety of people seeking services. Mr. Martinez also brings labor and political organizing experience. He has worked for Congressman Jim McDermott and served as the President of Local 843 Washington Federation of State Employees. He currently serves on the Seattle Central Community College Board. Commissioner Martinez's term expires in March 2011.

Kollin Min, Member. Kollin Min is a graduate of Yale University with a law degree from the University of Washington. He has worked in government and politics as well as in organizations supporting the environment and green building. Most recently he was the director of the Washington State office of Enterprise Community Partners, a national nonprofit that finances affordable housing and community development. Mr. Min recently accepted a position with a charitable foundation in Seattle where he will be working on issues related to ending homelessness. Commissioner Min's term expires in March 2012.

Senior staff members are as follows:

Tom Tierney, Executive Director. Mr. Tierney has held executive positions at both the City of Seattle and the Port of Seattle. While at the Port, he was Deputy CEO and Managing Director for Economic Development and directed the development of more than 100 acres of Port land for non traditional mixed use. He also directed all corporate departments, including labor relations, personnel, information technology, accounting, finance, public affairs, intergovernmental relations, engineering, construction services, police and real estate. During his tenure with the City of Seattle, from 1985 to 1998, Mr. Tierney played key administrative roles on major projects including the Downtown and neighborhood libraries and the redevelopment of the former naval training facility at Sand Point. He earned a B.A. in Economics from Colorado College and a M.A. degree in Economics from San Francisco State

University. He has also done advanced graduate work in Economics at the University of Washington, and has served as a lecturer and instructor at Seattle University and the University of Washington.

Al Levine, Deputy Executive Director, Development and Asset Management. Mr. Levine was appointed Deputy Executive Director of the Authority in January 2001. Mr. Levine rejoined the Authority in 1998 in the newly created position of Asset Manager. (Mr. Levine served at the Authority from 1971 to 1980 as Director of Program Planning and Special Projects.) From 1980 to 1998, Mr. Levine held a wide variety of private sector positions ranging from his own real estate development and consulting business to executive positions in companies with annual sales exceeding \$10 million. He earned a B.A. degree from Hunter College, City University of New York in 1967 and a M.A. degree in Urban Planning from the University of Washington in 1969.

Andrew Lofton, Deputy Executive Director, Finance and Administration. Mr. Lofton was appointed Deputy Executive Director of Finance and Administration in March 2004. Before joining the Authority, Mr. Lofton was Chief of Departmental Operations in the office of Seattle Mayor Greg Nickels. He came to the Mayor's office with many years of experience in Seattle City government having been deputy superintendent for Customer Services at Seattle City Light, deputy chief of staff for former Seattle Mayor Norm Rice; City budget director, director of the Department of Licenses and Consumer Affairs, and deputy director for the Department of Community Development. Mr. Lofton also worked in State government as the deputy director for the State Department of Community, Trade, and Economic Development.

Don Ashlock, Director of Housing Operations. Mr. Ashlock was appointed Director of Housing Operations in November 2000. Before that he was the Housing Operations Program Manager from 1998 to 2000. From 1985 to 1998 he was the Housing Operations Maintenance Superintendent. Prior to 1985, Mr. Ashlock was an Area Field Operations Supervisor at the Authority for 2 years. Mr. Ashlock first came to work for the Authority in 1982 as the Central Maintenance Plumber, handling special plumbing assignments. He owned his own plumbing business for two years before coming to work for the Authority and has held several different positions at private companies doing electrical construction, housing construction and plumbing projects. In his private life, Mr. Ashlock has served as a minister since 1962 and a pastor for many years.

Michelle (Shelly) Yapp, Chief Financial Officer. Ms. Yapp joined the Authority in June 2007, bringing over 25 years of public sector management, financial and policy experience to the Authority. Most recently, she has held the position of Redevelopment Director and Executive Advisor for the Seattle Center. During her tenure there, she was responsible for capital financing of the Seattle Centers' projects, managed over \$600 million in private investment and development at the Seattle Center and successfully completed the redevelopment of McCaw Hall. Ms. Yapp has also served as Executive Director of the Pike Place Market Preservation & Development Authority, as Deputy Mayor to Mayor Charles Royer, and as the Budget Director for King County. As King County Budget Director, she was responsible for the development and management of the County's \$500 million Operating and Capital budget, and was on the Executive Finance Committee directing investment policies and practices for over 50 County funds. She has a Bachelors degree in Economics from the University of Washington, where she graduated Cum Laude, Phi Beta Kappa, and has served as a member of the Board of Regents.

James Fearn, General Counsel. Mr. Fearn is the General Counsel at the Authority. He is an attorney with extensive experience in the areas of land use, zoning, environmental, real estate and municipal law. He also has been substantially involved in low income housing development issues. Prior to coming to the Authority, Mr. Fearn worked in the Land Use Division of the Seattle City Attorney's Office, in private practice, and for the Department of Housing and Urban Development. Mr. Fearn has represented public and private organizations in connection with land development issues. He is a graduate of the University of Chicago Law School.

Virginia Felton, Communications Director. Ms. Felton joined the Authority in May 1999 to refocus the agency's communications and public relations efforts. Ms. Felton has over 20 years of business management and communications experience. Prior to joining the Authority, she served as a Department Director in Continuing Education at the University of Washington. From 1988 to 1998 she was Executive Director of The Mountaineers, a 15,000-member conservation and outdoor recreation organization. From 1979 to 1988 she served as Director of Marketing and Communications for the Pike Place Market Preservation and Development Authority. Ms. Felton holds a B.A. in English from Syracuse University, an M.A. in Teaching from the State University College at New Paltz, New York, and an M.B.A. from the University of Washington.

Dean Barnes, Human Resources Director. Mr. Barnes has over 15 years in the Human Resources field, with special emphasis on employment, recruitment, EEO/AA, benefits, safety, labor relations, classification/compensation, and human resource information systems (HRIS). He has a B.A. degree in Business Administration from Whitworth College in Spokane, Washington, and an M.B.A. degree in Managerial/Organizational Leadership from City University of Seattle, and has almost completed his work towards a Doctorate of Public Administration from Arizona State University. He was a member of Phi Kappa Phi National Honor Society, and the Phi Alpha Alpha National Public Administration Honor Society. Prior to joining the Authority in November 2006, Mr. Barnes was the Director of Employment, Training, and Alternative Dispute Resolution & Equal Employment Opportunity for the City of Seattle.

Lisa Cipollone-Wolters, Director of Housing Advocacy and Rental Assistance Programs. Ms. Cipollone-Wolters is the Authority's Director for the Housing Choice Voucher (Section 8) programs at the Porchlight Center. She develops and implements the Center's strategic plans, budgets, and operational procedures. In addition she is responsible for federal, state and local policy issues and community building. Prior to joining the Authority in 2005, she was King County Director for U.S. Senator Maria Cantwell. Ms. Cipollone-Wolters has over nine years of management experience in the public and private sectors, including positions with the State of Washington, YWCA and TRAC Associates. She holds a B.A. degree in Political Science from Clemson University.

Ann-Marie Lindboe, Director of Housing Finance and Asset Management. Ms. Lindboe has been with the Authority for seven years as the Housing Finance Manager. In May 2006 that position was combined with the Asset Manager position and elevated to a director level. Ms. Lindboe has over 27 years of housing finance and development experience, having worked previously for the Alaska Housing Finance Corporation and the Tacoma (WA) Housing Authority. Ms. Lindboe has a B.B.A. in Business Administration and a M.P.A. in Public Administration from the University of Alaska Anchorage.

Stephanie Van Dyke, Director of Development. Ms. Van Dyke is responsible for overseeing the Authority's Development Department activities, including HOPE VI redevelopment projects. Currently, the Authority has two active HOPE VI projects, is starting a new HOPE VI project at Lake City Village and is planning the redevelopment of the Yesler Terrace community. Ms. Van Dyke has worked at the Authority since 2005. She is in charge of overseeing major development programs and supervising program management staff. Prior to coming to the Authority, Ms. Van Dyke worked as a Senior Project Manager at the City of Seattle, with responsibility for redevelopment projects at Seattle Center, including the \$110 million dollar McCaw Hall project. Stephanie Van Dyke has a Master of Arts degree in Public Administration from the University of Washington and a Bachelor of Arts degree from Harvard University.

Financial Management

The Authority is a Washington public body, corporate and politic, that is exempt from Federal income tax and from all state and local property taxes. The Authority owns, manages or administers 56 HUD-supported projects.

The Authority's financial statements are presented as a single enterprise proprietary fund and are reported using the economic resources measurement focus and the accrual basis of accounting in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The Authority's budgets are adopted on a GAAP basis of accounting. Annual appropriated budgets are adopted and all annual appropriations lapse at the Authority's year end. The Authority's total assets as of December 31, 2007, were approximately \$595,410,110.

The Authority, recognized by HUD as a "High Performing Large Housing Authority," has been selected to participate in HUD's Moving to Work (MTW) Demonstration Program, designed to demonstrate new management models for public housing. Under MTW, the Authority is exempt from many HUD regulations and reporting requirements, and is allowed significant flexibility to combine its HUD funding for reallocation among the Authority's administrative, capital and development activities. The MTW contract also gives the Authority the ability to redesign HUD housing programs to meet the market conditions and resident needs in the City of Seattle. Prior to its participation in the MTW Demonstration Program, the Authority was evaluated by the U.S. Department of Housing and Urban Development under its Public Housing Management Assessment Program (PHMAP). The PHMAP program evaluates housing authorities on eight indicators, including financial management, modernization,

vacancy rates, uncollected rents, resident services and security. Under this program, the Authority was designated a “High Performer” for six straight years and received a perfect score of 100% two years in a row.

