The Housing Authority
of the City of Seattle, Washington

Comprehensive Annual Financial Report

For the year ended
December 31, 2018

Seattle HOUSING AUTHORITY

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Comprehensive Annual Financial Report

For the year ended December 31, 2018

Issued by
Department of Finance & Administrative Services
Shelly Yapp, Chief Financial Officer

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

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May 24, 2019

Members of the Board of Commissioners
Housing Authority of the City of Seattle, Washington:

Introduction

We are pleased to present The Housing Authority of the City of Seattle, Washington's (referred to hereafter as "the Seattle Housing Authority", "the Authority" or "SHA") Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2018. This report was prepared by the Authority's Finance staff, and the Authority's 2018 financial statements included in this CAFR were audited by the national public accounting firm of KPMG LLP, with assistance from the Seattle public accounting firm of Francis & Company PLLC. The independent auditor's report of KPMG LLP is presented on pages 1 through 3 herein. We invite the public to review SHA's 2018 CAFR at https://www.seattlehousing.org/about-us/reports/financial-reports.

The data presented in this report are the responsibility of the management of the Authority. To the best of our knowledge and belief, the data as presented are accurate in all material respects; are presented in a manner designed to fairly state the financial position and results of operations of the Authority; include all necessary disclosures to enable the reader to gain a thorough understanding of the Authority's financial affairs; and are based on a system of internal controls through policies and procedures designed to minimize, prevent, or detect risks to the integrity of the data and correct weaknesses where discovered. The effectiveness of SHA's internal controls is tested in the course of independent financial, compliance, and performance audits.

For an overview of the Authority's 2018 financial condition, please review "Management's Discussion and Analysis", found in Section II: FINANCIAL SECTION of the CAFR, in tandem with this transmittal letter.

Profile of Seattle Housing Authority

Independent Public Jurisdiction: The Authority is an independent municipal entity created by the City of Seattle (City) in 1939 pursuant to state law and the National Housing Act of 1937. Although it maintains close ties with the City in several respects, the Authority is not a component unit of the City, as defined by the pronouncements of the Governmental Accounting Standards Board. The City is not financially accountable for the operations of the Authority, has no responsibility to fund its deficits or receive its surpluses, and has not guaranteed the Authority's debt. The Authority is the largest housing authority in the Pacific Northwest and the 24th largest in the United States.

Moving to Work Housing Authority: The Authority is currently one of 39 housing authorities, of approximately 3,400 in the country, designated as a "Moving to Work" (MTW) housing authority. SHA signed its MTW contract in 1999, the terms of which predominantly prevail today. The MTW program was created as a demonstration by Congress in 1996 and has three statutory objectives:

- Reduce cost and achieve greater cost effectiveness in Federal expenditures;
- Give incentives to families with children where the head of household is working, is seeking work, or is preparing for work by participating in job training, educational, or job referral programs, to obtain employment and become economically self-sufficient; and,
- Increase housing choices for low-income families.

As an MTW agency, Seattle Housing Authority has flexibility through its Annual MTW Plan to develop operating policies and procedures that differ from those prescribed in regulations implementing Sections 8 and 9 of the Housing Act of 1937. The Authority is also authorized to combine public housing operating and capital funds and housing choice voucher funds into a MTW Block Grant and to allocate this single fund to best meet local low income housing needs. MTW agencies are required by statute to serve substantially the same number of households as the MTW agency would have served had it not combined its federal funds as provided under the demonstration.

Governing Body and Strategic Guidance: The governing body of the Authority is its Board of Commissioners. The Board is comprised of seven members, including two residents, appointed by the Mayor and confirmed by the City Council. Members serve four year terms and may be reappointed. The Board appoints an Executive Director to administer the affairs of the Authority. The programs and actions of the Authority are guided by SHA's 2016-2020 Strategic Plan. The Plan was adopted by the Board in March 2016, following nearly eighteen months of planning and a participation process involving residents, voucher participants, employees, partner government and non-profit agencies, civic leaders and interested citizens. The foundations for the 2016-2020 Strategic Plan are the Authority's Mission and Values statements:

Our Mission: *Our mission is to enhance the Seattle community by creating and sustaining decent, safe and affordable living environments that foster stability and increase self-sufficiency for people with low-income.*

Our Values: *As stewards of the public trust, we pursue our mission and responsibilities in a spirit of service, teamwork, and respect. We embrace the values of excellence, collaboration, innovation, and appreciation.*

The underpinning anchor of the Strategic Plan is to serve more low income people or families in need of stable housing. Seattle Housing Authority's 2016-2020 Strategic Plan lays out three ***Strategic Directions*** that frame the Authority's ***Key Objectives*** over the period:

Expand Housing Opportunities.

SHA serves more people by cultivating additional resources and employing strategies which have the biggest impact in increasing Seattle's affordable housing choices.

Create more affordable housing. Prioritize strategies and leverage resources to enable increased rental assistance and housing units for more people in need of affordable housing.

Advance affordable housing policy. Champion public policies that will increase the viability, availability, and accessibility of affordable housing for people with low incomes.

Diversify housing choice. Expand available housing choices, demonstrate alternative housing models, and preserve and increase access to neighborhoods throughout Seattle that would otherwise be out of reach for people with low incomes.

Promote Quality Communities.

SHA invests in safe, quality housing and connects participants to communities, resources, and services that are designed to meet their needs.

Preserve and promote high-quality housing. Provide safe, accessible, sustainable, and attractive living environments that contribute to the quality of Seattle neighborhoods through preservation and redevelopment of SHA's housing stock.

Connect people to opportunity. Invest in communities through partnerships so that neighborhoods where participants live support access to opportunities such as good jobs, parks, transit, arts, high-performing schools, and healthy living.

Strengthen community and service. Facilitate effective and supportive relationships and respectful interactions among participants, staff, partner organizations, and neighbors so that people feel valued, proud, and connected to the community they live in.

Improve Quality of Life.

SHA partners to use housing as a platform to improve quality of life by enhancing health, supporting education and skill development, and other services to help people reach their full potential.

Enhance senior and disabled living. Connect senior and disabled participants to the services they need and facilitate access to other housing choices along a continuum of care, as appropriate.

Economically empower people. Assist participants in benefiting from education and employment to increase their economic security, skills, income, assets, and financial well-being.

Support youth achievement. Promote access to high-quality learning opportunities for young children, youth, and young adults that increase educational performance, college and career readiness, and encourage lifelong well-being.

The 2016-2020 Strategic Plan also recognizes seven ***Organizational Cornerstones*** reflecting SHA's values in action. These qualities help form the foundation of how SHA advances its mission and pursues strategic directions. SHA's culture is driven by a commitment to excellence that continually strengthens these cornerstones:

Respectful and Engaging Service and Relationships
SHA is committed to providing consistently high-quality service and respectful interactions. SHA honors and assists participants and communities through service and engagement that recognize their unique needs and strengths.

Financial Stability and Operational Efficiency
SHA manages its resources to maximize the impact and cost-effectiveness of its operations as well as the value and longevity of its assets. SHA focuses on strengthening its financial condition, streamlining service-delivery, and being good stewards of the public trust.

Partnership & Coordinated Action
SHA engages in partnerships and leverages resources to extend services beyond core housing programs. SHA aligns partners, programs, and service delivery to advance strategic directions.

Environmental Stewardship
SHA incorporates environmental stewardship into daily practices and decision-making for cost-effective investments, inventive approaches to complex sustainability challenges, healthier working and living environments for staff and participants, and broader impact within the community.

Staff Excellence
SHA is committed to recruiting, retaining, and developing people whose skills and dedication allow them to consistently perform at the top of their field. SHA trains and invests in a well-equipped workforce to support the Authority's day-to-day operation in pursuit of its mission.

Race and Social Justice
SHA is committed to delivering services in a culturally competent way, free of racism and prejudice, to minimize the impacts of poverty and to advance and support social justice. SHA strives to eliminate individual, institutional, and systemic racism in its policies and practices.

Innovation
SHA actively pursues creative, innovative, and impactful solutions to expand organizational capacity, improve service, and meet participant and community needs. SHA continually uses high-quality information and effective analysis to plan and evaluate its actions.

Housing and People Profile: The Authority owns and/or manages nearly 8,100 units of housing and administers just over 10,000 rental vouchers, providing rental housing or rental assistance to nearly 35,000 low income people and more than 17,000 households.

The Authority operates low-income housing in five large family communities – New Holly, Rainier Vista, High Point, Lake City Court, and Yesler Terrace; in twenty-eight high-rise buildings; and in single, duplex, triplex, and small apartment buildings across the city. In total SHA manages units in 361 locations in Seattle. The Authority also administers the Housing Choice Voucher programs that provide tenant-based or project-based or collaborative housing vouchers with private non-profits. Vouchers serve as rental assistance for qualified low-income tenants in order to keep their rents affordable.

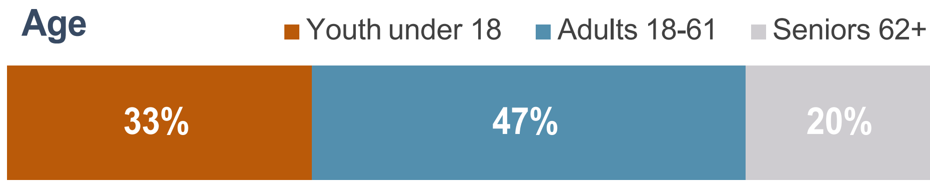
SHA serves a diverse population of low income tenants and voucher holders, as reflected in the statistics presented on the following pages.

2018 By the numbers
Demographics of individuals served

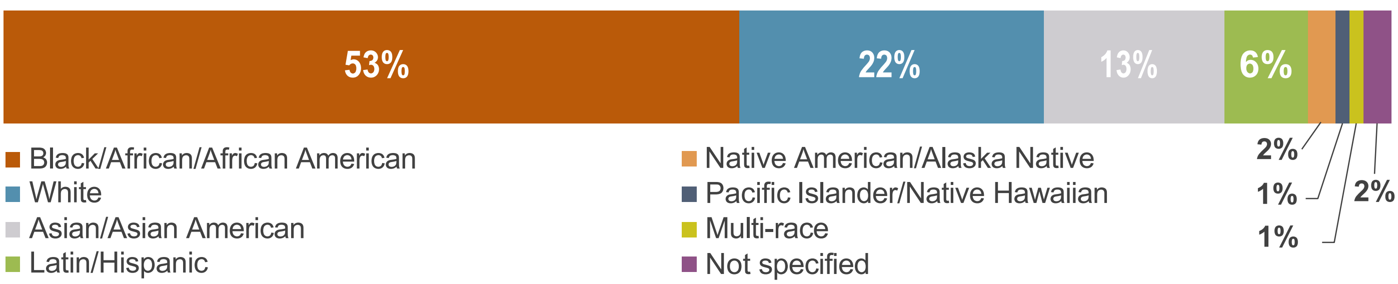
34,984
People served

Gender

Age



Race and ethnicity

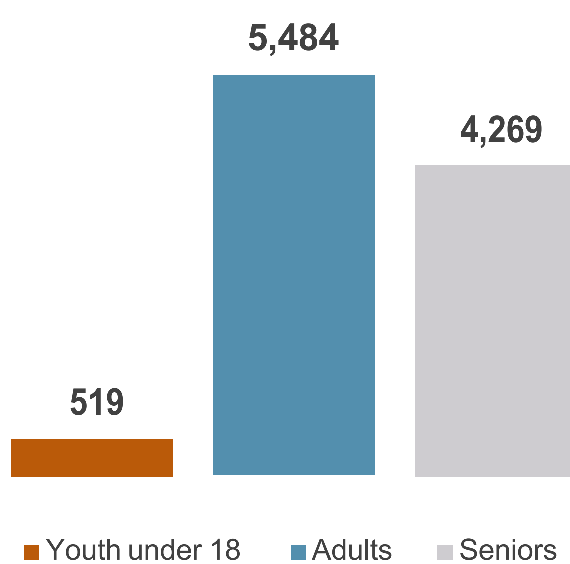


53 Languages spoken

Top non-English languages spoken:

1. Somali
2. Vietnamese
3. Amharic
4. Tigrinya
5. Cantonese
6. Spanish
7. Oromo
8. Russian

People with an identified disability



29%
(10,272 people)
Of total individuals served identified one or more disabilities.

2018 By the numbers

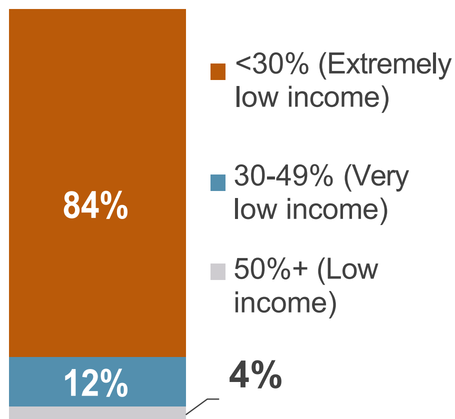
17,283

Households served

1,876

New households were admitted in 2018

Area Median Income[1]



[1]*Distribution of households by Area Median Income.*

Income limits

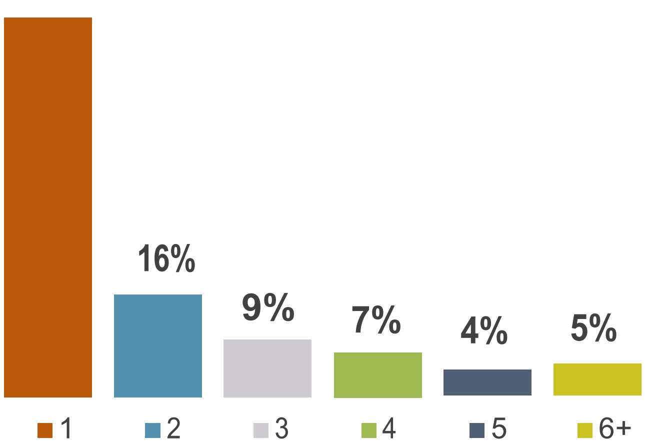
<30%
$30,100

30-49%
$40,100

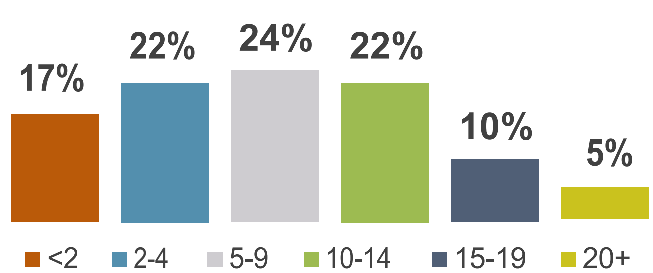
50%+
$50,150

Based on 2018 family size of 4.

Household composition



Years of participation

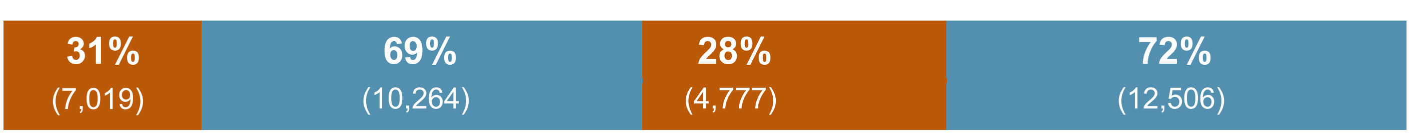


Household type

Working-age non-disabled
Elderly/disabled

Households with children

Children in household
No children



Economic Conditions and Financial Outlook

State and Local Economy (1)

The national economy is expanding at a solid, but slowing pace, while Washington's economy – led by the Puget Sound Area – is expanding at a rapid rate, according to both the Washington State Economic and Revenue Forecast Council and the Puget Sound Economic Forecaster. While the majority of economists have predicted for the last few years that a downturn was "just around the corner", most all have revised their forecasts to reflect continuing actual growth, which moves out the date for the expected downturn. The Puget Sound Economic Forecaster put it this way in its March 2019 issue:

> "….there seems to be a never-ending parade of articles in the news these days with predictions about when the next recession might start. Well, our Leading Index says "Not Yet". …The components of the Index have been mixed, with some showing strength and others showing weakness, and different components increasing or decreasing quarter to quarter. But this quarter (1st 2019), almost all components showed improvements from 2018 Q-4. …With all that, the index seems to be saying "Not Yet" when it comes to predicting a downturn in the near term."

In summary, the consensus forecasts for the U.S., Washington, and the Puget Sound economies are basically the same as last year's, namely near-term continuation of growth conditions, but at a slower rate. Here are highlights of the 2019-2023 Economic Forecasts for Washington State and the greater Seattle area:

- ***Washington real Gross Domestic Product (GDP) rose 5.7% in 2018***, the highest among the states and District of Columbia and well above the 2.9% growth rate for the U.S. as a whole.
- ***Washington's job growth remains strong*** and the projections estimate that job growth will remain positive through the forecast period of 2023, resulting in 115 months of employment gains after the last peak employment period.
- ***Washington's unemployment rate remains near all-time lows***. The February 2019 unemployment rate was 4.5% and in March it is slightly higher than the all-time low of 4.4% for Washington. Unemployment is forecast to be less than 5.0% throughout the forecast period to 2023.
- ***Initial claims for Unemployment Insurance in the State are the lowest since October 1969*** for the week ending April 6th, 2019
- ***Washington's Personal Income growth continued to lead the nation in 2018 at +6.8%***, considerably higher than the 4.5% growth rate of the U.S. as a whole.
- ***Inflation will remain moderate.*** Inflation for the state is expected to be 1.8% for 2019 and peak at 2.2% in 2020, and to range from 1.9% to 2.1% through 2023.
- ***Seattle Metro Area Inflation*** is expected to decline from 3.2% in 2018 to 2.8% in 2019, and to moderate further to 2.1% to 2.3% over the period 2021-2023.
- ***Seattle Area Housing Market softens:*** The Seattle housing market continues to soften. Seattle area home prices declined for the last six consecutive months of 2018. In December, the year-over-year growth in home sale prices in Seattle was 5.1%, compared to the 4.2% increase in the Case/Shiller Composite Index for the 20 largest U.S. metropolitan areas. Nonetheless, Seattle home prices are still up 88% above the December 2011 through and exceed the May 2007 peak

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[1] This economic outlook information is significantly informed by the "The Puget Sound Economic Forecaster" produced by Western Washington University and by the "Washington Economic and Revenue Forecast" prepared by the Washington State Economic and Forecast Council.

home prices are still up 88% above the December 2011 through and exceed the May 2007 peak by 31%***.***

- ***Housing permit forecasts indicate that the market will cool in 2019 relative to 2018***. The current forecast is for a roughly 9 percent decline in 2019 housing permits, with a small 0.1 percent uptick in 2020.
- ***Core factors driving Seattle Region continuing growth.*** The driver of growth in the region is jobs. Employment has remained strong due to the stimulus at the federal level of tax cuts and deficit spending; to the fact that activity in the Puget Sound region has remained strong – Amazon and other firms have continued to hire; and, construction has been strong and expected employment levels portend a noticeable higher employment level in 2019.

Economic Forecast Risk Factors

Economists typically identify conditions that could occur in the world and local economies that would represent "downside" risks to their forecasts. Thus, if these conditions occurred it would likely cause them to reduce their forecasts. Below are the principal risk factors discussed in the forecasts we consulted. As the length of the expansion of the economy reaches record levels – 115 months or nearly 10 years, the downside risks of economists' forecasts outweigh the upside possibilities – that is the potential that the forecasts will be too optimistic grows. Here are the principal known risks to the growth forecast (presented above) from our local and state experts:

- ***Increasing geopolitical tension negatively affect consumer confidence***. Among these factor's currently are Venezuela's governance issues; Impacts on Iran of US unilateral sanctions and Iran relations with European trading partners; US: China trade relations and recent imposition of increased US tariffs on Chinese goods; and US: North Korean relations and nuclear testing.
- ***An unexpected shift in monetary policy*** related to the Federal Reserve's policies on interest rates.
- ***Continued uncertainty over the impacts of Brexit*** on European economic and political conditions.
- ***US slowing of job growth and continuing weakening of employment growth.***
- ***Real wage growth stagnates***, leading to slower consumer spending.
- ***Weak global growth*** persists, further affecting exports.
- The ***fallout of grounding Boeing's most popular plane – the 737 Max 8*** – after two deadly crashes. The resolution of the investigations of these crashes could have a chilling effect for Boeing and the local economy.

The bottom line consensus of local and state economists is that the Puget Sound Region and the State's economic activity will remain positive through the forecast period of 2021 through 2023, so we are not likely to enter a recession period --- "***Not Yet".***

Federal Funding – Status and Outlook

The Authority relies on federal funding through the Department of Housing and Urban Development (HUD) for about 55 percent of our overall sources and approximately 70-75 percent of SHA's operating and rental assistance funds. Consequently, federal budget decisions play a more direct role in SHA's ongoing financial picture than do local economic conditions.

The Budget Control Act of 2011 (BCA), set the ceilings on Federal spending for Discretionary Defense and Discretionary Non-Defense spending for the ten year period 2012 through 2021. The original intent of the act was to decrease federal discretionary spending by $2.5 trillion over the ten years in order to reduce growing deficits. The Non-Defense Discretionary programs of the federal government – representing the budgets for the vast majority of federal agencies, including HUD, Transportation, Energy, State, Justice, Homeland Security, Education, Health and Human Services, Interior, Commerce, Agriculture and more. The Discretionary Non-Defense spending constitutes less than 15% of total annual federal spending.

In 2020 and 2021, we enter the final two years of the 2011 Budget Control Act (BCA) spending ceilings. The chart in Exhibit 1 on the next page displays how the BCA has been implemented from 2012 through 2019. As that chart shows, Congress chose, beginning in 2013, to moderate the impacts of the "Sequestration ceilings" by making modest increases in the spending ceiling each year up to 2018. In 2018, Republicans and Democrats came together and significantly escalated the Discretionary Defense and Non-Defense spending ceilings for 2018 and 2019 by about 12% for each year. And, for the first time during the ten year period, Congress authorized spending levels exceeding the spending caps of both the sequestration and the original BCA caps.

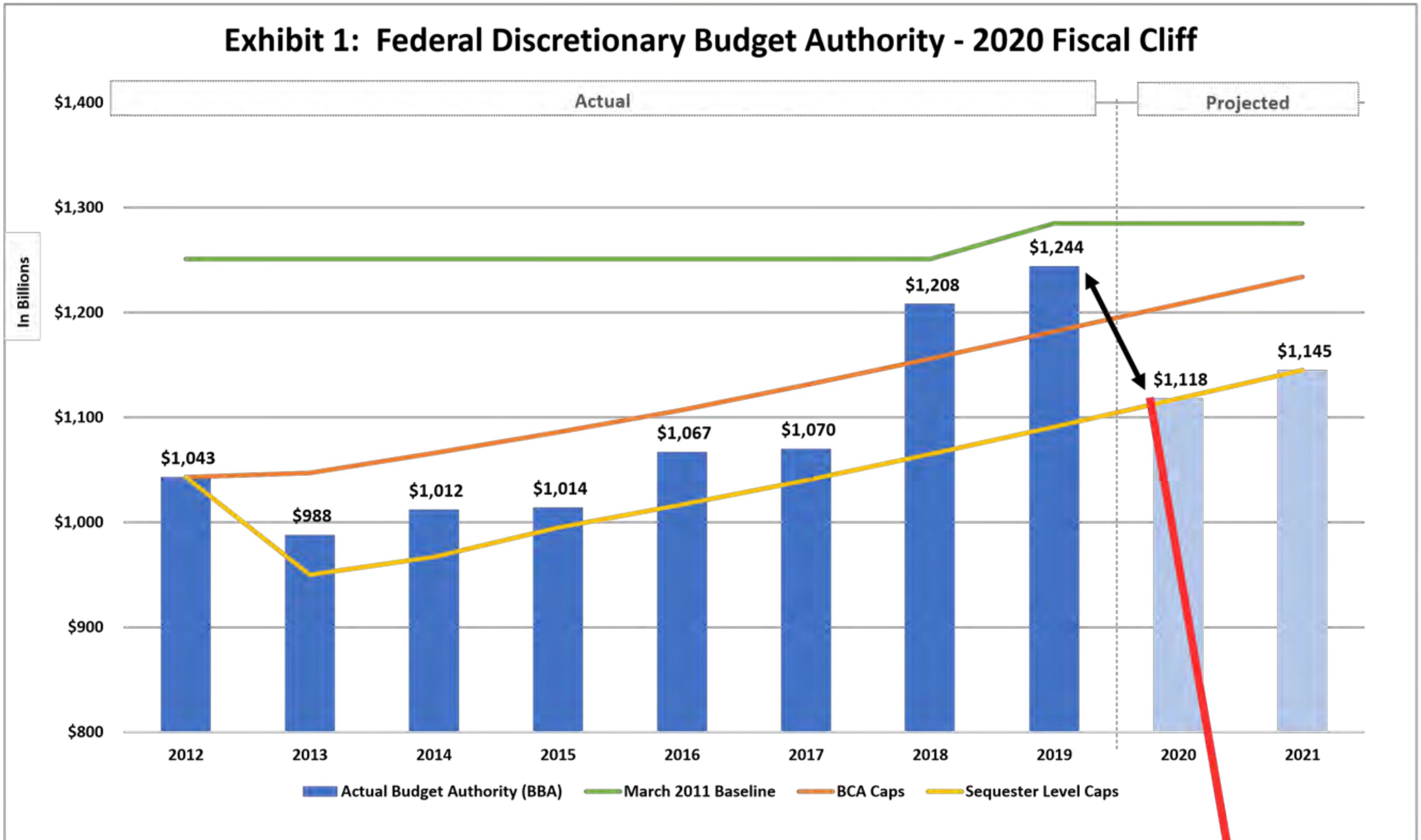
As Exhibit 1 illustrates, under existing law for 2020, the BCA requires spending ceilings for 2020 and 2021 that are 10 percent, or $126 billion below the spending appropriations in 2019. Congressional action is required to modify the 2011 BCA spending caps for 2020 and 2021. There is no action on the 2020 Budget by Congress to date and little is expected until later in the year. The general consensus among those who closely follow the federal budget process appears to be that it is unlikely Congress would endorse an across the board 10 percent cut in Discretionary spending, in part because that would result in Defense cuts that a bipartisan coalition in both houses would reject. That said, it also seems likely that it will be the end of the year or into 2020 before a final FY 2020 federal budget is adopted and signed by the President.

SHA is currently planning its 2020 Budget development to remain at the status quo level, while we will also look at contingency budget plans should our 2020 revenues be greater or less than a status quo level would require.

Renewal of the Move To Work Program Contracts

In early 2016, Seattle and the other 38 Move to Work (MTW) housing authorities signed ten year extensions of our MTW contracts on their existing terms and conditions through 2028. While there are still program issues remaining between HUD and the MTW agencies, the threat of radical change to the program was removed with the extension of existing contracts. The operating flexibilities, contractual funding formulas, and ability to combine the three streams of HUD funding into a single block grant are core provisions of the MTW demonstration program that allow SHA and others to design new ways to operate more efficiently, to demonstrate innovative approaches to providing low income housing and services, and to expand housing choice for low income families. The contract extension under existing terms is a key source of stability in SHA's finances over the ten year term of the contract.

EXHIBIT 1



in billions

Category	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
March 2011 Baseline	$ 1,251	$ 1,251	$ 1,251	$ 1,251	$ 1,251	$ 1,251	$ 1,251	$ 1,285	$ 1,285	$ 1,285
BCA Caps	$ 1,043	$ 1,047	$ 1,066	$ 1,086	$ 1,107	$ 1,131	$ 1,156	$ 1,182	$ 1,208	$ 1,234
Sequester Level Caps	$ 1,043	$ 950	$ 967	$ 995	$ 1,017	$ 1,040	$ 1,065	$ 1,091	$ 1,118	$ 1,145
Actual Budget Authority (BBA)	$ 1,043	$ 988	$ 1,012	$ 1,014	$ 1,067	$ 1,070	$ 1,208	$ 1,244	$ 1,118	$ 1,145
BBA Dollar Variance		$ (55)	$ 24	$ 2	$ 53	$ 3	$ 138	$ 36	$ (126)	$ 27
BBA Percent Variance		-5%	2%	0%	5%	0%	13%	3%	-10%	2%

x

Financial Management and Oversight

Internal Control

The Authority's management is responsible for establishing and maintaining a robust internal control structure designed to ensure that the Authority's assets are protected from loss, theft or misuse, and that representation of the Authority's assets, liabilities, and net position are accurately reflected on the Authority's financial statements, in conformance with U.S. generally accepted accounting principles (GAAP). The internal controls are intended to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the costs and benefits require estimates and the exercise of sound judgments by management.

As a recipient of federal and state financial assistance, the Authority is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. The internal control structure is subject to periodic evaluation by management, by third party expert consultants, and is reviewed by KPMG LLP, SHA's independent audit firm, and by the State Auditors annually. We invite, welcome, and rely on these reviews by external experts and agencies to help ensure consistent effectiveness of SHA's internal controls.

Single Audit

In compliance with the Single Audit Act Amendments of 1996, tests are made to determine the adequacy of the Authority's internal control structure, including that portion related to federal financial assistance programs, as well as to determine whether the Authority has complied with applicable laws and regulations. The Authority's single audit was carried out by the national public accounting firm of KPMG LLP. For the audit year ended December 31, 2018 KPMG LLP did not issue any Single Audit findings of significant deficiencies or material weaknesses related to their audit of the Authority's major federal program and there were no significant deficiencies or material weaknesses reported by KPMG LLP in connection with their audit of the Authority's 2018 Financial Statements.

Budget Process and Monitoring

The annual budget for the Authority is prepared by the Executive Director with significant involvement of the Authority's top executive staff and the support and analysis of the Authority's Budget staff. At the front end of the budget process, the Cabinet with the Executive Director agree on the financial forecast on which the budget will be prepared and establish the key areas of focus for the coming year from the Strategic Plan. Resident groups are consulted on their concerns and priorities for capital investments and program/service needs. SHA also uses an on-line survey to gather views on pressing housing priorities from residents, voucher-holders, those on waiting lists, employees, non-profit housing and service partners, and interested citizens. At the end of the budget process, the Executive Director, with the advice of the Cabinet, determines the final actions to balance the proposed annual budget.

The Board of Commissioners adopts the annual budget for the Authority after the Executive Director has presented both the Annual MTW Plan and the Authority's Proposed Budget for public review and comment. The MTW Plan and the Proposed Budget are primary tools for implementing the Strategic Plan. The annual proposed budget includes four components – the Operations, Housing Assistance Payments (HAPs), Capital, and Development budgets. MTW federal funds comprise 70-75 percent of the combined Operating, HAPs, and Capital revenues. The operating and capital budgets are developed from the community or program level up in the Authority's project-based budgeting process.

The development programs and major rehabilitation projects of the Authority, to rebuild and rehabilitate the family communities, senior program buildings, and high-rise public housing buildings, and build new affordable housing are supported through mixed financings, including low-income housing tax-credit partnerships, bond and mortgage financing, federal Choice Neighborhood Initiative funds, and federal, state, local, and philanthropic grants.

Once adopted by the Board, the annual budgets are implemented and monitored by all departments of the Authority, with support from the Finance and Administration Department and the Asset Management Department.

Budgeting Control and Program Accountability

The objective of budgetary controls maintained by the Authority is to ensure appropriate financial management by Authority department managers of actual expenditures in relation to the approved budget. The Finance and Administration Department provides quarterly reports to managers and executive staff on the status of the budget and on any actions needed to ensure that the Authority operates within the adopted budget. Additionally, monthly financial reports comparing actual revenues and expenses to budget are provided to Department and program managers to assist them with timely information for managing their budgets from the individual community level to the overall management level.

An integral part of budget control is to review needs for and impacts of budget revisions following adoption of the annual budget by the Board. These reviews occur at least quarterly and where adjustments are justified, the adopted budget is revised. There are also quarterly reviews of all Housing Portfolios by the Authority's Asset Management Committee. During these sessions budget status is reviewed; vacancies and rent collections trends are noted; unit turnover cost and length of time to return a vacated unit to a new lease are reviewed against standards and past performance, and general conditions of the property and welfare of the residents and communities are presented by property management staff. Follow-up actions, assigned to operating departments, the budget office, and/or the asset management department, are reflected in Asset Management Committee minutes of the portfolio review meetings and reviewed at the subsequent quarterly review.

Financial Policy Oversight

The Authority has two ongoing Committees – one internal and one a Board Committee – that provide financial oversight. The ***Board of Commissioners' Committee is the Audit Committee*** consisting of the Chair of the Board, two other Board members, and two outside independent non-voting members with expertise in finance and accounting. All members are appointed by the Board Chair and serve staggered terms of three years. The Committee meets two to four times a year, as needed, to conduct entry meetings with the independent auditor and the State Auditor and to hear reports and findings of the Auditors. The Committee also meets with auditors independently to hear any concerns the Auditors have identifies with the work of finance or other agency staff. The Audit Committee reports its activities to the full Board, along with any conclusions or recommendations they have to continue to strengthen the Authority's financial management.

Internally, the Authority has a ***Financial Policy Oversight Committee*** **(FPO)** that meets monthly and is comprised of the Executive Director, the Deputy Executive Director, the Director of Housing Operations, the Director of Development, the Director of Housing Finance and Asset Management, the Chief Financial Officer (who leads the Committee), the Controller, and the Budget Manager.

The FPO is charged with overseeing the financial conditions and financial management decisions of the Authority and ensuring that current or implied financial commitments/conditions receive the full scrutiny of the Authority's top managers and expert line staff. This committee has enhanced agency- wide consideration of and decisions on credit and debt management; development opportunities, project selection, and financing plans and policies; acquisitions and dispositions of property; criteria for soliciting and selecting limited partners in low-income housing tax credit projects; coordination of timing on actions; planning and monitoring of interim financing repayment plans; management of cash reserves; and, risk assessment.

A new and significant program change in 2018 resulted from FPO analysis and recommendations and authorizing action by the Board of Commissioners. The Board adopted a resolution contemplating the acquisition of approximately 500 units of low income housing, criteria for evaluation and selection of properties to acquire, and authority for a $40 million line of credit to facilitate acquisitions and subsequent conversion to permanent financing instruments. The intent is to acquire a mix of properties with approximately half serving extremely low income people (at 30 percent of area median income or below) and half serving low income people (at approximately 50-80 percent of median). The program is expected to complete the acquisition of 500 units over two to three years.

The Financial Policy Oversight Committee (FPO) also administers the Authority's policy on unrestricted cash balances and unassigned cash (Operating Cash Reserves), which policy was adopted by the Board of Commissioners in April 2011, revised in May 2013, and reviewed periodically. The FPO recommends an annual resolution to the Board for its decision and adoption of year-end Committed Funds of the agency from the Authority's Unrestricted Cash Balance, and reports to the Board the agency's conformance with the Board's Financial Policy to maintain unassigned and uncommitted cash equal to at least one month and not more than six months of operating expenses plus 1/12 of annual debt service. At the end of 2018, Seattle Housing Authority reported an Operating Cash Reserve for the agency of slightly more than three months of expenditures and debt service.

Component Units of Seattle Housing Authority

The Authority has eighteen discretely-presented component units as of December 31, 2018. As the Authority has expanded its redevelopment activities using mixed financing, component units have become a larger and larger share of our strategy of providing low-income housing. At the end of 2018, the Authority's component units represented 3,882 units or 48 percent of all rental housing units operated directly by the Authority.

Prudently Managing Affordable Housing Properties

***Strong Asset Management*:** The Authority continues to take an active asset management approach to operating its properties, treating each as a distinctive "community" with the goal of efficiently using each property to its fullest potential toward meeting our mission. This means the Authority is actively reviewing its existing real estate holdings to ensure that all assets are managed in a cost-effective and efficient fashion and are contributing to the overall mission of creating and sustaining decent, safe, and affordable living environments for the low-income people of Seattle. As previously noted, the internal Asset Management Committee, with management representatives from all departments, conducts quarterly portfolio reviews with property managers and budget and accounting staff. Minutes of presentations and discussions are taken and follow-up or recommended corrective actions are recorded and assigned for follow-up.