The Authority changed its fiscal year end date from September to December for the year beginning October 1, 2006. Therefore, the Authority’s most recent audit is for the fifteen month period ending December 31, 2007, and comprises a Comprehensive Annual Financial Report (CAFR) and an A 133 single audit report. The audit was performed by the independent accounting firm of KPMG LLP. Both reports were issued by KPMG in May 2008 and contained two significant deficiencies. One item addressed strengthening procedures for year end cut-off procedures and the other was related to late re-inspections of Section 8 units. The Authority has implemented measures that resolve these concerns. The Authority’s CAFR report for the fiscal year ended September 30, 2006, was awarded its tenth consecutive Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of U.S. and Canada. As a political subdivision of the State of Washington, the Authority is also subject to accountability audits conducted by the Office of the State Auditor. Reports of the Authority’s audit examinations are published annually and available to the public.

Programs

Public Housing Program. The Authority’s Public Housing Program is a consolidation of 49 low rent public housing projects consisting of approximately 5,500 units of housing. These units house approximately 2.5% of the City’s population. The Program’s operations are funded through Federal operating subsidies and tenant rent collections. This program comprises the largest housing operation of the Authority.

Section 8 Program. The Authority’s Section 8 Program (“Housing Choice Vouchers”) consists of Housing Assistance Payments (“HAP”) Contracts for approximately 8,300 units. Pursuant to the HAP Contracts, HUD provides housing assistance payments to private, non profit or public landlords to subsidize rentals for low income persons.

Seattle Senior Housing Program (“SSHP”). In 1981, City voters approved a \$48.1 million elderly housing bond issue. The Authority entered into an agreement with the City to develop, manage and operate the completed units. The SSHP provides a total of approximately 1,000 units in 26 buildings.

Locally Developed Housing. The Authority has issued bonds and secured local funds from the City and the State of Washington (the “State”) to develop and manage 713 units of large family, elderly and special needs housing. The most recent acquisitions are the Main Street Place Apartments, the Main Street Apartments, Yesler Court, and Willow Street Apartments.

Tax Exempt Conduit Bonds. Since 1985, the Authority has issued tax exempt bonds to finance loans to non profit corporations, partnerships and public corporations in connection with 58 properties. The loans totaled approximately \$334.3 million and assisted in the development of over 4,500 units of affordable housing for residents of Seattle.

Low Income Housing Tax Credits. The Authority is the general partner in 12 limited partnerships formed to take advantage of the Low Income Housing Tax Credit program. The 12 partnerships own and manage 3,489 units of low income housing. The Authority’s current limited partners in these partnerships are Housing Outreach Fund VII, the Enterprise Social Investment Corporation, Enterprise Community Investment, Fannie Mae, MMA, Wachovia Community Development Corporation and Boston Capital.

Partnership Housing. Using its own resources as well as Federal housing dollars, the Authority has developed 250 units of housing in partnership with other Seattle area nonprofit housing developers.

CERTAIN CONSIDERATIONS RELATING TO VARIABLE RATE DEMAND OBLIGATIONS

The Remarketing Agent is Appointed and Paid by the Authority

The Remarketing Agent’s responsibilities include determining the interest rate from time to time and remarketing Bonds that are tendered pursuant to the optional or mandatory tender provisions of the Indenture by the owners of

the Bonds (subject, in each case, to the terms of the Remarketing Agreement), all as further described in this Official Statement. The Remarketing Agent is appointed and paid by the Authority for its services. As a result, the interests of the Remarketing Agent may differ from those of existing holders and potential purchasers of the Bonds.

The Authority and the Partnership May Purchase Bonds for their Own Account.

The Authority and the Partnership may purchase Bonds in the open market or otherwise. The purchase of Bonds by the Authority or the Partnership may create the appearance that there is greater third-party demand for the Bonds in the market than is actually the case. The practices described above may also result in fewer Bonds being tendered in a remarketing.

The Remarketing Agent Not Required to Purchase Bonds for its Own Account

The Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations and, in its sole discretion, may routinely purchase such obligations for its own account. The Remarketing Agent is permitted, but not obligated, to purchase tendered Bonds for its own account and, in its sole discretion, routinely acquire such tendered bonds in order to achieve a successful remarketing of the Bonds (e.g., because there otherwise may not be enough buyers to purchase the Bonds) or for other reasons. However, the Remarketing Agent is not obligated to purchase Bonds, and may cease doing so at any time without notice. The Remarketing Agent may also make a market in the Bonds by routinely purchasing and selling Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agent is not required to make a market in the Bonds. The Remarketing Agent may also sell any Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Bonds. The purchase of Bonds by the Remarketing Agent may create the appearance of greater demand for the Bonds than would otherwise be the case without the participation of the Remarketing Agent. The practices described also may result in fewer Bonds being tendered in a remarketing.

Bonds May be Offered at Different Prices on Any Date Including a Determination Date

Pursuant to the Remarketing Agreement, the Remarketing Agent is required to use its best efforts to determine the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the Bonds at par plus accrued interest, if any, on and as of the applicable interest rate Determination Date. The interest rate will reflect, among other factors, the level of market demand for the Bonds (including whether the Remarketing Agent is willing to purchase Bonds for its own account). There may or may not be Bonds tendered and remarketed on a Determination Date, the Remarketing Agent may or may not be able to remarket any Bonds tendered for purchase on such date at par and the Remarketing Agent may sell Bonds at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all Bonds at the remarketing price. The Remarketing Agent, in its sole discretion, may offer Bonds on any date, including a Determination Date, at a discount to par to some investors.

The Ability to Sell the Bonds Other Than Through Tender Process May be Limited

The Remarketing Agent may buy and sell Bonds other than through the tender process. However, it is not obligated to do so and may cease doing so at any time without notice. Holders that wish to tender their Bonds must tender them with appropriate notice as described in the Indenture. Thus, investors who purchase the Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Bonds other than by tendering the Bonds in accordance with the tender process as described in the Indenture.

CERTAIN BONDHOLDERS' RISKS

The following discussion, while not setting forth all the factors which must be considered, contains some of the factors which should be considered prior to purchasing the Bonds. This list is not, and is not intended to be, all inclusive.

General

An investment in the Bonds involves certain risks, including the risk of nonpayment of interest, principal or Purchase Price due to Bond Owners and the risk that the Bonds will be redeemed or purchased prior to maturity. The Bonds are special limited obligations of the Authority, payable solely from the security granted pursuant to the Indenture. The risk of nonpayment or that the Bonds will be redeemed or purchased prior to maturity is affected by the following factors, among others, which should be considered by prospective investors, along with other information presented in this Official Statement, in judging the suitability of an investment in the Bonds. The Bonds may not be a suitable investment for all prospective purchasers. Prospective purchasers should consult their investment advisors before making any decisions as to the purchase of the Bonds.

Special Obligations

THE BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE ONLY FROM THE SOURCES SET FORTH IN THE INDENTURE. THE BONDS DO NOT CONSTITUTE A DEBT OF THE CITY OF SEATTLE, THE STATE OF WASHINGTON OR ANY POLITICAL SUBDIVISION THEREOF, AND NEITHER THE CITY OF SEATTLE, THE STATE OF WASHINGTON, NOR ANY POLITICAL SUBDIVISION THEREOF, EXCEPT THE AUTHORITY, BUT ONLY FROM THE SOURCES SET FORTH IN THE INDENTURE, SHALL BE LIABLE FOR PAYMENT OF THE BONDS. THE AUTHORITY HAS NO TAXING POWER.

Partnership's Obligation to Pay Interest

The Loan Agreement will require the Partnership to make or cause to be made payments (i) in amounts and at time sufficient to pay the principal of and premium, if any, on the Bonds when due, and (ii) interest on the outstanding principal amount of the Loan at a fixed rate of 4.8% per annum. If the interest paid by the Partnership exceeds the interest due on the Bonds, the excess will be paid to the Authority as a lender's fee. If, however, the interest rate on the Bonds exceeds the fixed rate to be paid by the Partnership under the Loan Agreement, the sole source of payment to Bondholders of the resulting interest in excess of that payable by the Partnership will be the Letter of Credit. The Authority's General Revenues are *not* pledged to payment of the Variable Rate Bonds, but are pledged to the Bank as security for the Partnership's and the Authority's obligations under the Reimbursement Agreement.

Risks Associated with the Letter of Credit

Creditworthiness of the Bank. Payment of the principal of and interest on the Bonds and the Purchase Price of tendered and unremarketed Bonds is supported by the Letter of Credit. Payment under the Letter of Credit depends on the creditworthiness of the Bank. There can be no assurance that the Bank will maintain its present financial condition or that an adverse change in such condition will not adversely affect its ability to honor future drawings under the Letter of Credit.

Default Under the Reimbursement Agreement. The occurrence of an event of default under the Reimbursement Agreement in and of itself, does not constitute an Event of Default under the Indenture. However, upon the occurrence of an event of default under the Reimbursement Agreement, the Bank may direct the mandatory redemption of Bonds, at which time the Trustee will draw on the Letter of Credit to pay the principal and interest on the Bonds. See Appendix A – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS – The Reimbursement Agreement" for a description of the events of default under the Reimbursement Agreement.

Extension or Replacement of the Letter of Credit. While the Bonds are at a variable rate, the Indenture permits the Authority to provide an Alternate Credit Facility having a term of no less than six months. *The Bonds are subject to mandatory tender on the effective date of an Alternate Credit Facility.* Bondowners have the right to retain their

Bonds upon substitution of an Alternate Credit Facility by delivering a Notice of Retention in the form attached to the Notice of Mandatory Tender. See “Mandatory Tender for Alternate Credit Facility.”

Unless extended, the Letter of Credit will expire as described herein under the heading “THE LETTER OF CREDIT.” In the event that the Bank declines to extend the term of the Letter of Credit or an Alternate Credit Facility cannot be obtained, the Bonds will be subject to mandatory redemption prior to the expiration date of the Letter of Credit.

Early Redemption

The Bonds may be required to be paid prior to maturity upon mandatory redemption or optional redemption, including upon a redemption resulting from an event of default under the Reimbursement Agreement or Indenture. See the description herein under the heading “REDEMPTION OF BONDS.” If the Bonds become due upon an acceleration, interest on the Bonds shall cease to accrue on the date of the declaration of acceleration. It is anticipated that approximately \$3,750,000 of the Bonds will be optionally redeemed in one or more redemptions by July 31, 2010; however, the timing of such redemptions is subject to change.

Competing Facilities; Economic Feasibility

The Authority and persons who may be affiliated with the Authority may own, finance, develop, construct and operate other facilities in the areas of the Project that could compete with the Project. Any competing facilities, if so constructed, could adversely affect occupancy and revenues of the Project. The economic feasibility of the Project depends in large part upon its being substantially occupied at budgeted project rent levels. There can be no assurance that in the future the Partnership will be able to rent residential rental units at rates which will enable it to make timely payments under the Loan Agreement, which could lead to an event of default under the Reimbursement Agreement. See “Default Under the Reimbursement Agreement” above.

Enforceability of Remedies

The remedies available to the Bondholders upon an event of default under the Indenture or other documents described herein are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code, the remedies specified by the federal bankruptcy laws, the Indenture and the various related documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by principles of equity.

Taxability

The exemption of interest on the Bonds from federal income taxes is dependent upon continuing compliance by the Authority and the Partnership with the requirements of the Code. Upon the occurrence of a determination that interest on the Bonds is no longer excluded from gross income for federal income tax purposes, the interest on the Bonds would become taxable and could become taxable as of the date of issuance. In the event of a determination of taxability with respect to all the Bonds, or in order to prevent such a determination of taxability with respect to all or a portion Bonds, the Bonds will be subject to mandatory redemption as provided herein. See “REDEMPTION OF BONDS.” At the option of the Authority and with the consent of the Bank, Bonds that would otherwise be redeemed upon or to prevent the occurrence of a Determination of Taxability may instead be subject to mandatory tender and subsequent remarketing by the Remarketing Agent as taxable Bonds. Bondowners have the right to retain their Bonds in such event by delivering a Notice of Retention. See “Mandatory Tender In Lieu of Redemption.” **There is no provision for any retroactive adjustment to the interest rate borne by the Bonds in the event of any such loss of tax exempt status, nor is any provision made for the payment of any penalties or premium in such event.**

No Rating

The Authority has not applied and does not intend to apply for a rating on the Bonds. The absence of a rating could affect the marketability of the Bonds.

Construction Risks

The rehabilitation of the Project involves construction risks, including risks associated with shortages of materials and labor, work stoppages, labor disputes, bad weather and natural casualties, unforeseen engineering, environmental or geological problems, unidentified hazardous materials, third party litigation, and unanticipated cost overruns, any of which could increase the cost and delay the construction or operation of the Project. See “THE PARTNERSHIP AND THE PROJECT.”

Investment Agreement

Money held in various accounts related to the Bonds held by the Trustee may be invested under an investment agreement. Any investment agreement provider will be selected based upon competitive bids most favorable to the Partnership obtained from multiple eligible institutions by an independent broker. The Partnership makes no representations regarding: (i) the ability of the investment agreement provider to make payments required under the investment agreement, (ii) the ability of the investment agreement provider to maintain its current ratings, or (iii) the Trustee’s ability to recover amounts owed by the investment agreement provider in the event of a bankruptcy or other default under the investment agreement.

TAX EXEMPTION

Exclusion from Gross Income

In the opinion of Bond Counsel, under existing federal law and assuming compliance by the Authority and the Partnership with applicable requirements of the Code that must be satisfied subsequent to the issue date of the Bonds, (i) interest on the Bonds (except any Bond for any period during which it is held by a “substantial user” of the Project or a “related person” within the meaning of Section 147(a) of the Code) is excluded from gross income for federal income tax purposes, and (ii) interest on the Bonds is not treated as an item of tax preference for purposes of the federal alternative minimum tax applicable to individuals and corporations and is not included in adjusted current earnings of corporations for purposes of the federal alternative minimum tax.

Continuing Requirements

The Authority and the Partnership are required to comply with certain requirements of the Code after the date of issuance of the Bonds in order to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes, including, without limitation, requirements concerning the qualified use of Bond proceeds and the facilities financed or refinanced with Bond proceeds, limitations on investing gross proceeds of the Bonds in higher yielding investments in certain circumstances, and the requirement to comply with the arbitrage rebate requirement to the extent applicable to the Bonds. The Authority has covenanted in the Indenture, and the Partnership has covenanted in the Loan Agreement and the Regulatory Agreement, to comply with those requirements, but if the Authority or the Partnership fails to comply with those requirements, interest on the Bonds could become taxable retroactive to the date of issuance of the Bonds. Bond Counsel has not undertaken and does not undertake to monitor the Authority’s or the Partnership’s compliance with such requirements.

Tax on Certain Passive Investment Income of S Corporations

Under Section 1375 of the Code, certain excess net passive investment income, including interest on the Bonds, received by an S corporation (a corporation treated as a partnership for most federal tax purposes) that has Subchapter C earnings and profits at the close of the taxable year may be subject to federal income taxation at the highest rate applicable to corporations if more than 25% of the gross receipts of such S corporation is passive investment income.

Foreign Branch Profits Tax

Interest on the Bonds may be subject to the foreign branch profits tax imposed by Section 884 of the Code when the Bonds are owned by, and effectively connected with a trade or business of, a United States branch of a foreign corporation.

Possible Consequences of Tax Compliance Audit

The Internal Revenue Service (the “IRS”) has established a general audit program to determine whether issuers of tax-exempt obligations, such as the Bonds, are in compliance with requirements of the Code that must be satisfied in order for interest on those obligations to be, and continue to be, excluded from gross income for federal income tax purposes. Bond Counsel cannot predict whether the IRS would commence an audit of the Bonds. Depending on all the facts and circumstances and the type of audit involved, it is possible that commencement of an audit of the Bonds could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of its ultimate outcome.

CERTAIN OTHER FEDERAL TAX CONSEQUENCES

Bonds Not “Qualified Tax Exempt Obligations” for Financial Institutions

Section 265 of the Code provides that 100% of any interest expense incurred by banks and other financial institutions for interest allocable to tax exempt private activity bonds, such as the Bonds, acquired after August 7, 1986, will be disallowed as a tax deduction.

Reduction of Loss Reserve Deductions for Property and Casualty Insurance Companies

Under Section 832 of the Code, interest on the Bonds received by property and casualty insurance companies will reduce tax deductions for loss reserves otherwise available to such companies by an amount equal to 15% of tax exempt interest received during the taxable year.

Effect on Certain Social Security and Retirement Benefits

Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take receipts or accruals of interest on the Bonds into account in determining gross income.

Other Possible Federal Tax Consequences

Receipt of interest on the Bonds may have other federal tax consequences as to which prospective purchasers of the Bonds may wish to consult their own tax advisors.

UNDERWRITING AND LEGAL

Bond Purchase Contract

Subject to the terms and conditions set forth in a Bond Purchase Contract, the Authority will agree to sell to the Underwriter, and the Underwriter will agree, subject to certain conditions, to purchase from the Authority, all of the Bonds. The Underwriter will purchase all of the Bonds at a price of par, less an Underwriter’s discount of \$34,200.

Absence of Litigation

At the time of delivery of and payment for the Bonds, the Authority will deliver a certificate stating that there is no litigation then pending or threatened against the Authority to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, application of the proceeds of the Bonds as contemplated by the Indenture, or in any way contesting or affecting the validity of the Bonds, any proceedings of the Authority taken with respect to the issuance or sale thereof, the pledge or application of any money or security provided for the payment of the Bonds, the existence or powers of the Authority or the title of any officers of the Authority to their respective positions.

Legal Opinion

Legal matters incident to the authorization, issuance and sale of the Bonds by the Authority are subject to the approving legal opinion of Foster Pepper PLLC, Seattle, Washington, Bond Counsel to the Authority. A copy of the form of opinion of Bond Counsel is attached as Appendix B. The opinion of Bond Counsel is given based on factual representations made to Bond Counsel, and under existing law, as of the date of initial delivery of the Bonds, and Bond Counsel assumes no obligation to revise or supplement its opinion to reflect any facts or circumstances that may thereafter come to its attention, or any changes in law that may thereafter occur. The opinion of Bond Counsel is an expression of its professional judgment on the matters expressly addressed in its opinion and does not constitute a guarantee of result. Certain legal matters for the Bank will be passed upon by Alan W. Schulkin, Esq., Seattle, Washington and Calfee, Halter & Griswold LLP, Cleveland, Ohio, co-counsel to the Bank.