The Authority's approach is spelled out in the "SHA's Local Asset Management Plan" (LAMP) included in the Authority's annual MTW Plan submittal to HUD. HUD has approved each of SHA's annual submittals and periodic amendments from the first submission in 2010 to the present.

Diverse Funding and Partnerships: The Authority continues to supplement its tenant rental income, operating revenues, and HUD subsidies by actively competing for additional federal funds for modernization, redevelopment, and resident/tenant support activities; by applying for local and state grant opportunities; by expanding partnerships with community organizations and private foundations; and, by building new partnerships with schools, from elementary through vocational/technical colleges to universities. The Authority continues to compete successfully wherever we see new funding or partnership opportunities.

SHA remains engaged in a multi-year partnership with the ***Seattle Public Schools*** that has enjoyed critical support from the ***Bill and Melinda Gates Foundation*** around improving the academic success of the more than 6,000 public school students who live in SHA housing. Our data sharing agreement has been central to helping both the District and SHA know how SHA students compare in their attendance and academic performance with their public school peers.

As a result, we continue to work alongside families, community staff, youth program providers, and educators to identify root causes of absenteeism, and to launch joint efforts to boost attendance. Our partnership with the School District has helped us both understand that young black male students, whether SHA residents or students from other homes in the city, share lower academic performance and lower school attendance than their peers in Seattle public schools. As partners we are engaging in an effort to use youth navigators and mentors to work with young black male students, regardless of where they live, to provide affirming support, resources, and encouragement.

Mobility for Low-Income Children: Increasingly, research is highlighting the importance of "place" in the lives of people with low incomes, especially children. In addition to SHA's extensive efforts to improve the quality of the communities where our residents live, we have developed strong partnerships to promote neighborhood mobility for tenant-based voucher participants. Nationally, SHA is part of a collaboration among 18 housing authorities and a team of leading academics in the field to generate new knowledge of effective ways to promote and facilitate families' housing mobility in the United States.

This partnership resulted in our ***Creating Moves to Opportunity (CMTO) pilot project*** which aims to help families with vouchers move to neighborhoods that improve their children's opportunities for educational and economic success as adults. With the help of philanthropic funding from the Bill and Melinda Gates Foundation, SHA and King County Housing Authority, along with a team of leading researchers, have developed a set of services that combines tenant education, landlord recruitment and expedited leasing services to achieve this goal. 2017 was the first of at least three years of this project, with that first year focused on design, capacity building and testing strategies.

CMTO Phase One was launched in 2018 during which families were randomly assigned to receive a set of additional services intended to reduce barriers to moving to opportunity areas with their voucher, if they chose to do so. Early results are impressive, showing that providing education about the benefits of opportunity areas has a significant impact on voucher holders' willingness and ability to live in opportunity areas, compared to voucher families not receiving education on these location benefits. The CMTO pilot continues in its third year with the launch of Phase Two in July 2019. Phase Two is designed to test a "multiple service arms" approach to determine which services are most effective and cost efficient in promoting opportunity moves.

***Key Partnership with City of Seattle*:** The Authority works closely with the City of Seattle to advance the availability of low income housing in the City and to ensure access to critical public services by low income people and communities. We have worked together as partners in:

- Successfully financing the development of low income housing tax credit properties;
- In the redevelopment of Yesler Terrace as a mixed income urban community;
- In combining City housing levy dollars with Housing Authority rental assistance vouchers to help support assisted housing projects for homeless people and extremely low income people;
- In developing, rehabbing, and operating Seattle Senior Housing Program for low income seniors;

- Most recently, in undertaking an acquisition program to preserve and add affordable units in Seattle serving low income and extremely low income people;
- Worked with both the City and the County, on routing and station designs of light rail and the streetcar extension to ensure service to SHA's family communities in Southeast Seattle and Yesler Terrace neighborhoods.

The Authority also works closely with the City of Seattle and local businesses and organizations to advance the environmental stewardship and sustainability of low income housing and associated neighborhoods in the City. An ongoing relationship with the Seattle Office of Housing seeks to coordinate targeted investments in energy and water conservation projects, improving the energy and water efficiency, as well as indoor air quality, of owned and managed assets.

Major and Long-Term Initiative – Yesler Terrace Redevelopment

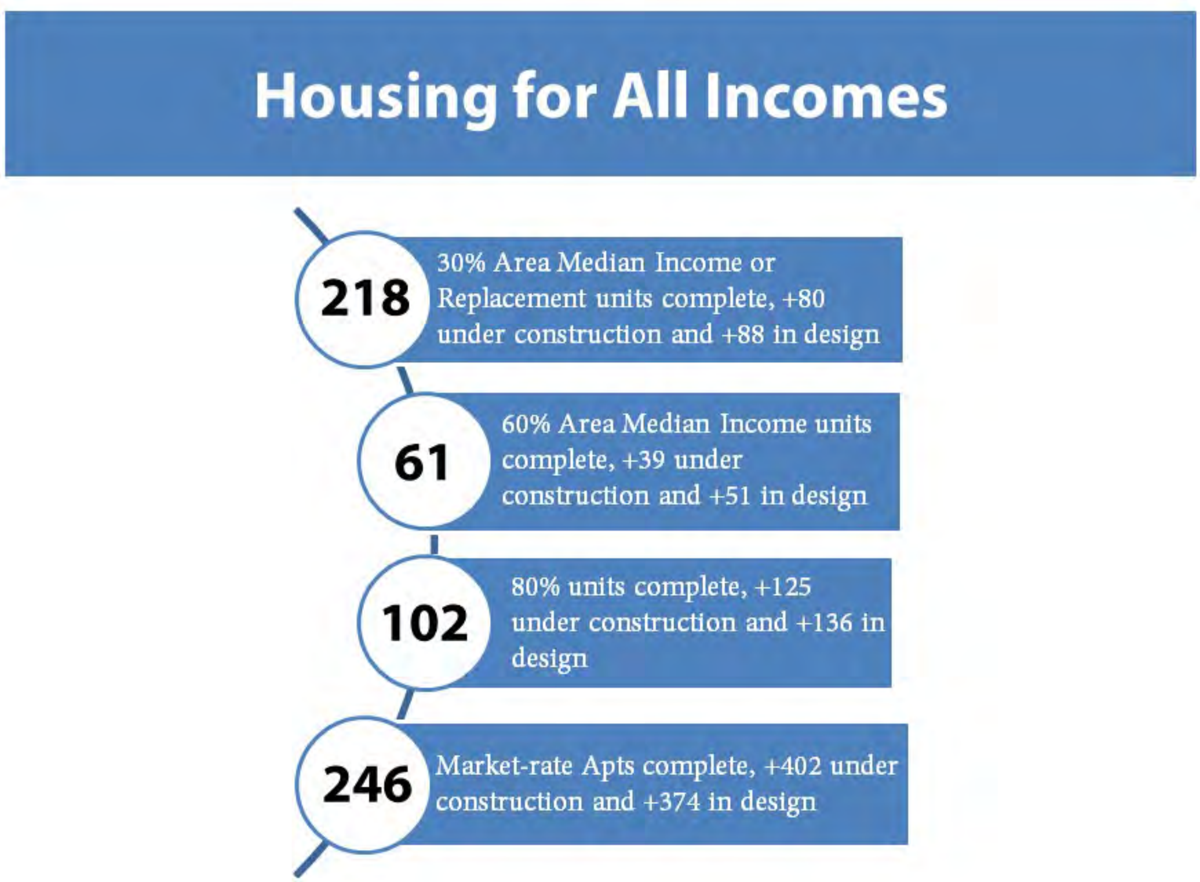
Investing in People, Neighborhood, and Housing

Yesler Terrace is a 30-acre site near downtown Seattle initially developed by Seattle Housing Authority in the early 1940s as Seattle's first publicly subsidized housing. Now, close to 80 years later, it is becoming a thriving, mixed-income community that is respectful of the neighborhood's rich history and cultural traditions, while also creating safe, healthy and sustainable affordable housing, new parks and open spaces, increased transportation options and enhanced economic opportunities.

The vision and success of the Yesler neighborhood transformation is rooted in many deep collaborative partnerships including the Yesler Terrace Community Council, Yesler Citizen Review Committee, HUD, the City of Seattle, Seattle University, the Kresge Foundation, the RAVE Foundation and the Robert Wood Johnson Foundation.

Highlights of 2018 Accomplishments

The three pages that follow summarize some of the key accomplishments of the Yesler transformation in 2018.



A Complete Neighborhood

- ✓ Yesler Terrace Park Complete and open for public enjoyment
- ✓ Fir Street Pocket Park under construction & 10th Ave S. Pocket Park design underway
- ✓ Main Street infrastructure and sidewalks complete
- ✓ Installation of Wayfinding System and Historic Plaques underway

Quality Education for All

- **160** Yesler youth and parents served by SHA's Education Engagement Specialist (EES)
- **445** Total recorded meetings between EES and families
- **60** Parents engaged in their child's educational needs (up from 45 in 2017)
- **90** Kindergarten-12th grade students served
- **100** Percentage of Yesler Youth in the EES caseload who graduated 12th grade or continued education in 2018

Original Yesler Residents

493 original households at Yesler who were given priority for the 561 Replacement Housing units to be produced

55% of the original households currently still live at Yesler, in both new and legacy housing.

64 households remain in legacy units and were sent 18-month advanced notice to relocate in Oct. 2018.

189 households who moved offsite in prior years were offered the chance to return in 2018.

35 of these offsite households say they will consider returning to new housing at Red Cedar this year.

Economic Opportunities

84 Section 3 job placements in 2018

165 Households participated in JobLink surveys

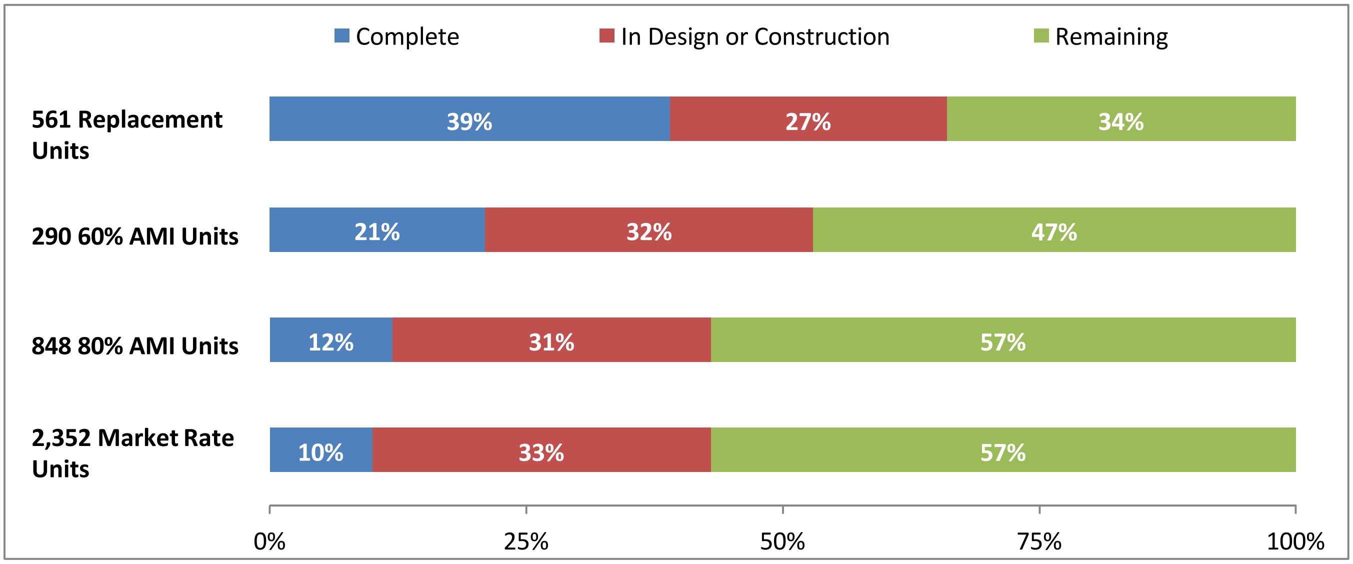
76 Enrollments for JobLink ongoing case management and employment readiness

10 Enrolled in postsecondary education (8 Community College, 2 University)

Housing Development

Designing a housing mix to accommodate families, single occupants, the elderly and those with disabilities

Yesler Housing Progress



All residential buildings at Yesler welcome a wide range of people from various ethnic, cultural and socioeconomic backgrounds. Yesler's buildings (public and private), provide a range of sizes of units, high degree of accessibility, and a full range of affordability.

SHA Housing Development

- The renovated Baldwin Apartments continues to be home to 15 Yesler Terrace households who formerly lived in the older Yesler Terrace housing.
- Kebero Court, with 103 low-income apartments was constructed and fully leased by September 2015.
- Raven Terrace, which includes 83 low-income apartments, was completed in January 2016. The building is currently fully leased.
- Hoa Mai Gardens, with 111 low-income apartments, was completed in June 2017. As of early 2018, the building was fully leased.
- Red Cedar, 119 low-income apartments. Construction was completed in Q2 2019 and will have its grand opening in June 2019.
- Hinoki, 139 low-income apartments. Design is underway and the project is expected to be completed in Q4 2021.
- The King County Records site is in planning for 150 low-income apartments. This project is expected to be completed in Q2 2022.

Private Sector Housing Development

- Anthem on 12th Apartments, completed in 2015 which include 120 apartments, 30 of which are available to households with incomes up to 80% of the Area Median Income.

- Batik (Vulcan Real Estate), completed in 2018, includes 195 apartments, 39 of which are available to households with incomes up to 80% AMI. In 2019, Batik will open the Tougo Coffee shop in its ground-floor retail space. The building also includes a community kitchen, where potlucks and events will be hosted for the entire neighborhood.
- Cypress (Vulcan Real Estate) is currently under construction with 237 apartments, 48 of which will be available to households with incomes up to 80% of Area Median Income. This development will also include substantial retail space to serve the neighborhood. Completion is expected in Q1 2019 and a grand opening in June 2019.
- Modera First Hill (Mill Creek), 290 apartments, 77 of which will be available to households with incomes up to 80% of the Area Median Income is currently under construction. The project is expected to be complete in Q2 2020.
- Lowe Phase 1 (318 apartments) and Phase 2 (192 apartments), located on Block 5b, is currently in design. These projects total 510 apartments, 136 of which will be available to households with incomes up to 80% of the Area Median Income. Phase 1 is expected to be complete in Q3 2021, with Phase 2 completion expected in Q3 2022.

Non-Profit Sector Housing Development

- A proposal by the Seattle Chinatown International District Preservation and Development Authority, in partnership with Capitol Hill Housing was accepted to build 150 affordable apartments, including 92 units of Replacement Housing (up to 30% AMI) and 58 units (up to 60% AMI). The project is expected to be completed in Q4 2021.

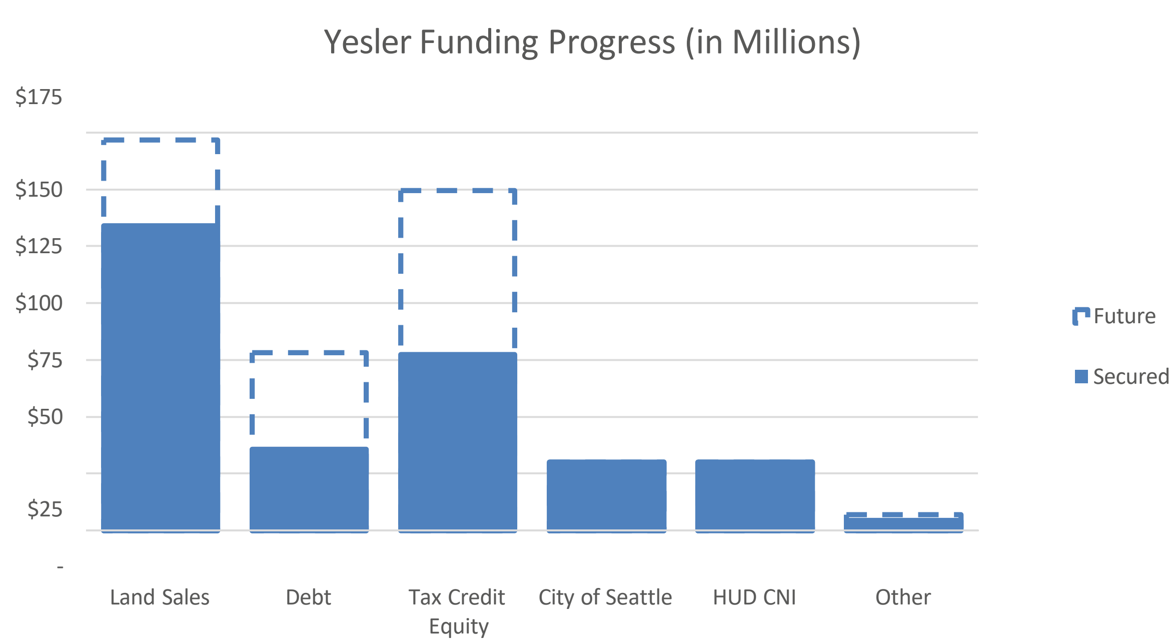
Hoa Mai Gardens with 111 low-income apartments opening in 2017 and was fully leased by 1stQ 2018.
In the lower right corner above is the entry to the Hillclimb.

Include residents in the housing design and development decisions by providing easy access to information and transparent public process.

- In 2018, Seattle Housing Authority and our partners conducted outreach to engage Yesler residents for input on open space and housing design.
  - ✓ The design teams for Red Cedar, Vulcan Real Estate, Mill Creek Residential, and Lowe's buildings presented, sought, and incorporated community input from Yesler Terrace Community Council meetings.
  - ✓ Input was also sought and incorporated from Yesler residents on the designs and features for the Fir Street and 10th Ave South Pocket Parks.
  - ✓ An update on the design and construction of housing and infrastructure at Yesler Terrace was provided regularly and as requested at Yesler Terrace Community Council meetings.
- Since the project's inception in 2006, Seattle Housing continues to meet with various Yesler Terrace constituencies, including residents, community groups, non-profits, neighbors (such as Harborview Medical Center and Seattle University), an interdepartmental City team and countless individual meetings with community leaders.
- Seattle Housing Authority's web site also includes meeting minutes, reports, updated fact sheets, and a blog feature to keep the public informed of the latest information on Yesler Terrace redevelopment.