Conflicts of Interest

Some or all of the fees of the Underwriter, Disclosure Counsel and Bond Counsel are contingent upon the issuance, sale and delivery of the Bonds. From time to time Bond Counsel has represented the Underwriter in different transactions and in different capacities. No member of the Board of Commissioners or other officer of the Authority has any interest in the Bonds that is prohibited by applicable law.

NO CONTINUING DISCLOSURE

The Bonds as initially issued are not subject to the continuing disclosure requirements of Securities and Exchange Commission ("SEC") Rule 14c2-15(5)(i). However, the Authority and the Partnership will comply with any applicable ongoing disclosure requirements with respect to the Bonds that may be imposed in the future by the SEC or any other regulatory body.

MISCELLANEOUS

All of the summaries or descriptions of provisions of the Indenture and other documents are made subject to all of the provisions of law and such documents, and these summaries do not purport to be complete statements of such provisions. Reference is hereby made to such documents for further information in connection therewith. Copies of the aforementioned documents may be obtained from the Trustee at:

The Bank of New York Mellon Trust Company, N.A.
601 Union Street, Suite 520
Seattle, WA 98101-2321
Attention: Corporate Trust Department

The agreements of the Authority with the Owners of the Bonds are fully set forth in the Indenture. This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Any statements herein involving matters of opinion or estimates, whether or not expressly so stated, are intended merely as such and not as representations of fact.

At the time of delivery of the Bonds, one or more officials of the Authority will furnish a certificate stating that to the best of his, her or their knowledge, this Official Statement, as of its date and as of the date of issuance of the Bonds, does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained herein, in light of the circumstances under which they were made, not misleading.

The Housing Authority of the City of Seattle has authorized the delivery of this Official Statement.

HOUSING AUTHORITY OF THE CITY OF SEATTLE

By James M. Tigeny
Executive Director

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APPENDIX A

DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS

The following statements are a brief summary of certain provisions of the major documents executed in connection with the issuance of the Bonds that have not been described elsewhere in this Official Statement. The summary does not purport to be complete and reference is made to the actual documents available from the Trustee for a full and complete statement of the provisions thereof.

Certain Definitions

“Alternate Credit Facility” means any letter of credit, line of credit, standby bond purchase agreement or other security device issued in accordance with the Indenture.

“Authorized Denomination” means \$100,000 or any integral multiple of \$5,000 in excess of \$100,000.

“Authorized Investments” means any investment that is lawful for housing authorities in the State, including the Investment Agreement, if any. A list of investments that are lawful on the Date of Issue is attached to the Indenture.

“Bank Bond” means any Bond purchased from proceeds of draws on the Letter of Credit pursuant to the provisions of the Indenture.

“Bondowner” means the Owner of any Bond.

“Business Day” means any day, other than a Saturday or a Sunday, on which banking institutions are open in the State of Washington and in the state(s) in which the principal corporate trust office of the Trustee and the office of the Bond Registrar designated for the transfer or exchange of Bonds are located, and, if any Variable Rate Bonds remain Outstanding, which is a Business Day as defined in the Letter of Credit and on which the New York Stock Exchange is open.

“Code” means the Internal Revenue Code of 1986, as amended, or any successor federal income tax statute or code. Any reference to a provision of the Code shall include the applicable regulations of the Department of the Treasury promulgated or proposed with respect to such provision.

“Commitment” means the amount of the Bank’s commitment under the Letter of Credit to pay the principal and Purchase Price of and interest on the Bonds.

“Conversion Date” means the date on which all of the Bonds begin to bear interest at a Fixed Rate.

“Date of Issue” means the date the Bonds are delivered to the initial purchaser thereof.

“Determination Date” means each Wednesday (or, if that day is not a Business Day, the first Business Day thereafter), except that the Determination Date for the first Interest Period shall be the Business Day immediately preceding the Date of Issue and for the second Interest Period shall be the first Wednesday (or, if that day is not a Business Day, the first Business Day thereafter) that is at least five days after the Date of Issue.

“Determination of Taxability” means the receipt by the Trustee of (1) a copy of written notice from the Commissioner or any District Director of the Internal Revenue Service or a determination by any court of competent jurisdiction, or (2) an opinion of Bond Counsel, in either case to the effect that interest on some or all of the Bonds is not excludable for regular federal income tax purposes under Section 103(a) of the Code from gross income of any Owners of the Bonds (other than an Owner who is a substantial user of the Project or a related person as defined in the Code).

“Fixed Rate” means the fixed interest rate or rates borne by Fixed Rate Bonds determined in accordance with the Indenture.

“Government Obligations” means (1) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) or obligations the timely payment of the principal of and interest on which are fully and unconditionally guaranteed by the United States of America, including instruments evidencing an ownership interest in securities described in this clause (1); and (2) obligations, debentures, notes or other evidences of indebtedness issued or guaranteed by any of the following: Federal Home Loan Bank System, Export-Import Bank of the United States, Federal Financing Bank, Federal Land Banks, Government National Mortgage Association, Federal Home Loan Mortgage Corporation, Fannie Mae or Federal Housing Administration.

“Interest Payment Date” means the first Business Day of each March, June, September and December, commencing in March, 2009. In the case of payment of defaulted interest, “Interest Payment Date” also means the date of such payment established pursuant to the Indenture.

“Interest Period” means the period from and including the first day following a Determination Date to and including the following Determination Date, except that the first Interest Period shall begin on the Date of Issue. Notwithstanding the foregoing, no Interest Period shall end on a date after the expiration date of the Letter of Credit.

“Investor Limited Partner” means the entity designated by the Partnership as the investor limited partner and its successors and assigns.

“Lease” means the lease between the Authority, as landlord, and the Partnership, as tenant, under which the Partnership will lease the Project from the Authority.

“Loan Payments” means (i) the payments of principal of and premium, if any, on the Loan and (ii) the payments of interest on Loan to the extent necessary to pay the interest on the Bonds, all pursuant to the Loan Agreement. Payments of interest on the Loan in excess of the amount necessary to pay the interest on the Bonds will be paid to the Authority as a lender’s fee and will not be included in “Loan Payments.”

“Maximum Rate” means the rate of interest on the Bonds specified in the Letter of Credit as the rate used by the Bank in determining the Commitment, initially 10% per annum.

“Occupancy Date” means the first date on or after the Date of Issue on which at least 10% of the Dwelling Units in the Project are occupied.

“Outstanding,” when used as of any particular time with reference to Bonds, means all Bonds theretofore, or thereupon being, authenticated and delivered by the Bond Registrar under the Indenture except (1) Bonds theretofore cancelled by the Bond Registrar or surrendered to the Bond Registrar for cancellation; (2) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with the Indenture and (3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Bond Registrar pursuant to this Indenture.

“Project” means, depending on the context (1) the rehabilitation of a 44-unit apartment complex located at 4811 S. Henderson Street in Seattle, Washington, known as the Douglas Apartments, to be leased, together with the underlying property, by the Partnership from the Authority and located on real property legally described in Exhibit A to the Loan Agreement, or (2) the Douglas Apartments.

“Purchase Date” means the Tender Date specified in a Purchase Demand or in a Notice of Mandatory Tender.

“Purchase Price” means the principal amount of the Bonds tendered for purchase plus accrued interest thereon to the Purchase Date, except that if the Purchase Date is also an Interest Payment Date the Purchase Price

shall be the principal amount of such Bonds (and accrued interest shall be paid at the time and in the manner specific for regularly scheduled interest payments in the Indenture).

“Qualified Tenants” means and includes individuals and families of low or moderate income determined in a manner consistent with determinations of lower income individuals under Section 8 of the United States Housing Act of 1937, as amended, except that the percentage of area median gross income which qualifies as low or moderate income shall not exceed 60% and such calculation shall be adjusted for family size. Individuals of a unit are considered individuals of low or moderate income only if their adjusted income (computed in the manner prescribed by the Treasury Regulations) does not exceed 60% of the median gross income for the area. However, occupants of a unit shall not be considered Qualified Tenants if all the occupants are students (as defined in Section 151(c)(4) of the Code), none of whom: (i) receives assistance under title IV of the Social Security Act, (ii) was previously under the care and placement responsibility of the state agency administering a plan under Part B or part E of title IV of the Social Security Act, (iii) is a single parent and none of the parent or the child(ren) is a dependent (as defined in Section 152, determined without regard to subsections (b)(1), (b)(2) and (d)(1)(B) thereof) of another individual, or (iv) are married and file a joint income tax return. The method of determining low or moderate income in effect on the Date of Issue will be determinative, even if such method is subsequently changed.

“Record Date” means the third Business Day prior to each Interest Payment Date.

“Regulatory Period” means, unless the Regulatory Agreement is modified or terminated sooner, the period commencing on the Occupancy Date and ending on the later of the date the Bonds are no longer Outstanding or the date that is 20 years after the Occupancy Date.

“Seasoned Funds” means (a) proceeds of draws on the Letter of Credit, (b) remarketing proceeds, (c) any other funds, including proceeds of any refunding bonds, as to which the Trustee has received an opinion of counsel experienced in bankruptcy matters to the effect that payment of the principal of or interest on the Bonds from such funds would not constitute a voidable preference under the United States Bankruptcy Code, as amended, and (d) all earnings on any such money.

“Special Record Date” means the date established by the Trustee pursuant to the Indenture as a record date for the payment of defaulted principal of or interest on the Bonds.

“Tender Date” means (a) any Business Day specified in a Purchase Demand in respect of a Bond, and (b) any date on which the Owners of Bonds are required to tender those Bonds to the Trustee pursuant to a Notice of Mandatory Tender.

“Trust Estate” means: (1) all rights, title and interests of the Authority in the Loan Agreement (with certain reservations and exceptions noted in Article X of the Loan Agreement), including, but not limited to, the present and continuing right thereunder (a) to make claim for, collect or cause to be collected, and receive or cause to be received certain sums payable or receivable thereunder, (b) to bring actions and proceedings thereunder or for the enforcement thereof, and (c) to do the things which the Authority is or may become entitled to do under the Loan Agreement; (2) all Funds and accounts established under the Indenture and all Investment Earnings thereon and money, securities and obligations therein (subject to disbursements from any such fund or account upon the conditions set forth in the Indenture); (3) all money and securities from time to time held by the Trustee under the terms of the Indenture and any and all other real or personal property of every name and nature concurrently therewith or from time to time thereafter by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred as and for additional security thereunder by the Authority or by anyone in its behalf, or with its written consent, to the Trustee, which is authorized by the Indenture to receive any and all such property at any and all times and to hold and apply the same subject to the terms of the Indenture, but excluding money collected for the indemnification of the Authority or the Trustee; and (4) to the extent not covered hereinabove, all proceeds of all of the foregoing.

All other capitalized terms used but not defined in this Official Statement have the meanings assigned to them in the Indenture.

The Indenture

Application of Bond Proceeds. On the Date of Issue, the Trustee will deposit all of the net Bond proceeds in the Project Account in the Project Fund.

Funds and Accounts. The Indenture creates the following Funds and accounts relating to the Bonds:

- (1) the Bond Fund, consisting of the Seasoned Funds Account and, if necessary, the Principal and Interest Account;
- (2) the Project Fund, consisting of the Costs of Issuance Account and the Project Account; and
- (3) the Rebate Fund, if necessary.

Seasoned Funds Account. The Trustee will deposit into the Seasoned Funds Account the proceeds of all draws on the Letter of Credit and other Seasoned Funds delivered to the Trustee and relating to the Bonds. Money on deposit in the Seasoned Funds Account on each scheduled Interest Payment Date for the Bonds or on any redemption or maturity date will be used to pay the interest becoming due and payable on the Bonds on such date and to pay the principal of and the premium on the Bonds, if any, maturing or to be redeemed on such date. Any money remaining in the Seasoned Funds Account after payment of such Purchase Price, interest, principal or premium will be delivered to the Bank for application pursuant to the Reimbursement Agreement.

Principal and Interest Account. If any of the following amounts are received by the Trustee, the Trustee will create the Principal and Interest Account and will deposit in or transfer to the Principal and Interest Account: (1) all Loan Payments received from the Partnership for the payment of principal of or premium, if any, or interest on any Bonds; (2) all amounts required by the Indenture to be transferred to the Principal and Interest Account from the Project Fund; (3) the net earnings on investments of money in the Principal and Interest Account; and (4) all other money required to be transferred to or deposited in the Principal and Interest Account pursuant to any provision of the Indenture or received by the Trustee for that purpose pursuant to the provisions of the Loan Agreement, and the proceeds of any investment thereof.

The money and investments in the Principal and Interest Account are irrevocably pledged and will be used by the Trustee, from time to time, if and to the extent required, in the following order of priority:

- (1) for the payment of the principal of and/or interest on Bonds coming due on the next Interest Payment Date or mandatory redemption date for those Bonds, including payments due as a result of mandatory redemption of Bonds;
- (2) for the payment of the redemption price of Bonds called for optional redemption;
- (3) for payment to the Bank of an amount equal to but not exceeding the amount of any draws on the Letter of Credit the proceeds of which were used to pay the principal of or premium, if any, or interest on Bonds and for which the Bank has not been reimbursed, as set forth in a certificate from the Bank;
- (4) for transfer to the Rebate Fund, if any, to the extent the Authority determines that a Rebate Amount must be deposited in the Rebate Fund; and
- (5) for transfer to the Bank, to the extent specified by the Bank in a notice to the Trustee and the Partnership that amounts are owed to it under the Reimbursement Agreement, then to the Authority, to the extent specified by the Authority in a notice to the Trustee and the Partnership that amounts are owed to it under the Loan Agreement, then to the Trustee to pay amounts, if any, owed to it under the Indenture, and then to the Partnership, taking into account amounts paid to the Bank, the Authority or the Trustee on behalf of the Partnership as set forth in this sentence, on the Business Day prior to each Interest Payment Date of all funds which the Trustee has determined,

as of such Business Day, to be in excess of those necessary for the purposes described in paragraphs (1) through (4) above.

The Trustee will deliver to the Bond Registrar on each redemption date or Interest Payment Date money from the Principal and Interest Account, to the extent available therein and to the extent not paid from money in the Seasoned Funds Account, in an amount sufficient to pay the principal of and premium, if any, and interest on all Bonds coming due on that date.

Project Fund. Immediately upon receipt thereof, the Trustee will deposit into the Costs of Issuance Account all amounts received by the Trustee from the Partnership or from any other source (other than proceeds of the Bonds) for purposes of paying Costs of Issuance.

The Trustee will deposit in or transfer to the Project Account: the amounts derived from Bond proceeds required to be deposited therein; all amounts required to be transferred to the Project Account from the Costs of Issuance Account; and such amounts as are received by the Trustee from the Partnership or any other source (other than proceeds of the Bonds) for purposes of paying costs of completing the Project.

The money and investments in the Project Fund will be held in trust by the Trustee and applied in accordance with and subject to the provisions of the Indenture and, pending such application, will be held for the further security of the Owners of the Bonds and the Bank until applied as provided in the Indenture. Until actually disbursed by the Trustee to or upon the order of the Partnership in accordance with the Indenture, the Partnership will have no interest in such money and investments.

Within five Business Days of the deemed completion date of the Project, the Trustee will transfer any money and investments remaining in the Project Fund (other than money determined to be a Rebate Amount) to the Principal and Interest Account of the Bond Fund. Such funds shall be used to redeem Bonds or to reimburse the Bank for draw(s) on the Letter of Credit.

Letter of Credit. There must at all times be a Letter of Credit securing payment of the principal and Purchase Price of and interest and, at the option of the Bank, premium, if any, on all Bonds Outstanding under the Indenture. The Trustee will hold the Letter of Credit and draw upon it in accordance with its terms consistent with the provisions of the Indenture to make full and timely payment of the principal and Purchase Price of, interest on and, if the Letter of Credit so permits, premium, if any, on the Bonds. The Trustee will not consent to or agree to or permit any amendment or modification of the Letter of Credit which would materially adversely affect the rights or security of the Owners of the Bonds.

Alternate Credit Facility. The Partnership may obtain an Alternate Credit Facility securing the payment of principal and Purchase Price of and interest on the Outstanding Bonds. On or prior to the date of delivery of an Alternate Credit Facility to the Trustee, the Partnership will furnish to the Trustee: (1) an opinion of Bond Counsel stating that the delivery of such Alternate Credit Facility is authorized under the Indenture, complies with the terms thereof and will not adversely affect the tax exemption of interest on the Bonds; and (2) an opinion of counsel stating that the Alternate Credit Facility is the valid and binding obligation of the issuer thereof enforceable against the issuer in accordance with its terms, except insofar as its enforceability may be limited by any insolvency or similar proceedings affecting generally the rights of creditors of such issuer.

Authority Covenants. The Authority will not:

- (1) directly or indirectly extend or consent to the extension of the maturity of any of the Bonds or the time of payment of the interest thereon without the consent of the Owners of all Outstanding Bonds and the Bank;
- (2) create or suffer to be created any lien upon the Trust Estate or any part thereof other than the liens created or contemplated by the Indenture and the Loan Agreement;

- (3) issue any obligations, other than refunding bonds, the payment of which is secured by money or amounts derived from Loan Payments; or
- (4) use or permit the use of any of the proceeds of the Bonds in such manner, or take or omit to take any other action in such manner, as will impair the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Events of Default. Each of the following is an Event of Default:

- (1) default in the due and punctual payment of the principal or premium, if any, or interest on any Bond when and as the same shall become due and payable, whether on any Interest Payment Date, at maturity, by proceedings for redemption (except as otherwise provided in the Indenture), by acceleration, or otherwise, except that the foregoing shall not constitute an Event of Default to the extent that Bonds are Bank Bonds;
- (2) failure to pay the Purchase Price of any Bond tendered pursuant to the Indenture when such payment is due; or
- (3) default by the Authority in the observance of any of the other covenants, agreements or conditions on its part contained in the Indenture, the Resolution, the Loan Agreement or the Bonds, if such default has continued beyond any applicable cure period and for a period of 60 days (or such longer period, if any, as is specified in the Indenture for particular defaults) after written notice thereof, specifying such default and requiring the same to be remedied, has been given to the Authority and the Partnership by the Trustee, or to the Authority, the Partnership and the Trustee by the Owners of not less than 25% in aggregate principal amount of the Bonds at the time Outstanding (or, if cure cannot be completed within such 60-day period through the exercise of diligence and the Authority commences the required cure within such 60-day period and continues the cure with diligence and the Authority reasonably anticipates that the default could be cured within 120 days, the Authority will have 120 days following receipt of such notice to effect the cure).

Acceleration. If any Event of Default described in (1) or (2) above occurs, then the Trustee will be entitled, or the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding will be entitled, upon notice in writing to the Authority, the Partnership, the Bank, the Remarketing Agent and the Trustee, to direct the Trustee to declare the principal of all of the Bonds then Outstanding and the interest accrued thereon to be due and payable immediately.