Drawing from as many existing and new funding sources as possible to meet housing needs of current and future generations living within Yesler Terrace

- Seattle Housing Authority receives funding awards and commitments from a variety of sources, including the U.S. Department of Housing and Urban Development, City of Seattle, Low Income Housing Tax Credits, and tax-exempt multifamily bonds to build the first new affordable housing buildings.



Neighborhood Improvements

Providing resources to improve public safety, economic, cultural and social opportunities that also promote interaction and positive relations with surrounding communities

- Seattle Parks and Recreation opened the new ***Yesler Terrace Park*** in August 2018. The 1.75 acre park on land in the heart of Yesler Terrace donated by SHA, will be programmed for intensive use in what will be the densest neighborhood in the City. The park includes: a large plaza adjacent to the existing Community Center; picnic tables and a spray park in the plaza; an extensive play area for younger children; a small soccer pitch for pick-up soccer; a basketball court; and a huge multipurpose lawn area.
- A winding pathway through the terraced park completes an accessible path of pedestrian travel linking the new neighborhood to its neighbors north (First Hill) and south (Little Saigon) and those neighborhoods to each other for the first time.
- Infrastructure work in the southern part of the site was completed with the reconstruction of S. Main St. between the new 10th Avenue extension (completed in 2016) and 12th Avenue. With this, the pedestrian and vehicular circulation connecting Yesler to Little Saigon is complete. Also part of the S. Main St project are the completion of utility systems serving the southern part of the site.

Ensuring reasonable physical accessibility within Yesler Terrace for all residents and visitors

- All new apartments (312 to date) developed by SHA will be visit-able by a person in a wheelchair. In addition, to date SHA has built 42 fully-accessible units: 13 in Kebero Court, 1 in the Baldwin Apartments, 13 in Raven Terrace, and 15 at Hoa Mai Gardens.
- The 10th Avenue S Hillclimb and Horiuchi Park P-Patch both include designs with ramps and entryways that are accessible per the Americans with Disabilities Act (ADA).
- The master plan includes a system of well-lit, accessible pedestrian pathways extending from 9th Avenue and Fir Street to the 10th Avenue Hillclimb. The system is now complete with the opening of the Yesler Terrace Park, providing accessible travel between First Hill and Little Saigon.

Using environmentally friendly and sustainable building techniques to produce healthy and quality housing, facilities and amenities.

- The foundations of Yesler Terrace Environmental Stewardship and Sustainability are the location of the redevelopment next to the downtown core and major institutions, its density, and access to alternative transportation.
- Residents will be able to walk, bike, or take public transit to the vast majority of jobs in Seattle. Taken together, the location, density, and access to alternative transportation will result in significant reductions in greenhouse gas emissions compared to any alternative development scenario.

- SHA's recent projects have reduced per-capita water consumption to about half the national average, through a combination of low-flow fixtures and individual unit sub metering, combined with a financial incentive/penalty approach to encourage conservation.

Next Steps for 2019

The funding secured to date allows Seattle Housing Authority to move forward with building affordable housing for a wide range of incomes, complete the necessary infrastructure work and utility replacements, and provide important amenities and services to the community. Community members are ongoing participants, providing valuable input as the planning and implementation process progresses.

2019 will bring even more significant change to Yesler. Over 350 new affordable, workforce, and market-rate apartments opened in the first quarter. A new pocket park will also open at Broadway and Fir Street. SHA staff is working with community members and stakeholders to plan for events and programs in Yesler's wonderful open spaces.

Education

- Continue SHA's partnership with Seattle University as the Education lead for Yesler Activities, which in 2019 will include strategic planning for educational support beyond the Choice Neighborhoods Grant; and continued implementation on how to increase educational outcomes for children at Yesler.
- Continue SHA's Education Engagement Specialist support for Yesler's students, providing students and their families with education-related interventions.
- Continue on-site after-school tutoring for Yesler students.
- Continue Therapeutic Health Services to provide social/emotional support, academic, and wrap around services for Yesler students attending Garfield High School.
- Complete the Yesler Environmental Youth Program serving eight young people from Yesler.

Health

- Continue Community Health Workers supporting residents for health-related activities, including connecting residents to a medical home; and wellness activities.
- Continue the Breathe Easy Program to help reduce indoor environmental toxins and improve the health of the residents.
- Continuation of the partnership with Public Health to evaluate the impact of the redevelopment on Community Health.

Economic Opportunity

- Serve 260 Yesler area SHA residents with career and education support and place over residents 100 in employment, via Joblink.
- Involve ten Yesler Terrace youth to help plan, design, and implement a community mural located on the south wall of the Yesler Community Center. Youth will gain valuable work and community outreach experience; and receive a paid stipend.
- Integrate planning for summer programming with area educational partners to serve over 100 youth.
- Enroll Yesler residents in the Industrial Sewing Class to receive employment-building skills.
- Provide residents with employment resources via Joblink to help them find a job and/or receive training resources. Additional assistance includes meeting with Career Coaches to map out their individual plans for better employment.

Neighborhood

- Open the Fir Street Pocket Park, in tandem with the grand openings of Red Cedar and Cyprus.
- Community inspired art installations on Green Street loop including Community Table, Grove sculpture, and Portrait Medallions.
- Yesler Urban Farm along WSDOT ROW begins activity.
- Yesler off-leash dog area along WSDOT ROW plan advances.
- Wayfinding system installation begins and will be completed over next few years.
- Completion of street infrastructure improvements, including lighting, sidewalks, and driveway access at Main Street.

Housing

- Completed construction by SHA of Red Cedar (119 low-income apartments), with leasing expected to begin in Q2 2019.
- Design and permitting of Hinoki by SHA (139 low-income apartments).
- Design and permitting of the proposal by non-profit partners, the Seattle Chinatown-International District Preservation and Development Authority (SCIDpda) and Capitol Hill Housing to build affordable housing and childcare center at Yesler and 13th (150 units).
- Completed construction and begin lease up of Cypress by Vulcan Real Estate (237 apartments, including 48 units available at up to 80% AMI) in Q2 2019.
- Construction of Modera by Mill Creek Residential (290 apartments, including 77 units available at up to 80% AMI).
- Design and permitting of Lowe (510 apartments).

Awards and Recognition

During 2018, the Housing Authority of the City of Seattle and its residents received or continued distinctions and recognitions, including:

2019 Award

- ***2019 ACEC Best in State Silver Award --*** Hoa Mai Gardens and the Yesler Hillclimb won the 2019 American Council of Engineering Companies' Best in State Silver Award in the "Unique or Innovative Applications" category.

2018 Awards

- ***Certificate of Achievement for Excellence in Financial Reporting --*** Awarded by the Government Financial Officers Association (GFOA), this award is based on a juried assessment of SHA's Comprehensive Annual Financial Statement by professional peers. In a statement, GFOA said the Certificate of Achievement for SHA's 2017 Comprehensive Annual Financial Report "is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management." This is SHA's 21st consecutive year of receiving the award.
- ***Washington State Housing Finance Commission Friend of Housing Award --*** Executive Director Andrew Lofton received the Washington State Housing Finance Commission's Friend of Housing Award. The awards are presented each year to individuals, projects or organizations who have made exceptional contributions to creating or supporting affordable housing.
- ***NAHRO Award of Excellence --*** The National Association of Housing and Redevelopment Officials (NAHRO) honored the Seattle Housing Authority with a 2018 Award of Excellence in Administrative Innovation for its Specialized Maintenance and Repair Training (SMART) program. Awards of Excellence honor programs that improve resident outcomes, resolve problems, are replicable by organizations of similar size, produce tangible cost savings and other positive results, enhance productivity, improve client services, and demonstrate better service coordination. The 2018 winners were selected by regional juries from a pool of 193 Awards of Merit honorees and SHA was one of only 19 agencies nationwide to win an Award of Excellence.
- ***NAHRO honors SHA with three Awards of Merit --*** The National Association of Housing and Redevelopment Officials (NAHRO) honored the Seattle Housing Authority with three 2018 Awards of Merit. The winning projects were: Specialized Maintenance and Repair Training (SMART) program, Customer Service Awareness, and Lean Public Housing Inspections in the Administrative Innovation category.
- ***Seattle Sounders FC Golden Scarf Award --*** Executive Director Andrew Lofton and Seattle Housing Authority were presented with the Golden Scarf award at the July 29, 2018 Seattle Sounders FC match. The award honors the partnership and community-centered efforts between SHA and the RAVE Foundation to bring services to the Yesler Community that are focused on soccer, art, and community-building. A few times each season, Sounders FC selects members of the community to honor their service. They are presented with a special gold scarf, which has come to symbolize the game of soccer. Awardees raise the scarf over their heads, signaling to the fans to do the same.

- ***2018 Gold Nugget Grand Award Winner --*** Hoa Mai Gardens received Pacific Coast Builders Conference 2018 Gold Nugget Grand Award in the Best Affordable Housing Community—60 to 100 dwelling units per acre.

- ***2018 Urban Soccer Symposium Innovation Award from U.S. Soccer Foundation --*** The Seattle Housing Authority's Yesler Redevelopment has been awarded the 2018 Urban Soccer Symposium Innovation Award from the U.S. Soccer Foundation, the national model for sports- based youth development programs in underserved communities. SHA earned the award for utilizing an imaginative approach and original programming to create positive social change in underserved communities, including collaborative efforts with RAVE Foundation and Sounders FC to integrate soccer into the cultural framework of the historic downtown Seattle neighborhood.

Acknowledgments

The preparation of this letter has been accomplished through the hard work of the Finance Department accountants and the support of other staff members throughout the Seattle Housing Authority. A special thanks to Janet Hayes, Seattle Housing Authority's Controller, whose talents, dedication and oversight of strong internal controls are largely responsible for more than two decades of Awards of Excellence in Financial Reporting from the Government Finance Officers Association and consistently unmodified opinions on SHA's Financial Statements by our independent auditors. We wish to thank, as well, the management and staff of KPMG LLP and Francis & Company PLLC who provided the necessary professional auditing services and technical assistance in conducting the independent audit of the Authority.

I would also like to take this opportunity on behalf of the staff and residents of the Seattle Housing Authority, to acknowledge the members of the Board of Commissioners for their tireless support, sage guidance, and passionate commitment to SHA's mission.

Respectfully submitted,

Andrew J. Lofton
Executive Director

cc: SHA Cabinet members
SHA Public Website

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Principal Officials

Commissioners as of December 31, 2018

Name	Term expires
Deborah Canavan Thiele, Chair	March 20, 2021
Emily Abbey, Commissioner, Vice Chair	March 20, 2019
Ahmed Abdi, Commissioner*	October 1, 2018
Robert Crutchfield, Commissioner*	December 1, 2018
Paula Houston, Commissioner	March 20, 2020
Paul Purcell, Commissioner*	December 1, 2018
Gerald Smiley, Commissioner	March 19, 2019

Administrative Staff

Andrew Lofton, Secretary-Treasurer/Executive Director

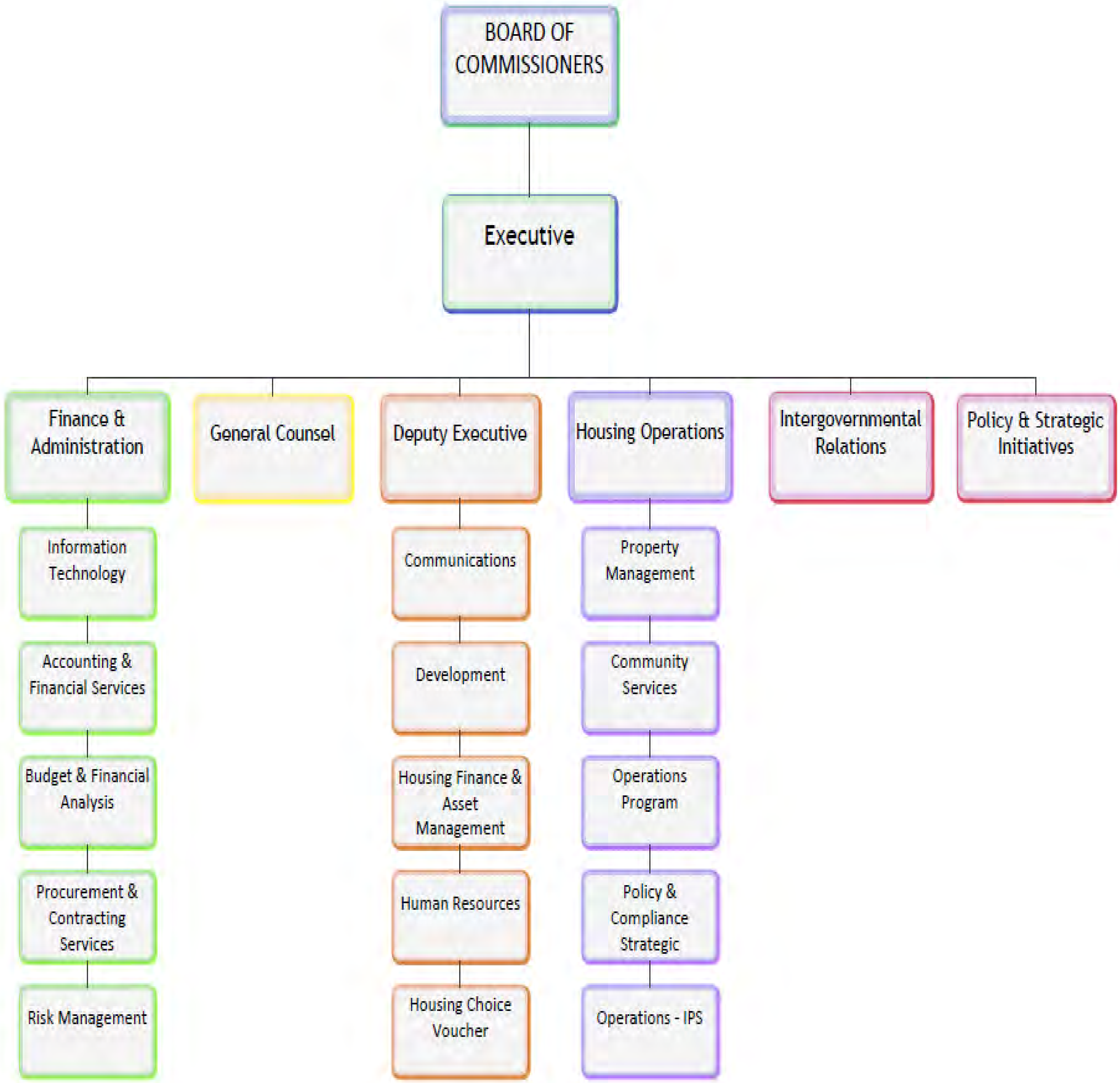
Shelly Yapp, Chief Financial Officer

Janet Hayes, Controller

*Although the terms expired for Ahmed Abdi, Robert Crutchfield and Paul Purcell, they continue to serve until their terms are extended by the Mayor of Seattle.

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Organization Chart



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

The Housing Authority

of the City of Seattle, Washington

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2017

Christopher P. Morrill

Executive Director/CEO

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Financial Section

Section II

KPMG LLP
Suite 2900
1918 Eighth Avenue
Seattle, WA 98101

Independent Auditors' Report

The Board of Commissioners
The Housing Authority of the City of Seattle, Washington

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of The Housing Authority of the City of Seattle, Washington (the Authority), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following discretely presented component units of the Authority: High Point South Limited Partnership (LP), Ritz Apartments LP, Alder Crest LP, High Rise Rehabilitation Phase I LP, Seattle High Rise Phase II LP, Seattle High Rise Phase III LP, Douglas Apartments LP, Tamarack Place LP, Lake City Village Limited Liability Limited Partnership (LLLP), Rainier Vista Northeast LLLP, Leschi House LLLP, 1105 East Fir LLLP, 820 Yesler Way LLLP, 221 10th Ave S LLLP, NewHolly Phase I LLLP, and West Seattle Affordable Housing LLLP; which represent 81% of the total assets and total liabilities, 84% of the total net position, 92% of the total revenues, and 89% of the total expenses of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the discretely presented component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the discretely presented component units that were audited by other auditors were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of The Housing Authority of the City of Seattle, Washington, as of December 31, 2018, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 4 through 15, and the required supplementary information related to the pension and OPEB plans on pages 90 and 91, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The cost certificates for projects WA19P001501-14, WA19R001501-14 and WA19R001502-14 and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The cost certificates for projects WA19P001501-14, WA19R001501-14 and WA19R001502-14 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the cost certificates for projects WA19P001501-14, WA19R001501-14 and WA19R001502-14 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

KPMG

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2019, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

KPMG LLP

Seattle, Washington
May 24, 2019

Overview of the Financial Statements

The Housing Authority of the City of Seattle, Washington (the Authority) is pleased to present its basic financial statements as of and for the year ended December 31, 2018, which have been prepared in accordance with U.S. generally accepted accounting principles (GAAP). GAAP requires the inclusion of three basic financial statements: the statement of net position (balance sheet); the statement of revenues, expenses, and changes in net position; and the statement of cash flows. In addition, GAAP requires the inclusion of this management's discussion and analysis (MD&A) section as required supplementary information.

The basic financial statements provide both long-term and short-term information about the Authority's overall financial condition. The basic financial statements also include notes that provide additional information and more detailed data.

As provided for under GAAP, the Authority uses the accrual basis of accounting to prepare its basic financial statements. Under this basis of accounting, revenues are recognized in the period in which they are earned and expenses, including depreciation and amortization, are recognized in the period in which they are incurred. All assets and liabilities associated with the operation of the Authority are included in the statement of net position.

This section of the Authority's annual financial report presents our discussion and analysis of the Authority's financial performance for the primary government during the year ended December 31, 2018, with comparative data for the year ended December 31, 2017. Please read this section in conjunction with the transmittal letter in the introductory section of this report and the Authority's basic financial statements, which immediately follow this section.