The Trustee will give or cause to be given notice of any such Declaration of Acceleration by mail to the respective Owners of the Bonds at their addresses appearing on the Bond Register, and will draw on the Letter of Credit by noon, Seattle time, in an amount sufficient to pay the Bonds supported thereby on the next Business Day. Notice of such Declaration of Acceleration having been given as aforesaid, interest will cease to accrue on such Bonds from and after the date established for payment of the Bonds pursuant to the Declaration of Acceleration, which will be no later than one Business Day after the date notice of the Declaration of Acceleration is given, if and to the extent that money to make such payment is on hand with the Trustee on that date.

Remedies. Upon the occurrence and during the continuance of an Event of Default, the Trustee in its discretion and with the consent of the Bank, but only if the Bank has not failed to honor a conforming draw on the Letter of Credit, may, and upon the written direction of the Bank or the Owners of not less than a majority in principal amount of the Bonds then Outstanding and receipt of indemnity against anticipated expenses and liability satisfactory to the Trustee in its sole discretion shall, in its capacity as the Trustee of an express trust pursue any one or more of the following remedies to the extent permitted by applicable law: (1) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Owners and require the Authority, the Bank or the Partnership to carry out any agreements with or for the benefit of the Bondowners and to perform its duties under the Act, the Resolution, the Loan Agreement, the Letter of Credit and the Indenture; (2) bring suit upon the Bonds; (3) exercise any of its rights and remedies under the Loan Agreement; or (4) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Owners of the Bonds.

The Trustee will give written notice to the Bank of any Event of Default, and the Bank will be entitled to cure any monetary default at any time prior to the giving of notice of a Declaration of Acceleration.

Limitation on Owners' Rights. No Owner of any Bond (other than Bank Bonds) will have the right to institute any suit, action or proceeding at law or in equity, or take any other action for the protection or enforcement of any right or remedy under the Indenture, the Loan Agreement or any applicable law with respect to such Bond, unless (1) the Bank is in default under the Letter of Credit, (2) the Owner has given to the Trustee written notice of the occurrence of an Event of Default; (3) the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding have made written request upon the Trustee to exercise the powers granted under the Indenture or to institute such suit, action or proceeding in their names; (4) such Owner or Owners have tendered to the Trustee indemnity satisfactory to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request (including the reasonable expenses and disbursements of its in house and outside counsel, independent appraisers, accountants, consultants, agents and other experts); and (5) the Trustee has refused or failed to comply with such request for a period of 60 days after such written request has been received by, and such tender of indemnity has been made to, the Trustee.

Removal and Resignation of the Trustee. The Trustee may be removed upon 60 days' advance written notice, with or without cause, by the Owners of a majority in aggregate principal amount of Outstanding Bonds and, so long as there has been no Event of Default which then remains uncured, by the Authority or at the written request of the Partnership. The Trustee may resign by giving at least 60 days' advance written notice. In either case, the Trustee will not be discharged until a successor has been approved and appointed and has accepted such appointment.

Supplemental Indentures. The Authority and the Trustee may from time to time and at any time, with the consent of the Bank except in the case of (5) below, but without the consent of or notice to the Owners of the Bonds, enter into Supplemental Indentures for the following purposes:

- (1) to cure any formal defect, omission, inconsistency or ambiguity in the Indenture in a manner not materially adverse to the Owner of any Bond;
- (2) to impose upon the Trustee (with its consent) for the benefit of the Owners of the Bonds any additional rights, remedies, powers, authority, security, liabilities or duties which may lawfully be granted, conferred or imposed and that are not contrary to or inconsistent with the Indenture or the rights of the Trustee thereunder as theretofore in effect;
- (3) to add to the covenants and agreements of, and limitations and restrictions upon, the Authority in the Indenture other covenants, agreements, limitations and restrictions to be observed by the Authority which are not contrary to or inconsistent with the Indenture as theretofore in effect;
- (4) to confirm, as further assurance, any pledge under, and the subjection to any claim, lien or pledge created or to be created by, the Indenture of any other money, securities or funds;
- (5) to comply with any future federal law, regulation or interpretation to prevent the occurrence of an event that in the opinion of Bond Counsel would lead to a Determination of Taxability;
- (6) to authorize different denominations of the Bonds and to make correlative amendments and modifications to the Indenture regarding exchangeability of Bonds of different Authorized Denominations, redemptions of portions of Bonds of particular Authorized Denominations and similar amendments and modifications of a technical nature;
- (7) to make such changes as are required to provide for the conversion of the Bonds to certificated form or for the provision of an Alternate Credit Facility;
- (8) to provide for the conversion of the Bonds to a Fixed Rate;

- (9) to make such changes as are elsewhere expressly permitted by the Indenture;
- (10) to provide for a Reserve Account Instrument with respect to Fixed Rate Bonds;
- (11) to make any change with respect to the Bonds, including to provide for the issuance of and specify the terms and conditions of additional bonds issued under the Indenture and amendments which would otherwise be described in the Indenture, that will become effective only after all Owners of Bonds have had the opportunity tender their Bonds for purchase after receipt of notice of such change; and
- (12) to modify, alter, amend or supplement the Indenture in any other respect which is not materially adverse to the Owners of the Bonds and which does not involve a change described below.

The Bank and the Owners of not less than a majority in aggregate principal amount of Bonds then Outstanding will have the right from time to time to consent to and approve the entering into by the Authority and the Trustee of any Supplemental Indenture deemed necessary or desirable by the Authority for the purpose of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in the Indenture; except that, unless approved in writing by the Owners of all Bonds then outstanding, nothing contained in the Indenture will permit, or be construed as permitting: (1) a change in the times, amounts or currency of payment of the principal or Purchase Price of or interest on any outstanding Bond, or a reduction in the principal amount or redemption price of any outstanding Bond or a change in the method of redemption or redemption price of any outstanding Bond, or (2) a preference or priority of any Bond over any other Bond, or (3) a reduction in the aggregate principal amount of Bonds, the consent of the Owners of which is required for any such Supplemental Indenture, or (4) the creation of any lien or pledge of the Trust Estate (other than the lien of any bonds issued to defease Bonds) ranking prior to or on a parity with the lien of the Bonds, or (5) the modification of any of these provisions, without the written consent of the Owners of all Bonds then Outstanding.

The Loan Agreement

The Loan. Under the Loan Agreement, the Authority agrees to make the Loan in an amount equal to the principal amount of the Bonds, and the Partnership agrees to repay the Loan in the amounts and at the times necessary to pay principal of and premium, if any, due on the Bonds, together with interest on the outstanding principal amount of the Loan at a fixed rate of 4.8% per annum. As support for its obligation to repay the Loan, the Partnership is required to cause the Letter of Credit to be delivered to the Trustee. The obligation to make payments on the Loan will be reduced by and in the amount of draws under the Letter of Credit to pay principal of and interest on the Bonds. The Loan is subject to prepayment and acceleration upon the same terms and in the same amounts as are the Bonds. See “REDEMPTION OF BONDS.”

Permitted Encumbrances. Because the Project is funded in part by the Loan of Bond proceeds from the Authority, in part by the proceeds of the sale of federal low-income housing tax credits, and in part from other sources of funding, several regulatory agreements and other encumbrances will be recorded against or otherwise encumber the Project. The Authority, the Trustee and the Partnership will execute subordination agreements to effect the following priority of interests among the following regulatory agreements and other encumbrances:

- (1) the Extended Use Agreement;
- (2) the memorandum of the Lease;
- (3) the Regulatory Agreement; and
- (4) any other liens approved by the Authority and securing financing for the Project.

Tax Exemption. The Partnership covenants that it will not take any action, fail to take any action or make any use of the Project or the proceeds of the Bonds that would cause interest on the Bonds to be or become includable in gross income for federal income tax purposes.

Events of Default. Each of the following is an Event of Default under the Loan Agreement:

- (1) failure of the Partnership to make any payment representing principal of the Bonds when due or interest on the Loan, or to make any other payment required to be made by the Partnership under any other Provision of the Loan Agreement within 30 days after written notice of such failure has been delivered to the Partnership by the Authority or the Trustee;
- (2) any other material failure on the part of the Partnership to perform or observe any of the other duties, provisions or obligations required of it pursuant to the Loan Agreement, if such failure has continued for a period of 30 days after written notice thereof has been delivered to the Partnership by the Authority or the Trustee, unless the Authority or the Trustee, as applicable, has determined that the Partnership is then taking steps reasonably calculated to cure such failure and the Trustee has received an opinion of Bond Counsel that such noncompliance will not result in a Determination of Taxability;
- (3) the occurrence of any Event of Default under the Indenture or the Regulatory Agreement; and/or
- (4) the termination of the Lease.

Remedies. Upon the occurrence of an Event of Default any one or more of the following steps may be taken:

- (1) the Authority may declare the entire principal balance of the Loan (if not then due and payable) to be due and payable immediately, and upon any such declaration the principal of the Loan shall become and be immediately due and payable, together with all interest accrued thereon to the date of such acceleration;
- (2) the Authority shall be entitled by law or in equity to compel specific performance by the Partnership of its obligations under the Loan Agreement;
- (3) the Authority may have access to and inspect, examine and make copies of the books and records and any and all accounts, data and income tax and other tax returns of the Partnership;
- (4) the Authority may appoint a manager or managers (which may be the Authority) for the Project;
- (5) the Authority may pursue all remedies of a secured creditor under applicable laws of the State against the Partnership;
- (6) the Authority may proceed to protect and enforce its rights in equity or at law, either in mandamus or for the specific performance of any covenant or agreement contained in the Loan Agreement, or for the enforcement of any other appropriate legal or equitable remedy, as the Authority may deem most effectual to protect and enforce any of its rights or interests thereunder against the Partnership;
- (7) the Trustee may seek the appointment of a receiver of the rents, issues and profits arising from or related to the Project, with such powers as the court making such appointment shall confer, including such powers as may be necessary or usual in such cases for the protection, possession, control, management and operation of the Project in accordance with the provisions of the Indenture, the Lease and the Regulatory Agreement; and/or
- (8) The Authority may institute and prosecute any proceeding at law or in equity to abate, prevent or enjoin any violation or attempted violation of any of the provisions of the Loan Agreement, or to recover monetary damages caused by such violation or attempted violation.

If no payment default with respect to the Bonds has occurred and if the Letter of Credit is in effect and the Bank has not failed to honor a conforming draw on the Letter of Credit, then the Authority will notify the Bank prior to taking any action pursuant to paragraphs (2), (3) and (8) above, and will take action under any other paragraph only with the consent of the Bank, except that the Authority shall have the right to take steps under paragraph (1) above if the Authority has received an opinion of Bond Counsel that the Event of Default will result in a Determination of Taxability.

The Investor Limited Partner shall have the right, but not the obligation, to cure any Event of Default under the Loan Agreement.

The Regulatory Agreement

Occupancy Requirements. The Partnership agrees that at all times during the period beginning on the Occupancy Date and ending on the latest of (1) the date that is 15 years after the dated on or after the Date of Issue of the Bonds on which 50% of the Dwelling Units in the Project are occupied, (2) the first day on which no tax exempt private activity bond (including the Bonds) issued with respect to the Project is outstanding, or (3) the date on which any assistance provided with respect to the Project under Section 8 of the United States Housing Act of 1937 terminates,

- (1) maintain at least 40% of the Dwelling Units (rounded up to the next unit) in the Project for occupancy by Qualified Tenants, and advise the Authority in writing as to which units are to be so maintained and of any revision thereof,
- (2) reserve Dwelling Units for Qualified Tenants that have substantially the same equipment and amenities (not including luxury amenities such as fireplaces) as the other Dwelling Units in the Project; and
- (3) reserve Dwelling Units for Qualified Tenants that are not geographically segregated and that are of substantially the same size as other units in that building, unless otherwise required to comply with a local housing assistance program.

In addition, the Partnership agrees that at all times during the Regulatory Period, Dwelling Units, together with facilities Functionally Related and Subordinate to those Dwelling Units, used exclusively by Qualified Tenants on a long-term basis will occupy at least 50% of the interior space in the Project or will constitute at least 50% of the Dwelling Units in the Project, whichever produces the larger number of Dwelling Units used by Qualified Tenants.

The Partnership agrees to prepare and submit to the Authority on March 1 of each year after the Occupancy Date a certificate certifying that it has complied in all respects with the occupancy requirements.

The Reimbursement Agreement

The Reimbursement Agreement defines the relationship among the Authority, the Partnership and the Bank; the Trustee has no interest in it or in any of the funds or accounts created under it. Under the Reimbursement Agreement, the Bank agrees to issue the Letter of Credit and the Partnership agrees to reimburse the Bank for any principal draws made on the Letter of Credit and for interest drawings up to 4.8% of interest on the Bonds, and the Authority agrees to reimburse the Bank for any interest drawings in excess of 4.8% of interest on the Bonds and to pay certain fees and expenses and interest on any unreimbursed drawings or other amounts unpaid, and the Authority has pledged its General Revenues to secure the obligations of the Partnership and the Authority.

To secure its obligations under the Reimbursement Agreement, the Authority will pledge its General Revenues to the Bank and the Partnership will grant to the Bank a security interest in (1) the Project Fund, subject to the rights of the Trustee and the Bondowners, and (2) all rights of the Partnership to receive contributions from the Partnership's general or limited partners.

The Reimbursement Agreement imposes various covenants on the Partnership, including restrictions on the incurring of additional debt by the Partnership.

A Default under the Reimbursement Agreement is defined as, among other things: (1) failure of the Partnership or the Authority to make any payment or reimbursement when due or demanded under the Reimbursement Agreement or any Loan Document; (2) breach of certain representations and warranties; (3) failure to perform under any Loan Document; (4) breach of other material agreements; (5) a Determination of Taxability occurs as to the Bonds; (6) casualties to property of the Partnership that materially adversely affect the Partnership's financial condition or ability to pay its debts when due; (7) judgments against and insolvency of the Partnership; or (8) revocation of certain governmental approvals. The Bank will not exercise its Default remedies (1) because of a monetary default by the Partnership unless the Partnership fails to cure the Default within 10 days of notice or (2) because of a nonmonetary default by the Partnership unless the Partnership fails to cure the Default within 30 days of notice or after 90 days if the cure cannot reasonably be completed after a 30-day period. The Investor Limited Partner will have the right, but not the obligation, to cure Defaults under the Reimbursement Agreement.

Upon such Default and if such Default is continuing, the Bank may, at its option and among other things (1) demand immediate reimbursement and/or payment of amounts due under the Reimbursement Agreement from the Partnership or the Authority, as applicable, and/or (2) subject to certain conditions, deliver notice of the Default to the Trustee and direct the Trustee to redeem all outstanding Bonds.

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APPENDIX B

FORM OF APPROVING LEGAL OPINION

Housing Authority of the City of Seattle
Seattle, Washington

Re: Housing Authority of the City of Seattle
\$5,700,000 Variable Rate Demand Revenue Bonds, 2008
(Douglas Apartment Project)

We have served as bond counsel to the Housing Authority of the City of Seattle (the "Authority") in connection with the issuance of the above referenced bonds (the "Bonds") and in that capacity have examined such law and such certified proceedings and other documents as we have deemed necessary to render this opinion. As to matters of fact material to this opinion, we have relied upon representations contained in the certified proceedings and other certifications of public officials and officers of the Authority furnished to us, without undertaking to verify the same by independent investigation.

The Bonds are issued pursuant to the Constitution and laws of the State of Washington, Resolution No. 4915 of the Authority (the "Resolution") and a Trust Indenture (the "Indenture") dated December __, 2008, by and between the Authority and The Bank of New York Mellon Trust Company, N.A. (the "Trustee"), for the purpose of making a loan to Douglas Apartments Limited Partnership, a Washington limited partnership (the "Partnership"), pursuant to a Loan Agreement (the "Loan Agreement") dated December __, 2008, between the Authority and the Partnership, to provide part of the funds required to rehabilitate a 44-unit apartment complex known as the Douglas Apartments, which will be leased, together with the underlying property, by the Partnership from the Authority, all to provide housing for low-income persons within The City of Seattle, Washington (the "Project"), and to pay costs of issuing the Bonds, all as provided in the Resolution and the Indenture.

The Authority has assigned to the Trustee the Authority's rights under the Loan Agreement (with certain reservations and exceptions described therein).

The Bonds are special obligations of the Authority payable solely out of the sources identified in the Indenture, including primarily draws on the initial Letter of Credit provided by KeyBank National Association or an Alternate Credit Facility, and money and investments in the funds and accounts (other than the Rebate Fund) held by the Trustee. The Bonds are not a debt of The City of Seattle, the State of Washington or any political subdivision thereof, and neither The City of Seattle, the State of Washington or any political subdivision thereof shall be liable thereon, except the Authority from the sources described in the Bonds and in the Indenture. The Authority does not have taxing power.

Reference is made to the Resolution, the Indenture and the Bonds for a full description of the covenants with and rights of the owners of the Bonds and for the definitions of capitalized terms not otherwise defined herein.

We express no opinion herein concerning the completeness or accuracy of any official statement, offering circular or other sales or disclosure material relating to the issuance of the Bonds or otherwise used in connection with the Bonds.

Under the Internal Revenue Code of 1986, as amended (the "Code"), the Authority and the Partnership are required to comply with certain requirements after the date of issuance of the Bonds in order to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes, including, without

limitation, requirements concerning the qualified use of Bond proceeds and the facilities financed or refinanced with Bond proceeds, limitations on investing gross proceeds of the Bonds in higher yielding investments in certain circumstances and the arbitrage rebate requirement to the extent applicable to the Bonds. The Authority has covenanted in the Indenture, and the Partnership has covenanted in the Loan Agreement and the Regulatory Agreement, to comply with those requirements, but if the Authority or the Partnership fails to comply with those requirements, interest on the Bonds could become taxable retroactive to the date of issuance of the Bonds. We have not undertaken and do not undertake to monitor the Authority's or the Partnership's compliance with the Indenture, the Loan Agreement or the Regulatory Agreement, including any requirements of the Code.