As discussed in Note1(b) to the financial statements, in January and February 2018, Desdemona and Escallonia Limited Partnerships were dissolved and all assets and liabilities were transferred to the Authority. Prior to 2018, the activities of these Limited Partnerships were not included as part of the primary government of the Authority but were appropriately presented as discretely presented component units of the Authority. The 2017 condensed financial statements of the Authority presented in this discussion and analysis have been adjusted from those previously presented to include the activities of Desdemona and Escallonia as part of the primary government to facilitate comparability to the 2018 condensed financial statements. Additionally, as discussed in Note 1(c) to the financial statements, during 2018, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The 2017 condensed financial statements presented in this discussion and analysis have been adjusted from those previously presented to reflect the implementation of this new standard.

Financial Highlights

- Assets and deferred outflows of resources of the Authority exceeded liabilities and deferred inflows of resources at December 31, 2018 by $631.5 million (net position), representing an increase of $69.5 million over 2017. Unrestricted net position of $285.7 million at the end of the year represents committed, assigned, and unassigned funds that may be used to meet the Authority's ongoing obligations.
- Unrestricted cash and investments makes up $136.3 million of the Authority's net position at the end of 2018, which reflects $74.0 million in committed funds adopted by the Board of Commissioners, $6.0 million in assigned funds designated by the Authority's Financial Policy Oversight Committee, and $56.3 million in unassigned funds that make up the Authority's Operating Reserves. By Board policy, the Operating Reserve is to be maintained at a minimum of one month and a maximum of six months of average monthly operating expenses plus 1/12th of principal debt service requirements. The Authority's Operating Reserve at the end of 2018 represented approximately 3 months and 9 days (based on 20 business days in the month) of average monthly expenses and principal debt service.

- Total net position increased by $69.5 million, which is an increase of 62.4% over the 2017 increase in net position of $42.8 million. Operating revenues increased by $28.9 million and capital contributions decreased by $1.5 million in 2018 compared to 2017, while operating expenses increased by $4.3 million and net nonoperating revenue increased by $3.6 million compared to 2017.
- The Authority's current ratio that measures liquidity increased during the year from 3.9 to 4.9. Current assets increased by $37.7 million as a result of an increase of $47.5 million in unrestricted and restricted investments which was offset by a decrease in notes receivable from component units of $5.8 million. Current liabilities increased slightly due to an increase in short term borrowings which was offset by decrease in vendor payables.
- Total notes receivable increased from $235.0 million to $253.4 million. The Authority has made loans to its component units that are redeveloping housing communities under the Choice Neighborhoods Implementation grant and using Low Income Housing Tax Credit mixed financings. The largest change in long-term notes receivable from 2017 to 2018 resulted from the additions of loans made to limited partnerships for developments at Yesler Terrace and an increase in loans made to the West Seattle Affordable Housing, LLLP (West Seattle Properties) and NewHolly Phase I LLLP (NewHolly Phase I) for substantial rehabilitation of the partnership properties.
- The Authority's total debt increased from $79.5 million to $94.6 million during the current reporting period. The increase resulted from a $35.8 million bond refunding in 2018 to finance rehabilitation at Phases II and III of NewHolly community, Phase I of Rainier Vista and Wedgewood Estates. This borrowing was offset by the payoff of the existing $15.2 million mortgage for Wedgewood Estates as part of the new bond undertaking. As a result, the percentage of total debt to net capital assets increased from 21.0% at December 31, 2017 to 23.8% at December 31, 2018.

Financial Analysis

Statement of Net Position

The statement of net position presents the assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position of the Authority at the end of the fiscal year. The purpose of the statement of net position is to give the financial statement readers a snapshot of the fiscal condition of the Authority as of a certain point in time. It presents end of year data for assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (assets and deferred outflows of resources, minus liabilities and deferred inflows of resources). Also shown is the sum of total liabilities, net position, and deferred inflows of resources which equals total assets and deferred outflows of resources.

Total assets of the Authority at December 31, 2018 and 2017 amounted to $866.1 million and $789.4 million, respectively, an increase of 9.7%. The significant components of current assets are short-term investments, receivables from component units, and restricted cash. The significant components of noncurrent assets are long-term investments, capital assets, receivables from component units, and notes receivable. Capital assets include land, land improvements, leasehold improvements, structures, construction in progress, and equipment. All capital assets except for land and construction in progress are shown net of accumulated depreciation. In addition to the increases in current assets and notes receivable noted above, the Authority also experienced increases in capital assets of $25.2 million.

Total liabilities of the Authority were $226.9 million and $223.2 million at December 31, 2018 and 2017, respectively, representing a slight increase of 1.7%. Current liabilities include accounts payable, accrued liabilities, unearned revenue, current portion of long-term debt, and short-term borrowings. Short term borrowings for property acquisitions and unearned revenues related to Section 8 non Moving to Work (MTW) voucher activity increased $4.0 million and $1.0 million, respectively. These increases were offset by a decrease in current payables from 2017 to 2018. Noncurrent liabilities are primarily made up of unearned revenue and the long-term portion of the notes and bonds payable. Noncurrent liabilities increased by approximately $2.4 million. Increases in long term borrowing were offset by a $7.1 million reduction in the pension liability.

Deferred outflows of resources and deferred inflows of resources arise from the pension liability and OPEB (Other Post-Employment Benefits) liability reported by the Authority. Deferred outflows of resources primarily relate to contributions made by the Authority subsequent to the measurement date of the net pension liability, OPEB benefit payments after the measurement date, and differences between expected and actual experience. Deferred inflows of resources primarily relate to the difference between projected and actual earnings on plan investments and changes in assumptions. In 2018, the Authority's pension and OPEB related deferred outflows decreased by $0.1 million and deferred inflows increased by $3.5 million.

Net position represents the Authority's equity, a portion of which is restricted for certain uses. Net position is divided into three major categories. The first category, net investment in capital assets, represents the Authority's equity in land, structures, construction in progress, and equipment, net of related capital debt outstanding. The next net position category is restricted net position; this shows the amounts subject to external restriction, which is primarily amounts restricted to service debts until they mature. Other restricted purposes include legal agreements related to obligations to the Authority's limited partnerships. The last category is unrestricted net position; these funds are available to use for any lawful and prudent purpose of the Authority. Unrestricted net position increased by 7.0%, or $18.8 million during the year from $266.9 million to $285.7 million. This was primarily the result of increases in operating revenues.

Condensed Statement of Net Position

(In thousands)

		December 31	
		2018	**2017**
Assets:			
Current assets, net	$	160,141	122,412
Noncurrent cash and investments		28,524	32,188
Capital assets, net		397,975	372,804
Notes receivable, long-term, net		253,427	234,957
Other noncurrent receivables and other		22,119	22,917
Total assets		862,186	785,278
Pension and OPEB related deferred outflows of resources		3,957	4,164
Total assets and deferred outflows of resources		866,143	789,442
Liabilities:			
Current liabilities		32,586	31,327
Noncurrent liabilities		194,274	191,826
Total liabilities		226,860	223,153
Pension and OPEB related deferred inflows of resources		7,817	4,312
Net position:			
Net investment in capital assets		314,558	260,634
Restricted		31,204	34,444
Unrestricted		285,704	266,899
Total net position (as restated)		631,466	561,977
Total liabilities and net position		858,326	785,130
Total liabilities, net position and deferred inflows of resources	$	866,143	789,442

Statement of Revenues, Expenses, and Changes in Net Position

The purpose of the statement of revenues, expenses, and changes in net position is to present the revenues earned by the Authority, both operating and nonoperating revenues, and the expenses incurred through operating and non-operating expenditures, plus any other revenues, expenses, gains, and losses of the Authority. Generally, operating revenues are amounts received for providing housing to the Authority's tenants as well as subsidies and grants received from the U.S. Department of Housing and Urban Development (HUD) that provide significant funding for the operations of the Authority's housing programs. Operating expenses are those incurred to operate, maintain, and repair the housing units and to provide supportive services to the tenants of the Authority. Non-operating revenues are revenues earned for which goods and services are not provided, for example, interest income. Capital contributions represent revenues earned from HUD for public housing capital repairs and rehabilitation and grants under the Choice Neighborhood Implementation program.

The statement of revenues, expenses, and changes in net position, which follows this section, reflects the year ended December 31, 2018 compared to the year ended December 31, 2017. Overall, operating revenues increased by approximately 12.5% or $28.9 million from 2017 to 2018 and operating expenses increased by 2.2% or approximately $4.3 million for the year; net nonoperating revenues increased by 383.8% or approximately $3.6 million; and capital contributions decreased approximately 12.9% or $1.5 million. Net position increased in 2018 by approximately $69.5 million. Explanations of principal reasons for these changes follow.

The primary reason for favorable increases in operating revenues was a result of increases in operating subsidies and housing assistance payments of approximately 16.9% or $27.4 million due to favorable HUD budget allocations in 2018. Land sales at Yesler Terrace continued to comprise more than one third of other revenues. These proceeds are primarily dedicated to the continuing redevelopment efforts at Yesler Terrace. Income from tenant rentals decreased slightly from 2017 to 2018 by $1.8 million or 7.0%. The communities of Roxhill, Wisteria and Longfellow Court were transferred to the West Seattle Partnership late in 2017 for the purpose of embarking on a major rehabilitation of the three properties which reduced rental income by $1.4 million. Were it not for this transfer from SHA to its component unit, SHA tenant revenues would have shown an increase from 2017.

The most significant increase in operating expenses was the increase in housing assistance payments expense of $4.5 million or 4.6%. Housing assistance payments increased due to slightly higher utilization, as well as the phasing in of higher voucher payment standards that were adopted in 2016 and 2018.

Net non-operating revenues (expenses) increased by approximately $3.6 million during the year. Interest expense was reduced compared to 2017 due to reductions in long-term debt early in 2018 and lower interest rates on refunded debt. Additionally, in 2018, the Authority reported gains on investments in limited partnerships of $2.5 million. During the year, the Authority became the 99.99% partner in the HighPoint North partnership which led to a gain of approximately $5.1 million. Offsetting this was a special allocation of losses on the homeWorks partnerships of $2.6 million. Finally, losses on dispositions of property resulted from writing off infrastructure work on the Hill Climb at Yesler Terrace as the asset was transferred to the City of Seattle in 2018.

Capital contributions for the year ended December 31, 2018 were made up of $9.5 million from HUD capital grants and $0.8 million from the Choice Neighborhoods Implementation grant, which is one of the funding sources for Yesler Terrace redevelopment.

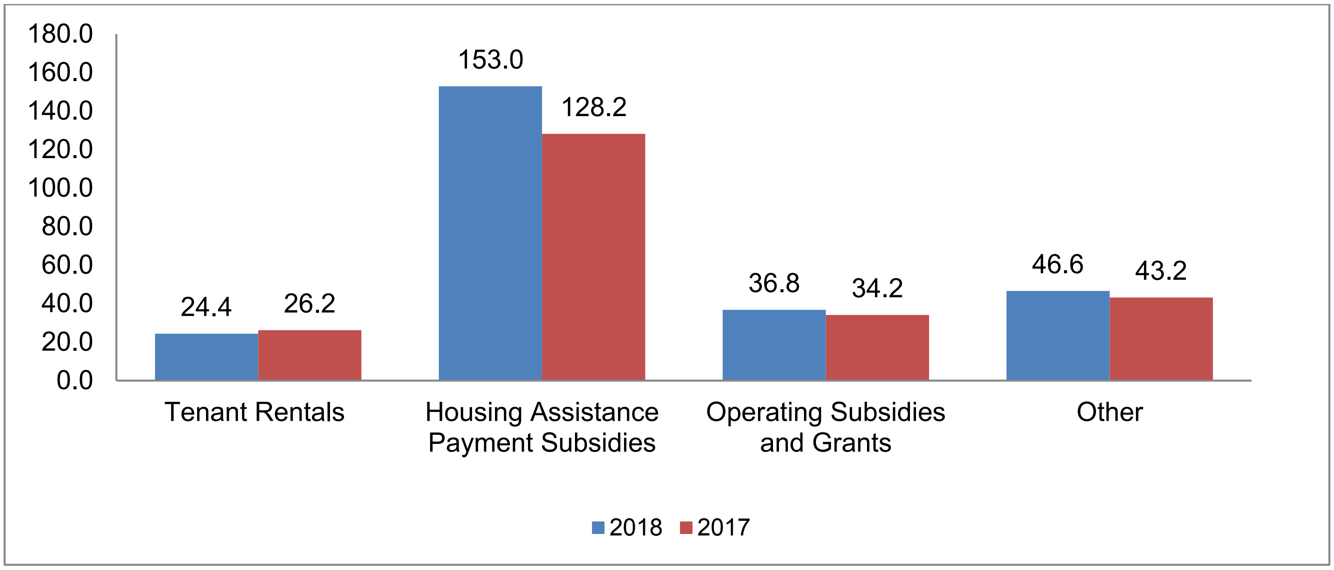
Statement of Revenues, Expenses, and Changes in Net Position

(In thousands)

	Year ended December 31 2018	Year ended December 31 2017
Operating revenues:		
Tenant rentals	$ 24,407	26,239
Housing assistance payment subsidies	152,967	128,201
Operating subsidies and grants	36,756	34,151
Other	46,570	43,159
Total operating revenues	260,700	231,750
Operating expenses:		
Housing operations and administration	54,750	54,638
Tenant services	4,974	4,695
Utility services	5,804	6,374
Maintenance	19,882	20,692
Housing assistance payments	102,182	97,660
Other	4,920	4,101
Depreciation and amortization	11,700	11,717
Total operating expenses	204,212	199,877
Operating income	56,488	31,873
Nonoperating revenues (expenses):		
Interest expense	(2,791)	(4,542)
Interest income	5,716	7,004
Insurance proceeds, net	405	—
Change in fair value of investments	(13)	31
Loss from refinancing	(606)	—
Gain (Loss) on investment in limited partnerships	2,469	(3,442)
Loss on disposition of assets	(2,487)	—
Net nonoperating revenues (expenses)	2,693	(949)
Change in net position before capital contributions	59,181	30,924
Capital contributions	10,308	11,834
Change in net position	69,489	42,758
Total net position, beginning of year (as restated)	561,977	519,219
Total net position, end of year	$ 631,466	561,977

Operating revenues are shown in detail in the chart below:

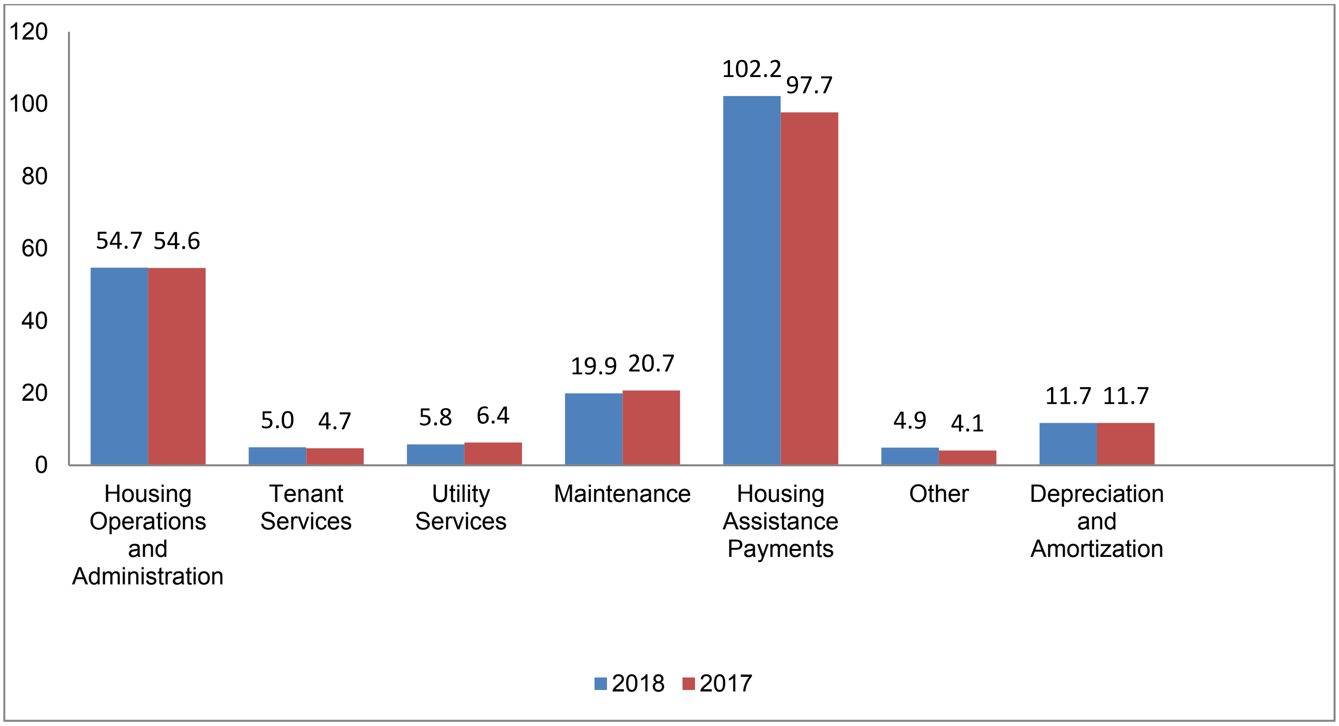
Operating Revenues – 2018 and 2017



Dollars (in millions)

Operating expenses are shown in detail in the chart below:

Operating Expenses – 2018 and 2017



Dollars (in millions)

Capital Asset and Debt Administration

The Authority increased capital assets, net, during the year ended December 31, 2018 by approximately $25.2 million.

The table below shows the Authority's capital assets, net of accumulated depreciation and amortization, at December 31, 2018 and 2017 (in thousands):

		2018	2017
Land	$	68,477	62,472
Land improvements		35,845	36,986
Structures		244,402	225,061
Leasehold improvements		497	568
Equipment		2,989	2,647
Construction in progress		45,765	45,070
Total capital assets, net	$	397,975	372,804

Construction in progress increased slightly and relates primarily to redevelopment activities at Yesler Terrace and improvements under the MTW capital grant program. During the year, two property acquisitions increased land and structures - the 69 unit Spring Lake Apartment building and the King County Records site. Future plans for the King County Records site involve leasing the property to a non-profit housing developer who will build 158 units of affordable housing there.

The following schedule shows the significant components of the construction in progress as of December 31, 2018 and 2017 (in thousands):

		2018	2017
Modernization funds – Capital grants	$	4,909	6,683
Modernization funds – Choice neighborhood grant		2,845	3,538
Yesler Terrace Infrastructure		33,606	30,431
Other programs		4,405	4,418
Total construction in progress	$	45,765	45,070

Note 5 to the Authority's basic financial statements provides additional detail regarding the changes in capital assets during the year ended December 31, 2018.

The table below shows the Authority's outstanding debt at December 31, 2018 and 2017 (in thousands):

		2018	2017
Short-term borrowings	$	11,495	7,490
Notes payable		20,566	36,796
Bonds payable		62,540	35,245
Total debt outstanding	$	94,601	79,531

Total debt outstanding increased by $15.1 million from December 31, 2017 to 2018. The Authority increased short-term borrowings by $4.0 million as a result of new borrowings on both the taxable line of credit and the operating line of credit in order to purchase Spring Lake Apartments and to provide additional funding for the West Seattle Properties. Payoffs on the taxable line of credit and operating line of credit occurred as part of the $35.8 million bond refunding early in the year as previously noted.

Notes 6 and 7 to the Authority's basic financial statements provide additional detail regarding the debt changes during the year ended December 31, 2018.

The Authority maintained an entity credit rating from Standard & Poor's Rating Services under their international rating criteria for housing authorities/social housing in the United States and Europe of 'AA' with a stable outlook.

Federal Funding Support to the Authority

Federal appropriation levels for HUD programs, such as Section 8 Housing Choice Voucher Program and Section 9 Public Housing Operating Subsidies, and the various capital programs continue to have a major impact on the Authority's budget. Federal housing dollars make up the largest source of operating revenue for the Authority and the principal source of funding for public housing capital. During 2018, the Authority earned $190.0 million in federal dollars for its operating programs and $10.3 million for its capital projects. In addition, federal financial support from HUD has been an important source of seed money and leverage funding for acquiring or developing a majority of the Authority's $398.0 million of capital assets as of December 31, 2018.

The Authority has been engaged for more than 20 years in the redevelopment of the Authority's family communities and 24 of the Authority's 25 public housing high rises. The Authority has relied with great success on public and private mixed financings to achieve the modernization of a substantial portion of its portfolio. The mixed financings at these properties have used federal HOPE VI funds; American Recovery and Reinvestment Act funds; Choice Neighborhoods Implementation grants; Public Housing capital grant funds; MTW block grant funds; and, other competitive awards of federal capital funds to leverage tax credit partnership equity, grants from state and local government, equity contributions from the Authority, proceeds from sale of land, and issuances of bonds to finance the completion of these projects.

The federal government has been a principal source of funds for low income housing operations, maintenance and capital since the enactment of the National Housing Act of 1937 (Act). While the level of federal support of public housing has ebbed and flowed with different administrations and Congresses over the decades, there is a history of federal financial support for low income housing that dates from the Act and continues to the present, a commitment of 80 years.

Since the early years of sequestration, Congress has acted to moderate its impact with successive two-year bipartisan agreements that modestly increased the spending ceilings, until 2018. In 2018, Congress reached a surprise Bipartisan Budget Act of 2018 providing increases above the ten-year sequestration spending gaps for Discretionary Defense and Non-Defense of approximately 12 percent for 2018 and 2019. This budget agreement was implemented by Congress through appropriation bills for both 2018 and subsequently 2019.

These increases in 2018 were enacted well after the Authority was into its 2018 budget year and account, in part, for the increase in SHA's financial performance in added unrestricted assets. For 2019, SHA's Budget took advantage of the 2018-2019 increased appropriation levels to address key program initiatives to serve residents and "opportunity capital investments" to address both capital backlog and investments to serve more low income people. Included among these initiatives was a new acquisition program targeted to add 500 units over three years of approximately half of the units serving extremely low income households (income of 30 percent or below median income) and low income households (40-80 of median).

While the near term future is positive for federal funding of low income housing and community development, we will face a "fiscal cliff" when we enter the final two years – 2020 and 2021 – of the ten year spending caps under the 2011 Budget Control Act (BCA). Congress' action to significantly raise the caps for 2018 and 2019 years, leaves them and us in a position where the final two years of the BCA call for spending caps on Defense and Non-Defense Discretionary appropriations that are 10 percent or $126 billion below the 2019 appropriations. SHA has been judicious in investing heavily in one-time capital projects with a significant share of the increased funding in 2018 and 2019. This gives the Authority some reservoir of flexibility were Congress to adopt appropriations below 2019 levels; however, we think this is an unlikely outcome of Congressional actions, We will continue to closely follow federal budget discussions and actions over the remainder of the year, as we prepare budget plans for 2020.

Local Housing Market Outlook

The condition of the local housing market and economy affect the Authority in three different roles: as a developer of low income housing; as a landlord that operates and maintains our own low income housing communities; and, as a participant in the private rental housing market as the provider of rental assistance to tenants who qualify for housing vouchers they use to secure affordable housing in the private sector.

Beginning in 2014, the Authority has experienced both the upsides and downsides of the "hot" housing market in Seattle. We have had success in completing sales of remaining properties in our redeveloped communities of High Point and Rainier Vista. This will assure completion of the private sector side of the mixed income developments of housing and commercial properties in these communities. In the Yesler Terrace redevelopment, the Authority is experiencing, along with all other developers, construction cost increases that challenge our development assumptions and budgets. On the flip side, we are benefiting at Yesler Terrace from land appreciation in sale of blocks for private residential development, with sales revenues dedicated first to completion of Yesler Terrace replacement units.

SHA has struggled for the last several years to achieve our voucher utilization goals – 93% for 2018. As the result of a significant increase in SHA's market rate voucher payment standard in September 2018; streamline processing of voucher applications and housing counseling support to voucher shoppers; a modest softening of the Seattle rental market; and a decrease in our voucher attrition rates, we met our goal of 93% voucher utilization by the end 2018 and we project we will be over 97 percent utilized by the end of 2019.

Request for Information

This financial report is designed to provide a general overview of the Authority's finances for all those interested. Questions concerning any of the information presented in this report or requests for additional information should be addressed to Janet Hayes, Controller, at 190 Queen Anne Ave North, Seattle, WA 98109, or by e-mail at janet.hayes@seattlehousing.org.

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BASIC FINANCIAL STATEMENTS

Exhibit A-1

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Statement of Net Position

December 31, 2018

Assets and Deferred Outflows of Resources		Primary government	Component units
Current assets:			
Cash and cash equivalents	$	4,742,908	5,469,183
Restricted cash		14,727,559	25,713,839
Investments		117,213,751	—
Accounts receivable:			
Tenant rentals and service charges		545,447	329,931
Other		1,408,626	590,262
Due from:			
Other governments		2,082,644	—
Primary government		—	710,024
Component units		5,295,989	—
Inventory and prepaid items		573,761	1,040,727
Restricted investments		12,596,704	140,510
Unamortized charges		539,014	1,064,351
Notes receivable		29,902	—
Notes receivable from component units		83,600	—
Assets held for sale		301,376	—
Total current assets		160,141,281	35,058,827
Noncurrent assets:			
Investments		14,382,480	—
Cash restricted for long-term purpose		10,060,358	15,786,321
Restricted investments		4,081,586	5,590
Due from component units (net of allowance of $18,952,233)		12,011,066	—
Assets held for sale		887,345	—
Other		9,219,675	4,046,978
Capital assets:			
Land		68,476,780	5,099,274
Land improvements		49,218,927	23,883,983
Leasehold improvements		1,386,757	—
Structures		496,559,977	465,381,191
Equipment		21,183,322	8,902,893
Construction in progress		45,764,768	65,752,285
Less accumulated depreciation and amortization		(284,615,134)	(105,055,322)
Capital assets, net		397,975,397	463,964,304
Notes receivable, less current portion (net of allowance of $5,384,005)		13,142,492	—
Notes receivable from component units, less current portion (net of allowance of $4,872,542)		240,284,674	—
Total noncurrent assets		702,045,073	483,803,193
Total assets		862,186,354	518,862,020
Pension and OPEB related deferred outflows of resources		3,957,045	—
Total assets and deferred outflows of resources	$	866,143,399	518,862,020

(Continued)

Exhibit A-1

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Statement of Net Position

December 31, 2018

Liabilities, Deferred Inflows of Resources and Net Position	Primary government	Component units
Current liabilities:		
Accounts payable:		
Vendors and contractors	$ 6,878,139	16,650,972
Other	869,732	129,791
Accrued liabilities	5,062,693	4,710,161
Due to component units	710,024	—
Due to primary government	—	5,295,990
Security deposits	1,521,580	1,474,058
Short-term borrowings	11,494,686	—
Current portion of long-term debt from primary government	—	83,600
Current portion of long-term debt	1,415,755	16,793,013
Unearned revenue	4,633,479	146,017
Total current liabilities	32,586,088	45,283,602
Noncurrent liabilities:		
Due to primary government	—	30,963,299
Unearned revenue	88,544,027	—
Long-term payables and liabilities	406,709	—
Long-term debt, less current portion:		
Notes payable to primary government	—	243,926,758
Notes payable	20,544,977	75,297,840
Bonds payable	61,145,000	54,273,483
Accrued compensated absences	2,922,079	365,241
OPEB liability	1,543,594	—
Net pension liability	19,167,895	—
Total noncurrent liabilities	194,274,281	404,826,621
Total liabilities	226,860,369	450,110,223
Pension and OPEB related deferred inflows of resources	7,816,997	—
Total liabilities and deferred inflows of resources	234,677,366	450,110,223
Net position:		
Net investment in capital assets	314,557,682	73,589,610
Restricted for debt service	9,249,631	24,245,371
Restricted for other purposes	21,954,498	—
Unrestricted (deficit)	285,704,222	(29,083,184)
Total net position	631,466,033	68,751,797
Total liabilities, deferred inflows of resources and net position	$ 866,143,399	518,862,020

See accompanying notes to basic financial statements.

Exhibit A-2

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Statement of Revenues, Expenses, and Changes in Net Position

Year ended December 31, 2018

	Primary government	Component units
Operating revenues:		
Tenant rentals	$ 24,407,125	35,107,745
Housing assistance payment subsidies	152,967,302	—
Operating subsidies and grants	36,755,420	—
Other	46,570,077	1,688,116
Total operating revenues	260,699,924	36,795,861
Operating expenses:		
Housing operations and administration	54,750,243	9,236,095
Tenant services	4,973,614	—
Utility services	5,804,235	5,604,817
Maintenance	19,881,927	8,803,131
Housing assistance payments	102,181,935	—
Other	4,919,870	2,658,298
Depreciation and amortization	11,699,844	13,692,043
Total operating expenses	204,211,668	39,994,384
Operating income (loss)	56,488,256	(3,198,523)
Nonoperating revenues (expenses):		
Interest expense	(2,790,751)	(9,094,549)
Interest income	5,716,403	262,436
Change in fair value of investments	(13,011)	474,968
Insurance proceeds, net	404,523	—
Loss from refinancing	(606,336)	—
Gain on investment in limited partnerships	2,468,913	—
Loss on disposition of assets	(2,487,637)	—
Net nonoperating revenues (expenses)	2,692,104	(8,357,145)
Change in net position before contributions	59,180,360	(11,555,668)
Contributions:		
Capital contributions	10,308,247	—
Partners' contributions	—	17,100,686
Total contributions	10,308,247	17,100,686
Change in net position	69,488,607	5,545,018
Total net position at beginning of year, as restated – see note 1(c)	561,977,426	63,206,779
Total net position at end of year	$ 631,466,033	68,751,797

See accompanying notes to basic financial statements.

Exhibit A-3

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Statement of Cash Flows

Year ended December 31, 2018

	Primary government
Cash flows from operating activities:	
Receipts from residents	$ 24,821,569
Receipts from other sources	46,750,292
Operating grants and subsidies received	191,262,422
Advances from affiliates	1,394,994
Payments to vendors	(56,393,674)
Housing assistance payments	(102,181,935)
Payments for salaries and benefits	(37,808,639)
Net cash provided by operating activities	67,845,029
Cash flows from capital and related financing activities:	
Capital contributions	12,859,590
Acquisition and construction of capital assets	(43,067,783)
Proceeds from short term borrowings	11,494,686
Proceeds from long term borrowings	35,850,000
Bond and loan fees paid	(606,336)
Repayments of short term borrowings	(7,490,287)
Principal payments on notes and bonds payable	(24,785,842)
Interest paid	(2,207,787)
Net cash used in capital and related financing activities	(17,953,759)
Cash flows from investing activities:	
Investment income received	4,066,037
Maturity of investment securities	73,712,630
Purchases of investment securities	(111,501,934)
Increase in net investment in partnerships	3,189,283
Collections on notes receivable	531,101
Advances on notes receivable	(19,001,456)
Net cash used in investing activities	(49,004,339)
Increase in cash and cash equivalents	886,931
Cash and cash equivalents at beginning of year, as restated	28,643,894
Cash and cash equivalents at end of year	$ 29,530,825
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 56,488,256
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	11,699,844
Changes in operating assets and liabilities:	
Accounts receivable and other assets	4,271,805
Inventory and prepaid items	433,636
Accounts payable and other liabilities	(1,195,889)
Accrued compensated absences	170,025
Unearned revenue and other	(4,022,648)
Total adjustments	11,356,773
Net cash provided by operating activities	$ 67,845,029
Supplemental disclosure of noncash activities:	
Loss on disposal of assets	$ (2,487,637)
Capital contributions receivable	2,551,342
Gain on investement in limited partnerships	2,468,913
Change in fair value of investments	(13,011)

See accompanying notes to basic financial statements.

(1) Summary of Significant Accounting Policies

(a) Organization and Program Descriptions

The Housing Authority of the City of Seattle, Washington (the Authority) was created in 1939 as a municipal corporation that derives its powers from Washington State (State) Law as reflected in the Revised Code of Washington (RCW), Chapter 35.82. The Authority was created for the acquisition, development, modernization, operation, and administration of public housing programs. The primary purpose of the Authority is to provide safe, decent, sanitary, and affordable housing to low-income and elderly families in Seattle, Washington, and to operate its housing programs in accordance with federal and State laws and regulations. The Authority's programs are administered through the U.S. Department of Housing and Urban Development (HUD) under provisions of the U.S. Housing Act of 1937, as amended.

The Authority, recognized by HUD as a high-performing, large housing authority, was selected to participate in HUD's Moving to Work (MTW) Demonstration Program effective January 13, 1999. The program allows the Authority an exemption from a multitude of HUD regulations and reporting requirements, and significant flexibility to combine its HUD funding for reallocation among the Authority's administrative, capital, and development activities.

The Authority presents its activities as a single enterprise proprietary fund and its primary operations comprised a number of housing and grant programs as follows:

The Public Housing Program – operates under HUD's Annual Contributions Contract (ACC) SF-151 and consists of the operations of low-rent public housing properties totaling 5,894 units, which includes 894 units of senior housing (see below). The purpose of the program is to provide decent and affordable housing to low-income families at reduced rents. The properties are owned, maintained, and managed by the Authority. The properties are acquired, developed, and modernized under HUD's Capital Funds Program and through HUD Hope VI Urban Revitalization grants. Financing for the properties is obtained through bond issues and grants. Funding of the program is provided by federal annual contributions and operating subsidies and tenant rentals (determined as a percentage of family income, adjusted for family composition).

The Seattle Senior Housing Program (SSHP) – operates 1,030 units acquired and developed under a 1981 City of Seattle (City) bond issue. The purpose of this program is to provide low-rent housing for the elderly, handicapped, and disabled. Funding for the management and operation of these housing units is provided primarily from rental income with a small subsidy for the Public Housing operating funds. During 2011, the Authority received approval from HUD and from the City to include 894 of the SSHP units in the Public Housing program. This change took effect January 1, 2012.

The Section 8 Program – consists of several Section 8 housing programs including the Section 8 Housing Choice Voucher program, the Section 8 New Construction and Substantial Rehabilitation program, and the Moderate Rehabilitation program. The Housing Choice Voucher program provides rental housing assistance subsidies in support of 10,709 housing units. The purpose of the program is to provide decent and affordable housing to low-income families and elderly and handicapped individuals wherein rental assistance is provided by HUD. The associated units are maintained and managed by private landlords.

The purpose of the Section 8 New Construction and Substantial Rehabilitation program is to construct or purchase and rehabilitate rental housing units to provide decent and affordable housing to low-income, elderly, and handicapped individuals whereby rental assistance is provided by HUD. Funding of the program is provided by federal housing assistance contributions and tenant rentals. The Authority owns two housing developments totaling 130 units.

The Section 8 Moderate Rehabilitation program operates under HUD's ACC S-0068K and consists of the operations of 575 privately owned family housing units. The purpose of the program is to rehabilitate substandard rental housing units and provide decent and affordable housing to low-income families whereby rental assistance is provided by HUD. The associated developments are maintained and managed by private landlords. Funding of the program is provided by federal housing assistance contributions.

Other Housing Programs – operates 1,186 units of low-income housing. These projects are financed primarily through bond issues and receive no external funding. On-site management for these units may be done by the Authority or contracted with other management companies. In addition, the Authority also has 739 nonpublic housing, tax credit units within the HOPE VI redeveloped communities.

The basic financial statements of the Authority have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority's significant accounting policies are described below.

(b) Reporting Entity

The governing body of the Authority is its Board of Commissioners (Board), comprising seven members appointed by the Mayor of the City. The Authority is not financially dependent on the City and is not considered a component unit of the City.

As defined by GAAP, the reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as appointment of a voting majority of the component units' board, and one of (a) the ability to impose will by the primary government, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government, or if the component unit is fiscally dependent on and there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government regardless of whether the component has (a) a separately elected governing board, (b) a governing board appointed by a higher level of government, or (c) a jointly appointed board.

Component units are reported as part of the reporting entity under either the blended or discrete method of presentation. The discrete method presents the financial statements of the component units outside of the basic financial statement totals of the primary government.

The Authority is the 0.01% owner and the general partner in 17 real estate limited partnerships and 99.99% owner and general partner of one real estate limited partnership as of December 31, 2018. The limited partner interests in these 18 limited partnerships are held by third parties unrelated to the Authority. As the general partner, the Authority has certain rights and responsibilities, which enable it to impose its will on the limited partnerships. The Authority is financially accountable for the limited partnerships as they are fiscally dependent on the Authority according to the terms of the partnership agreements to provide operating subsidies for ongoing operations and some partnership debt obligations are backed by the Authority's general revenues. Additionally, in some cases, the Authority is legally obligated to fund operating deficits and could be liable for tax payments upon exiting the partnerships. The Authority also has outstanding loans and net advances to the limited partnerships amounting to approximately $256.9 million at December 31, 2018. The limited partnerships do not serve the primary government exclusively, or almost exclusively, and, therefore, are shown as discretely presented component units.

The 18 component units are: High Point North Limited Partnership (High Point North), High Point South Limited Partnership (High Point South), Ritz Apartments Limited Partnership (Ritz Apartments), Alder Crest Limited Partnership (Alder Crest), High Rise Rehabilitation Phase I Limited Partnership (homeWorks I), Seattle High Rise Phase II Limited Partnership (homeWorks II), Seattle High Rise Phase III Limited Partnership (homeWorks III), Douglas Apartments Limited Partnership (South Shore Court), Tamarack Place Limited Partnership (Tamarack Place), Lake City Village Limited Liability Limited Partnership (Lake City Court), Rainier Vista Northeast Limited Liability Limited Partnership (Rainier Vista NE), Leschi House Limited Liability Limited Partnership (Leschi House), 1105 East Fir Limited Liability Limited Partnership (Kebero Court), 820 Yesler Way Limited Liability Limited Partnership (Raven Terrace), 221 10th Ave S Limited Liability Limited Partnership (Hoa Mai Gardens), NewHolly Phase I Limited Liability Limited Partnership (NewHolly Phase I), 888 E Fir, Limited Liability Limited Partnership (Red Cedar) and West Seattle Affordable Housing, Limited Liability Limited Partnership (West Seattle Properties).

High Point North is a separate legal entity created on October 31, 2003 to undertake phase one of the redevelopment activities at the High Point community. During the year, the tax credit limited partner exited the partnership and as of December 31, 2018, the Authority participated as the 99.99% managing general partner of the partnership. The Authority has leased the land for phase one of the High Point redevelopment project to the partnership for a nominal amount under a noncancelable 99-year operating lease. As of December 31, 2018, High Point North has no outstanding developer fees owed to the Authority.

High Point South is a separate legal entity created on July 12, 2007 to undertake phase two of the redevelopment activities at the High Point community. The Authority participates as the 0.01% managing general partner of the partnership. The Authority has leased the land for phase two of the High Point redevelopment project to the partnership for a nominal amount under a noncancelable 99-year operating lease. The Authority is obligated to fund operating or other cash shortfalls of the partnership. As of December 31, 2018, High Point South owed the Authority $546,297 for developer fees.

Ritz Apartments is a separate legal entity created on August 12, 2004 to undertake rehabilitation of the Ritz Apartments. During fiscal year 2005, the Ritz Apartments admitted a tax credit investor to the partnership as a 99.99% limited partner. The Authority participates as the 0.01% managing general partner of the partnership. The land and building are leased to the partnership under a 75-year financing lease. The partnership agreement does not specify the obligation of the general partner in regard to funding operating shortfalls. As of December 31, 2018, Ritz Apartments owed the Authority $32,032 for developer fees.

Alder Crest is a separate legal entity created on January 1, 2005 to undertake rehabilitation of the Alder Crest Apartments. Alder Crest admitted a tax credit investor to the partnership as a 99.99% limited partner. The Authority participates as the 0.01% managing general partner of the partnership and the Authority has leased the building to Alder Crest under a 75-year financing lease. The Authority is required to fund operating deficits without limitation through operating deficit loans. Upon dissolution and liquidation of the partnership, the general partner obligation to fund operating deficits through operating deficit loans shall continue in an additional amount not to exceed $109,615. As of December 31, 2018, Alder Crest has no outstanding developer fees payable to the Authority.

Phase I homeWorks is a separate legal entity created on July 26, 2005 to undertake phase one of a three-phase rehabilitation of 21 public housing high-rise buildings owned by the Authority. Each phase of the project will cover seven buildings, which are leased to the component unit for 99 years. The Authority participates as the 0.01% managing general partner. The Authority is required to provide operating subsidies sufficient to cover the difference between tenant rental income and operating expenses as well as contributions to reserve accounts. As of December 31, 2018, homeWorks I has no outstanding developer fees payable to the Authority.

Phase II homeWorks is a separate legal entity created on August 11, 2006 to undertake phase two of the three-phase rehabilitation of 21 public housing high-rise buildings owned by the Authority. Phase two also covers seven buildings, which are leased to the component unit for 99 years. The Authority participates as the 0.01% managing general partner. The Authority is required to provide operating subsidies sufficient to cover the difference between tenant rental income and operating expenses as well as contributions to reserve accounts. As of December 31, 2018, homeWorks II has no outstanding developer fees payable to the Authority.

Phase III homeWorks is a separate legal entity created on September 13, 2007 to undertake phase three of the three-phase rehabilitation of 21 public housing high-rise buildings owned by the Authority. Phase three also covers seven buildings, which are leased to the component unit for 99 years. The Authority participates as the 0.01% managing general partner. The Authority is required to provide operating subsidies sufficient to cover the difference between tenant rental income and operating expenses as well as contributions to reserve accounts. As of December 31, 2018, homeWorks III has no outstanding developer fees payable to the Authority.

South Shore Court is a separate legal entity created on September 14, 2007 to undertake rehabilitation of the Douglas Apartments, owned by the Authority. South Shore Court admitted a tax credit investor to the partnership as a 99.99% limited partner and the Authority participates as the 0.01% managing general partner. The land and building are leased to the partnership under a 75-year financing lease. If an operating deficit exists, the Authority is obligated to loan funds to the partnership up to the amount of the deficit. As of December 31, 2018, the South Shore Court owed the Authority developer fees in the amount of $188,613.

Tamarack Place is a separate legal entity created on October 15, 2008 to undertake phase two of the redevelopment activities at the Rainier Vista community. During 2010, Tamarack Place admitted a tax credit investor to the partnership as a 99.99% limited partner and the Authority participates as the 0.01% managing general partner. The Authority has a 99-year operating lease for the land to the partnership for a nominal amount. If an operating deficit exists, the general partner is obligated to loan the partnership up to $350,000. As of December 31, 2018, Tamarack Place owed the Authority no developer fees.

Lake City Court is a separate legal entity created on December 3, 2009 to undertake redevelopment activities at the site formerly occupied by Lake City Village, which was demolished in 2002 due to severe flooding damage to the housing units. During 2010, Lake City Court admitted a tax credit investor to the partnership as a 99.99% limited partner and the Authority participates as the 0.01% managing general partner. The partnership has a 55-year capital lease for the land with the Authority for $2,750,000 of which $1,391,215 is payable as of December 31, 2018. If an operating deficit exists, the Authority is obligated to contribute funds to the partnership up to $515,000. As of December 31, 2018, Lake City Court has no developer fees owed to the Authority.

Rainier Vista NE is a separate legal entity created on January 29, 2010 to undertake phase three of the redevelopment activities at the Rainier Vista Community. During 2010, Rainier Vista NE admitted a tax credit investor to the partnership as a 99.99% limited partner and the Authority participates as the 0.01% managing general partner. The Authority has a 99-year operating lease for the land to the partnership for a nominal amount. The Authority is obligated to fund operating deficits up to $1,000,000 and to advance funds with no limitation to the partnership to cover deficits. As of December 31, 2018, Rainier Vista NE has no outstanding developer fees payable to the Authority.

Leschi House is a separate legal entity created on October 8, 2012 to undertake the redevelopment of Leschi House, a property in the Senior Housing portfolio. During 2015, Leschi House admitted a tax credit investor to the partnership as a 99.99% limited partner and the Authority participates as the 0.01% managing general partner. The Authority has a long-term 99 years and 5 months capital lease for the land and building with the partnership in the amount of $3,110,000. If operating deficits exist, the Authority is required to loan funds to the partnership up to $298,498. As of December 31, 2018, the Leschi House owed the Authority developer fees in the amount of $280,024.

Kebero Court is a separate legal entity created on October 23, 2012 to undertake the first phase of the redevelopment of Yesler Terrace with the construction of a 103-unit apartment building. During 2014, Kebero Court admitted a tax credit investor to the partnership as a 99.99% limited partner and the Authority participates as the 0.01% managing general partner. The partnership has leased the land from the Authority for 99 years. The Authority has an unlimited obligation to fund operating deficits through the stabilization date. After that date, the obligation will be limited to $384,000. As of December 31, 2018, Kebero Court has no outstanding developer fees owed to the Authority.

Raven Terrace is a separate legal entity created on January 29, 2014 to undertake the second phase of the redevelopment of Yesler Terrace with the construction of an 83-unit apartment project. During 2015, Raven Terrace admitted a tax credit investor to the partnership as a 99.98% limited partner and a 0.01% special limited partner. The Authority participates as the 0.01% managing general partner of the partnership. The partnership has leased the land from the Authority for 99 years for a nominal amount. If there are insufficient funds in the operating deficit reserve, the Authority is obligated to provide noninterest-bearing loans to the partnership. As of December 31, 2018, Raven Terrace owed the Authority developer fees in the amount of $631,924.

Hoa Mai Gardens is a separate legal entity created on February 2, 2015 to continue with the redevelopment of Yesler Terrace with the construction of an 111-unit apartment building. During 2015, Hoa Mai Gardens admitted a tax credit investor to the partnership as a 99.99% limited partner and the Authority participates as the 0.01% managing general partner. The partnership has leased the land from the Authority for 99 years. The Authority has unlimited obligation to fund operating deficits through the stabilization date which occurs when the project has a debt service coverage ratio of 1.15 for three consecutive months of operations. The partnership agreement does not specify the obligation of the general partner in regard to funding operating shortfalls after the stabilization date. As of December 31, 2018, Hoa Mai Gardens owed the Authority developer fees in the amount of $2,988,323.

NewHolly Phase I is a separate legal entity created on March 29, 2016 to undertake rehabilitation of the exterior of the buildings at the phase I of the NewHolly community. During 2016, NewHolly admitted a tax credit investor to the partnership as a 99.99% limited partner and the Authority participates as the 0.01% managing general partner. The partnership has a 99-year capital lease for the land and buildings with the Authority for $19,250,000, which is allocated to the current value of the improvements. If an operating deficit exists, the Authority is obligated to loan funds to the partnership up to $1,228,937 through the end of the fiscal year in which either the third anniversary of the end of the lease-up period or the third anniversary of the end of the stabilization period occurs. As of December 31, 2018, developer fees in the amount of $1,000,000 were owed the Authority.

Red Cedar is a separate legal entity created on May 3, 2016 to continue with the redevelopment of Yesler Terrace with the construction of an 119-unit apartment building. During 2018, Red Cedar admitted a tax credit investor to the partnership as a 99.99% limited partner and the Authority participates as the 0.01% managing general partner. The partnership has leased the land from the Authority for 99 years. The Authority has an unlimited obligation to fund operating deficits through the stabilization date which occurs when the project has a debt service coverage ratio of 1.15 for 90 consecutive days of operations. The partnership agreement does not specify the obligation of the general partner in regard to funding operating shortfalls after the stabilization date. As of December 31, 2018, no developer fees were owed to the Authority.

West Seattle Properties is a separate legal entity formed on December 12, 2017 to undertake the rehabilitation of three projects in West Seattle, namely Wisteria Court with 12 buildings (96 units), Longfellow Creek with seven buildings (84 units) and Roxhill Court with six buildings (24 units). During, 2018, West Seattle Properties admitted a tax credit investor to the partnership as the 99.99% limited partner and the Authority participates as the 0.01% managing general partner. The partnership has a 99-year capital lease for the land and buildings with the Authority for $26,810,000, which is allocated to the current value of the improvements. If an operating deficit exits, the Authority is obligated to provide the funds to the partnership during the break-even period to meet all reasonable operating and fixed costs attributable to such period. As of December 31, 2018, no developer fees were owed to the Authority.

All 18 component units have a December 31 year-end. The component units' financial statements are presented as of December 31, 2018 and may be obtained by contacting the Authority.

Desdemona Limited Partnership (Desdemona) was a separate legal entity created on May 10, 2002 to undertake phase three of the redevelopment activities at the Holly Park community. On January 1, 2018, Desdemona was dissolved and all assets and obligations were transferred to the Authority.

The Authority paid $478,314 to the limited partner and assumed the debt of the partnership to complete the transaction. Prior to the merger, Desdemona was reported as a discretely presented component unit. The agreement to dissolve the partnership included a recapture guarantee which is held as a restricted asset.

Escallonia Limited Partnership (Escallonia) was a separate legal entity created on May 10, 2002 to undertake phase one of the redevelopment activities at the Rainier Vista community. On February 7, 2018, Escallonia was dissolved and all assets and obligations were transferred to the Authority. The Authority paid $600,000 in 2017 to complete the transaction. Prior to the merger, Escallonia was reported as a discretely presented component unit. The agreement to dissolve the partnership included a recapture guarantee which is held as a restricted asset.

The mergers of Desdemona and Escallonia resulted in the following increases and decreases in the January 1, 2018 amounts reported for the primary government and component units:

		Primary government	Component units
Current assets	$	2,649,539	(2,783,711)
Capital assets, net		51,803,825	(51,803,825)
Noncurrent assets		49,968	(49,968)
Inter-entity receivables (payables)		(7,556,266)	7,556,266
Inter-entity notes receivables (payables)		(42,069,757)	42,069,757
Current liabilities		(1,015,900)	1,015,900
Noncurrent liabilities		(250,305)	250,305
Long-term debt		(8,111,671)	7,899,720
Investment in limited partnerships		3,910,138	—
Increase (decrease) in net position	$	(590,429)	4,154,444

(c) New Accounting Standards Adopted

Effective January 1, 2018, the Authority adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB),* and has retroactively restated its financial statements accordingly. This statement establishes accounting and financial reporting requirements for OPEB that is provided to employees of state and local governmental employers and replaces GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*.

In accordance with the new standard, the Authority restated its net position for December 31, 2017 as of January 1, 2018. The merger with Desdemona and Escallonia in note 1(b) also impacted the restatement of net position as shown in the table below.

Net position as previously reported	$	562,459,076
Adoption of GASB Statement No. 75		108,779
Combination of Desdemona Limited Partnership and Escallonia Limited Partnership under previously adopted GASB Statement No. 69		(590,429)
Net position, as restated	$	561,977,426

GASB Statement No. 85, *Omnibus 2017* addresses practice issues that have been identified during implementation and application of certain GASB Standards including blending of component units, goodwill, fair value measurement and application, and postemployment benefits. The requirements of this statement are effective for periods beginning after June 15, 2017. The adoption of this GASB standard in 2018 did not have a material impact on the Authority's financial statements.

GASB Statement No. 86*, Certain Debt Extinguishment Issues* improves consistency in accounting and financial reporting for in-substance defeasance of debt and improves accounting and financial reporting for prepaid insurance on debt that is extinguished. The requirements of this statement are effective for reporting periods beginning after June 15, 2017. The adoption of this GASB standard in 2018 did not have a material impact on the Authority's financial statements.

(d) New Accounting Standards to be Adopted in Future Years

GASB Statement No. 83**,** *Certain Asset Retirement Obligations* establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The requirements of this statement are effective for periods beginning after June 15, 2018.

GASB Statement No. 84*, Fiduciary Activities* establishes criteria for identifying and reporting of fiduciary activities of all state and local governments. The requirements of this statement are effective for periods beginning after December 15, 2018.

GASB Statement No. 87*, Leases* establishes a single model for lease accounting based on the principal that leases are financings of the right to use an underlying asset. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 88**,** *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* will improve footnote disclosures related to government debt, including direct borrowings and direct payments and clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this statement are effective for periods beginning after June 15, 2018.

GASB Statement No. 89*, Accounting for Interest Cost Incurrred Before the End of a Construction Period* will improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The requirements of this statement are effective for periods beginning after December 15, 2019.

GASB Statement No. 90*, Majority Equity Interests – an Amendment of GASB Statements No. 14 and 61* will improve financial reporting by providing users of financial statements with essential information related to presentation of majority equity interests in legally separate organizations that previously was reported inconsistently. In addition, this Statement also provides guidance for reporting a component unit if a government acquires a 100 percent equity interest in that component unit. The requirements of this statement are effective for periods beginning after December 15, 2018.

The Authority's management is currently evaluating these new standards to determine what impact they will have on the Authority.

(e) Basis of Accounting

The financial statements of the Authority are reported using the economic resources measurement focus and the accrual basis of accounting, whereby all revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Depreciation and amortization of assets is recognized in the statement of revenues, expenses, and changes in net position. All assets and deferred outflows and liabilities and deferred inflows associated with the operation of the Authority are included in the statement of net position. The principal operating revenues of the Authority are rental revenues received from residents and subsidies received from HUD for qualified residents for housing assistance payments in the Section 8 program and for operations in the public housing program. Grants and similar items are recognized as operating revenue when all eligibility requirements have been met. Gains from sale of capital assets used in the core operations of the Authority are included in operating revenues – other. Operating expenses for the Authority include the costs of operating housing units, administrative expenses, depreciation, and loss from sale of capital assets. All other revenues and expenses not meeting the definition of operating revenues and expenses are reported as nonoperating revenues and expenses or as contributions of capital.

The Authority reports unearned revenue on its statement of net position. Unearned revenues arise when the cash has been received but the potential revenue has not been earned in the current period. Unearned revenues also arise when resources are received by the Authority before it has a legal claim to them, as grant monies are received prior to meeting all eligibility requirements and/or the occurrence of qualifying expenditures. In subsequent periods, when both the revenue recognition criteria are met or when the Authority has a legal claim to the resources, the liability for unearned revenue is removed from the statement of net position and revenue is recognized.

(f) Cash and Investments

Cash and cash equivalents are comprised of cash on hand, demand deposits, and short-term investments with a term of less than one year. All of the Authority's investments are reported at fair value with the exception of the Local Government Investment Pool (LGIP), which is carried at amortized cost. The LGIP portfolio of securities meets the requirements in GASB 72 which allow its investments to be reported at amortized cost.

The Authority is authorized by HUD and its Board to invest in time deposits, certificates of deposits, and obligations of the U.S. government or its agencies, and to enter into repurchase agreements. Repurchase agreements are secured by U.S. Treasury securities with a market value equal to or greater than the amount of the repurchase agreements. The Authority's investment policies provide for the ability to sell investments prior to the investments' contractual maturity.

(g) Accounts Receivable – Other

Other accounts receivable represent various receivables including accrued interest on investments, accrued interest on notes receivable, receivables from other housing authorities for Section 8 portability payments, receivables from component units for developer fees, and receivables from other rental projects that the Authority manages but does not own. The Authority will record an allowance when collectability of the related receivable in uncertain.

(h) Inventories and Prepaid Items

Inventories are stated at cost and consist of expendable materials and supplies. Inventory items are expensed using the moving weighted average. Office supplies and maintenance materials are expensed using the first-in, first-out method. Prepaid items are for payments made by the Authority for services or goods received which will be used in a subsequent fiscal year.

(i) Unamortized Charges

Unamortized charges consist of bond discounts, which are amortized over the term of the related note or bond.

(j) Capital Assets and Depreciation

Capital assets are stated at historical cost. Maintenance and repairs are charged to current period operating expenses while improvements are capitalized. Upon retirement or other disposition of property and equipment, the cost and related accumulated depreciation and amortization are removed from the respective accounts and any gains or losses are included in operating revenues and expenses. All capital assets with a value greater than $1,000 and a useful life of over one year are capitalized. Assets acquired through contribution are recorded at the acquisition value on the date donated. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date.

Capital assets are generally depreciated using the straight-line method over the following estimated useful lives:

Land improvements	50 years
Leasehold improvements	10 years
Structures	40–75 years
Equipment	3–10 years

(k) Deferred Outflows/Inflows of Resources

A deferred outflow of resources is defined as a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until then. A deferred inflow of resources is defined as an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time.

(l) Accounts Payable – Other

Other accounts payable include payables for escrow accounts related to construction activities and the participants of the Section 8 Family Self-Sufficiency program, as well as miscellaneous payables related to payroll costs.

(m) Compensated Absences

Cabinet level employees and certain other executive level staff are covered under an executive leave policy. The policy provides this group of employees with 200 hours of annual leave per year to be used within that calendar year and may carry over a maximum of 40 hours to the next calendar year.

All other employees earn 100 hours of vacation leave each year, and after the first year, additional hours are added based on the number of years of service up to a maximum of 200 hours per year. Unused vacation is allowed to accumulate to a maximum of 240 or 360 hours, depending on the employees' date of hire. Employees are paid for all accumulated vacation pay upon termination.

The Authority recognizes and compensates employees for nine traditional holidays. Holiday pay is recorded as an expense when incurred.

Employees earn sick leave at a rate of 96 hours per year. Sick leave is allowed to accumulate with no maximum. Employees are compensated for accumulated unused sick leave at the rate of 25% upon termination, permanent disability, or death.

Accruals are recorded at year-end for unused annual leave and unused sick leave, based on balances of hours at December 31 for each year-end. See note 7(a) for detailed schedule.

(n) Management Fees

The Authority manages two residential rental properties for HUD. For the year ended December 31, 2018, the Bay View Tower project paid the Authority management fees of $44,898, which is equal to 4.1% of net rental revenues received. Market Terrace paid the Authority management fees of $18,951 based on a fee of $1,593 per month.

(o) Payments in Lieu of Taxes

Pursuant to an agreement with the City, the Authority may make payments in lieu of taxes (PILOT). PILOT may also be provided to other taxing districts in which property is owned. Upon mutual understanding with the City and other taxing districts, no PILOT was made in 2018 and no amounts are due and payable as of December 31, 2018.

(p) Unearned Revenue

The Authority has unearned revenue resulting from operating lease payments received in advance at the inception of the leases from eleven of its discretely presented component units: Ritz Apartments, Alder Crest, South Shore Court, Lake City Court, homeWorks I, homeWorks II, homeWorks III, Leschi House, Kebero Court, NewHolly Phase I and West Seattle Properties. The lease payments are recognized over the lease terms and unearned lease payments are shown as unearned revenue.

In addition, the Authority also has unearned revenue from prepaid tenant rents and commercial rents, earnest money collected for property sales, and grant funds that have been received but not yet earned.

(q) Income Taxes

Income received or generated by the Authority is not subject to federal income tax, pursuant to Internal Revenue Code Section 115. The Authority is also exempt from state and local property taxes. Interest paid on obligations issued by the Authority is excludable from the gross income of the recipients, pursuant to Section 103(a) of the Internal Revenue Code of 1986, as amended. Contributions to the Authority are tax-deductible contributions, pursuant to Sections 170(b)(I)(A)(v) and 170 (c)(I) of the Internal Revenue Code of 1986, as amended.

(r) Pension Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources, and pension expense, information about the fiduciary net position of the Washington State Public Employees' Retirement System (PERS) cost-sharing multiple-employer defined benefit plans and additions to/deductions from PERS's fiduciary net position have been determined on the same bases as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(s) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Material estimates relate primarily to the determination of the allowance on notes receivable from component units.

(Continued)

(2) Deposits and Investments

(a) Deposits

As of December 31, 2018, the Authority's carrying amount of deposits (excluding petty cash and U.S. Post Office deposits) was $29,523,779 and the bank balance was $30,607,343. The bank deposits are held with financial institutions and are entirely insured or collateralized and are classified as cash and cash equivalents in the statement of net position. All deposits in excess of the FDIC insurance limit of $250,000 are covered by the Public Deposit Protection Commission of the State of Washington, which is a multiple financial institution collateral pool, established under Chapter 39.58 of the Revised Code of Washington. In addition to bank deposits, the Authority has $2,500 held at the U.S. Post Office and $4,546 in petty cash funds. All deposits are either insured or registered and held by the Authority or its agent in the Authority's name.

(b) Investments

The following is a reconciliation of the Authority's investments to the statement of net position as of December 31, 2018:

Statement of net position caption		**December 31, 2018**
Current assets:		
Investments	$	117,213,751
Restricted investments		12,596,704
Noncurrent assets:		
Investments		14,382,480
Restricted investments		4,081,586
Total investments	$	148,274,521

The Authority's investment policies require that all investments be made in accordance with the stated objectives of capital preservation, optimum liquidity, and return, while conforming to all applicable statutes and regulations. The Authority has established a maximum maturity of three years for operating reserves and a maximum maturity of five years for replacement reserves. Bond reserves may have maturities that match the bond maturity.

The Authority invests a portion of its funds with the Washington State Local Government Investment Pool (LGIP) managed by the State Treasurer's office. The investments in this pool comprise repurchase agreements, government securities, and certificates of deposits. The LGIP operates in a manner consistent with the Security and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940. As such, the LGIP uses amortized cost to approximate fair value.

The LGIP has a minimum transaction amount for both deposits and withdrawals of $5,000. There is no maximum transaction amount, but the LGIP requests at least one day advance notice for any transaction in the amount of $10 million or more. For transactions less than $10 million, LGIP requires notification the same business day and transactions are limited to one transaction each business day.

(Continued)

The Authority adheres fully to its investment policy, which expressly prohibits the making of speculative or leveraged investments and requires that all investments be made prudently and with due care to ensure compliance with all statutes and regulations.

The Authority restricts its participation in money market mutual funds to those investing only in U.S. Treasury securities.

Fair Value

GASB Statement No. 72, *Fair Value Measurement and Application* establishes a three-level hierarchy of inputs to valuation techniques used to measure fair value as follows:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date
- Level 2 inputs – inputs other than quoted priced included within Level 1 that are observable for an asset or liability either directly or indirectly
- Level 3 Inputs – unobservable inputs for an asset or liability

The Authority's investments by fair level value are shown in the following table:

	Totals	Level 1 Quoted prices	Level 2 Observable inputs	Level 3 Unobservable inputs
Money market funds	$ 2,938,090	2,938,090	—	—
U.S. agency securities	21,972,271	21,972,271	—	—
Total investments at fair value	24,910,361	$ 24,910,361	—	—
State investment pool carried at amortized cost	123,364,160			
Total Investments	$ 148,274,521			

Custodial Risk

Custodial risk for investments is the risk that in the event of failure of the counterparty to a transaction, the Authority will not be able to recover the value of the investments. As of December 31, 2018, all investments were insured or registered, and held by the Authority or its agent in the Authority's name, or uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Authority's name, or investment pools that are not classified since the investments are not evidenced by securities that exist in physical or book entry form. Therefore, the investments are not exposed to custodial risk. The Authority's policy allows for safekeeping of securities either by the agent or a third party custodian as is the case for the LGIP.

Investments in U.S. Treasury-backed short-term money market funds are investments held by the trustee in the Authority's name for bond issues.

Concentration of Credit Risk, Credit Risk, and Interest Rate Risk

Concentration of credit risk is the risk of loss that may occur due to the amount of investments in a single issuer (not including investments issued or guaranteed by the U.S. government, investments in a mutual fund, or external investment pools). The Authority has a large percentage of its portfolio invested in the LGIP. The LGIP is not rated.

Credit risk of investments is the risk that the issuer or other counterparty will not meet its obligations. This credit risk is measured by the credit quality rating of investments in debt securities, as described by a national statistical rating organization such as Standard and Poor's (S&P). The Authority's policy provides that investments in corporate bonds and other fixed-income securities must have a rating of A or better.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority's policy is to select investments of varied maturities to mitigate this risk.

The following chart shows the Authority's exposure to these risks:

	S&P credit rating	N/A or less than 1 year	1–5 years	More than 10 years	Total
Money market funds	n/a	$ 2,938,090	—	—	2,938,090
U.S. agency securities	AAA	7,589,791	14,382,480	—	21,972,271
State investment pool	n/a	123,364,160	—	—	123,364,160
Total investments		$ 133,892,041	14,382,480	—	148,274,521

(c) *Component Unit Deposits*

As of December 31, 2018, the component units' carrying amount of deposits (excluding petty cash) was $46,968,543 and the bank balance was $50,104,079. The bank balances held with financial institutions are entirely insured or collateralized and are classified as cash and cash equivalents in the statement of net position. All deposits in excess of the FDIC insurance limit of $250,000 are covered by the Public Deposit Protection Commission of the State of Washington, which is a multiple financial institution collateral pool, established under Chapter 39.58 of the Revised Code of Washington. In addition to bank deposits, the component units have $800 in petty cash funds.

(d) *Component Unit Investments*

As of December 31, 2018, investments of $146,100 were held in trust and restricted for the development of the component units' redevelopment projects, replacement reserves, and operating reserves.

Custodial Risk

The investments of the component units are comprised of money market funds. As of December 31, 2018, all investments were insured or registered, and held by the component unit or its agent in the component unit's name. Therefore, the investments are not exposed to custodial risk.

Concentration of Credit Risk, Credit Risk, and Interest Rate Risk

The chart below shows the exposure to concentration of credit risk, credit risk and interest rate risk:

	S&P credit rating	N/A or less than 1 year	More than 10 years	Total
Money market funds	n/a	$ 146,100	—	146,100
Total investments		$ 146,100	—	146,100

(3) Restricted Cash and Investments

The Authority's restricted cash and investments as of December 31, 2018 are summarized in the following table with a further analysis of each of the components in the sections that follow:

Security deposits	$ 1,521,580
Bond trust funds and mortgage reserves	16,242,333
Other restricted funds:	
Family Self-Sufficiency (FSS) program	183,945
JobLink Escrow account	222,765
Construction retention	877,658
Market Terrace project HUD required reserves	83,378
Dream Big Scholarship fund	75,021
Earnest Money for property purchase	50,000
High Point Endowment Trust	224,171
Lake City Court Endowment Trust	164,236
Desdemona Limited Partnership tax credit guarantee	2,839,767
Escallonia Limited Partnership tax credit guarantee	2,256,301
High Point and Yesler Terrace development	5,092,903
Loan fund commitments to non-profit developer	1,000,000
Loan fund commitments to component units	10,632,149
	$ 41,466,207

The following is a reconciliation of restricted cash and investments to the statement of net position as of December 31, 2018:

Current assets:		
Restricted cash	$	14,727,559
Restricted investments		12,596,704
Noncurrent assets:		
Cash restricted for long-term purpose		10,060,358
Restricted investments		4,081,586
	$	41,466,207

(a) Security Deposits

Upon moving into a project, tenants are required to pay a security deposit, which is refundable when the tenant vacates the apartment, provided the apartment's physical condition is satisfactory. The Authority held security deposits for residential tenants as well as commercial tenants as of December 31, 2018 as shown in the schedule below:

		Residential	Commercial	Total
Total security deposits	$	1,262,874	258,706	1,521,580

(b) Bond Trust Funds and Mortgage Reserves

As of December 31, 2018, funds held for bond trust funds and mortgage reserves are shown below:

		Balance
Investments for Gamelin/Genesee bonds are restricted for the payment of principal and interest. The investments consist of money market funds and earn interest of 1.9% as of December 31, 2018.	$	255,299
Cash is held for the payment of principal and interest for the bond refunding in 2013 for Montridge Arms, Westwood East, Spruce Street, Norman Street, MLK properties, Fir Street, Lam Bow, Main Street Apartments, and Yesler Court. The funds consist of money market funds and bear interest of 1.65% as of December 31, 2018.		861,247
Restricted cash is held for the Beacon operating reserves and replacement reserves. The funds consist of money market funds and bear interest at approximately 0.20%.		129,612
Reserves are held in restricted cash accounts for the capital replacement and operations of Villa Park and bear interest at approximately 0.20%.		101,263
Reserves are held in restricted cash accounts for the capital replacement and operations of Telemark, Mary Avenue, Montridge, Longfellow Creek, Main St Apts, Main Street Place, and Yesler Court bearing interest at approximately 0.20%.		675,021
Restricted cash is held for operating reserves and replacement reserves for Senior Housing projects Willis House, Reunion House, Nelson Manor, and Olmsted Manor and bear interest of approximately 0.20%.		139,414
Restricted cash held for bond activity related to the Douglas Apartment bonds. The account bears interest of approximately 0.25%.		354,655
Reserves are held in cash accounts for Ravenna School replacement reserves and bear interest at approximately 0.20%		185,294
Money market funds are held for replacement reserves for properties supported by the 2014 bond refunding including Market Terrace, Mary Avenue, Bayview Tower, Lake City Commons, Villa Park, Telemark Apartments, Main Place II, Delridge Triplexes, 5983 Rainier Avenue, 924 MLK Way, and Baldwin Apartments. The funds bear interest of approximately 1.65%.		946,834
Restricted money market funds are held for the payment of principal and interest for properties of the 2015 bond refunding including Market Terrace, Mary Avenue, Bayview Tower, Lake City Commons, Villa Park, Telemark Apartments, Main Place II, Delridge Triplexes, 5983 Rainier Avenue, 924 MLK Way, and Baldwin Apartments. The funds bear interest of approximately 1.65%.		874,710

(Continued)

		Balance
Restricted cash and investments is held for Holly Park Phase II public housing expense reserve and operating deficit reserve. The funds bear interest at approximately 0.20%		568,829
Restricted cash is held for the 2018 Bond refunding properties including Wedgewood Estates, New Holly Phases II and III, and Rainier Vista, Phase I to pay interest and principal on the bonds. The funds bear interest at approximately 0.08%		993,256
Restricted cash is held for the 2018 Bond refunding properties including Wedgewood Estates, New Holly Phases II and III, and Rainier Vista, Phase I as unspent bond proceeds The funds bear interest at approximately 1.05%		6,992,703
Restricted cash is held for the 2018 Bond refunding properties including Wedgewood Estates, New Holly Phases II and III, and Rainier Vista, Phase I for replacement reserves The funds bear interest at approximately 0.74%		2,664,185
Restricted cash is held for replacement reserves at Spring Lake Apartments. The funds bear interest at approximately 0.20%.		500,011
Total	$	16,242,333

(c) Other Restricted Funds

As of December 31, 2018, restricted cash amounts of $183,945 are held in trust for the Family Self-Sufficiency (FSS) program. Families in the Section 8 and Low Rent programs may sign up for the FSS program and any rent increase due to an increase in income may be deposited into an escrow account. The tenant may request reimbursement from the trust account for certain allowable expenditures. This program ended in 2018 and funds are being transitioned to the JobLink program.

Restricted cash amounts of $222,765 are held in trust for participants of the JobLink program which helps tenants of our programs to further employment opportunities with coaching, training programs and educational assistance.

Restricted cash amounts of $877,658 are held for retainage for construction projects.

HUD requires the Authority to maintain restricted investments equal to the required reserves for the Market Terrace project. HUD must approve any release or disbursement of reserve funds in advance. Restricted investments for required reserves of $83,378 were held as of December 31, 2018.

Restricted cash amounts of $75,021 are held in the Campus of Learner's Foundation within the Development fund for the Dream Big Scholarship fund, which provides scholarships for residents of the Authority's communities.

Restricted cash amounts of $224,171 are held in an endowment trust for residents of High Point. The funds are to be used only for planning, providing, and evaluating community and support services for the primary benefit of the public housing residents of High Point housing development and former residents occupying other public housing in accordance with the plan approved by HUD. A portion of the interest may be spent each year and the High Point Endowment Trust will continue to exist in perpetuity. Upon approval from HUD on August 28, 2009, grant funds in the amount of $220,995 were deposited to the account. During the year, there were no withdrawals and the account increased in value by $146.

Restricted cash amounts of $164,236 are held in an endowment trust for residents of Lake City Court. The funds are to be used for purposes that are consistent with the objectives of providing youth enrichment activities, providing services for seniors and providing community building activities for the residents of Lake City Court. The intent is to spend only the interest earnings and leave the principal intact. Upon approval from HUD in September 2013, grant funds in the amount of $163,069 were deposited to the account. During the year, there were no withdrawals and the account increased in value by $107.

Restricted cash amounts of $2,839,767 are held under the terms of an agreement with the former limited partner of the Desdemona Limited Partnership. According to the terms of the agreement, funds are held as guarantee for possible recapture of tax credits for a period of three years. After determination of tax credit recapture has been determined and assuming no recapture is present, funds will be released on or about April 30, 2019 in the amount of $1,613,120 and April 30, 2020 in the amount of the remaining $1,226,647 plus accrued interest. Distributions will be reduced should any recapture of tax credits be required for the investor. In April 2018, $