Based upon the foregoing, as of the date of initial delivery of the Bonds to the purchaser thereof and full payment therefor, it is our opinion that under existing law:

1. The Authority is a duly organized and legally existing public body corporate and politic and a housing authority under the laws of the State of Washington;

2. The Resolution has been duly adopted by the Authority in full compliance with the laws of the State of Washington. The Indenture and the Loan Agreement have been duly and lawfully authorized, executed and delivered by the Authority and, assuming due execution and delivery by the other parties thereto, constitute valid and legally binding obligations of the Authority, enforceable in accordance with their respective terms, except only to the extent that enforcement may be limited by bankruptcy, insolvency or other laws affecting creditors' rights and by the application of equitable principles and the exercise of judicial discretion in appropriate cases;

3. The Bonds are issued in full compliance with the provisions of the Constitution and laws of the State of Washington and the resolutions of the Authority relating thereto, and are valid obligations of the Authority enforceable in accordance with their respective terms, except only to the extent that enforcement of payment may be limited by bankruptcy, insolvency or other laws affecting creditors' rights and by the application of equitable principles and the exercise of judicial discretion in appropriate cases; and

4. Assuming compliance by the Authority and the Partnership after the date of issuance of the Bonds with applicable requirements of the Code, (i) the interest on the Bonds is excluded from gross income for federal income tax purposes; however, such exclusion is not available with respect to interest on any Bond for any period during which such Bond is held by a "substantial user" of the Project or a "related person" within the meaning of Section 147(a) of the Code, and (ii) interest on the Bonds is not treated as an item of tax preference for purposes of the federal alternative minimum tax applicable to individuals and corporations and is not included in adjusted current earnings of corporations for purposes of the federal alternative minimum tax. However, interest on the Bonds received by certain S corporations may be subject to tax and interest on the Bonds received by foreign corporations with United States branches may be subject to a foreign branch profits tax. We express no opinion regarding any other federal tax consequences of receipt of interest on the Bonds, nor do we express any opinion with respect to interest paid on Bank Bonds or on any Bonds after the conversion of the interest thereon to a Fixed Rate.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

We bring to your attention the fact that the foregoing opinions are expressions of our professional judgment on the matters expressly addressed and do not constitute guarantees of result.

Respectfully submitted,

APPENDIX C

INFORMATION ABOUT KEYBANK

General

KeyBank National Association (the “Bank”) is a national banking association headquartered in Cleveland, Ohio serving markets throughout the United States. The Bank provides customized financial services to individuals, businesses and other institutions.

At September 30, 2008, the Bank had total assets of approximately \$97.8 billion and total shareholder’s equity of approximately \$7.7 billion. The Statement of Condition of the Bank at September 30, 2008, is set forth on the following page.

All of the Bank’s capital stock is owned by KeyCorp, a publicly-held multi-line financial services company headquartered in Cleveland, Ohio, the common stock of which is registered under the Securities Exchange Act of 1934. At September 30, 2008, the Bank represented approximately 96% of the assets of KeyCorp. KeyCorp files annual and other reports containing audited, consolidated financial and other information with the Securities and Exchange Commission, 450 Fifth Street, NW, Washington, D.C. 20659, and copies of this information may be obtained from the Commission upon payment of copying charges, or examined at the Commission’s offices without charge. **THE LETTER OF CREDIT IS AN UNSECURED OBLIGATION OF THE BANK AND NOT OF KEYCORP. KEYCORP HAS NOT GUARANTEED THE BANK’S OBLIGATION UNDER THE LETTER OF CREDIT OR THE REIMBURSEMENT AGREEMENT AND IS NOT AND WILL NOT BECOME OBLIGATED IN ANY MANNER WITH RESPECT THERETO.**

The Bank will supply, without charge to any person to whom this Official Statement is delivered, a copy of the KeyCorp Form 10-K for the year ended December 31, 2007, as well as copies of reports on Forms 10-Q or 8-K as filed with the Securities and Exchange Commission, by calling our Toll Free Financial Report Request Line 1 888-539-3322.

Limitation of Responsibilities

The Bank is responsible only for the information contained in this Appendix and did not participate in the preparation of, or in any way verify the information contained in any other part of, the Official Statement. Accordingly, the Bank assumes no responsibility for and makes no representation or warranty as to the accuracy or completeness of information contained in any other part of the Official Statement.

KEYBANK NATIONAL ASSOCIATION
Consolidated Statement of Condition
September 30, 2008

ASSETS

	in thousands
Cash and balances due from depository institutions	\$ 2,411,594
U.S. Treasury securities	2,154
U.S. Government agency obligations	835
Mortgage-backed securities	8,002,158
Asset-backed securities	195,251
Securities issued by states and political subdivisions in the U.S.	96,349
Investments in mutual funds and other equity securities with readily determinable fair values	2,221
Other debt securities	22,083
Federal funds sold and securities purchased under agreements to resell	40,374
Loans and lease financing receivables, net of unearned income and allowance	76,488,583
Trading assets	1,582,322
Premises and fixed assets	685,464
Other real estate owned	59,671
Intangible assets	1,567,368
Investments in unconsolidated subsidiaries and associated companies	936,091
Other assets	5,718,720
Total Assets	\$ 97,811,238

LIABILITIES

Deposits	
In domestic offices	
Individuals, partnerships and corporations	\$ 55,944,407
U.S. Government	25,652
States and political subdivisions in the U.S.	6,506,442
Commercial banks and other depository institutions in the U.S.	493,151
Banks in foreign countries	236
In foreign offices, Edge and Agreement subsidiaries, and IBFs	4,126,747
Total Deposits	67,096,635
Federal funds purchased and securities sold under agreements to repurchase	1,559,508
Trading liabilities	504,332
Other borrowed money	12,408,133
Subordinated notes and debentures	3,368,981
Minority interest in consolidated subsidiaries	1,007,391
Other liabilities	4,123,790
Total Liabilities	90,068,770

EQUITY CAPITAL

Common stock	50,000
Surplus	3,016,121
Retained earnings	4,438,291
Accumulated other comprehensive loss	238,056
Total Equity Capital	7,742,468
Total Liabilities and Equity Capital	\$ 97,811,238

APPENDIX D

FORM OF IRREVOCABLE PURCHASE DEMAND

Relating to

Housing Authority of the City of Seattle
Variable Rate Demand Revenue Bonds, 2008
(Douglas Apartments Project)

The Bank of New York Mellon Trust Company, N.A.
Facsimile: 206-667-8906
Corporate Trust Services
Two Union Square
601 Union Street, Suite 520
Seattle, WA 98101-2321
Attention: Corporate Trust Department

Wells Fargo Institutional Securities, LLC
Facsimile: 612-667-9906
MAC: N9303-105
608 Second Avenue South, 10th Floor
Minneapolis, MN 55479
Attention: Laurie Mount, phone: 612-667-9435

The undersigned is the beneficial owner of certain of the Housing Authority of the City of Seattle Variable Rate Demand Revenue Bonds, 2008 (Douglas Apartments Project), CUSIP No. 812636 KE7 (the "Bonds"). The undersigned hereby irrevocably demands payment of \$_____ aggregate principal amount of the Bonds (which amount is an integral multiple of \$5,000 equal to or in excess of \$100,000) and, if the date of purchase is not an Interest Payment Date, accrued interest thereon to such date of purchase (the "Purchase Price"). If the foregoing represents the tender of a Bond in part only, the remaining part is also an Authorized Denomination. An SDFS Deliver Order has been or is being entered at DTC simultaneously with this notice.

Payment of the Purchase Price shall be made by wire transfer of immediately available funds to Account No. _____ at DTC. Payment shall occur on _____, _____ (the "Purchase Date"), which is a Business Day (as defined in the Indenture pursuant to which the Bonds were issued) at least seven days after the Business Day this demand is delivered.

The undersigned hereby authorizes and directs Wells Fargo Institutional Securities, LLC, as Remarketing Agent, to arrange for the sale of all or any part of the Bonds at not less than par (plus accrued interest to the Purchase Date if the Purchase Date is other than an Interest Payment Date). In the event of such a sale, payment of the Purchase Price of the Bonds shall be made on the Purchase Date as hereinabove provided.

THE UNDERSIGNED RECOGNIZES THAT THIS TENDER OF THE BONDS IS IRREVOCABLE AND, THEREFORE, THAT FROM AND AFTER THE DUE AND PROPER EXECUTION OF THIS PURCHASE DEMAND AND ITS DELIVERY TO THE TRUSTEE AND THE REMARKETING AGENT, THE UNDERSIGNED SHALL HAVE NO FURTHER RIGHTS OR INTERESTS IN AND TO THE TENDERED BONDS OTHER THAN THE RIGHT TO RECEIVE PAYMENT OF THE PURCHASE PRICE OF THE TENDERED BONDS ON THE PURCHASE DATE FROM THE MONEY IN THE FUNDS AND ACCOUNTS ESTABLISHED WITH AND HELD BY THE TRUSTEE FOR SUCH PURPOSE. THE UNDERSIGNED

FURTHER ACKNOWLEDGES THAT THE PURCHASE PRICE OF THE TENDERED BONDS WILL BE PAID TO DTC, AS REGISTERED OWNER OF THE BONDS, AND NOT TO THE BENEFICIAL OWNER.

Signature of Registered Owner

Name, Address and Taxpayer I.D. No. of Registered Owner

Signature Guaranteed

DTC Account No.: _____ (if beneficial owner)

IMPORTANT: The above signature(s) must correspond with the name(s) as set forth on the face of the tendered bond(s) with respect to which this Purchase Demand is being delivered without any change whatsoever; and must bear a signature guarantee acceptable to the Bond Registrar. The method of presenting this notice to the Trustee and the Remarketing Agent and delivering Bond(s) to the Trustee is at the risk of the person making such presentation or delivery. If made by mail, registered mail is recommended.

Date: _____

APPENDIX E

BOOK ENTRY SYSTEM

The information relating to the Book Entry System in this Appendix has been furnished by DTC, and has not been independently verified by the Underwriter or the Authority. Neither the Underwriter or the Authority makes any representation whatsoever as to the accuracy, adequacy or completeness of such information.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

[6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.]

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

[9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.]

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof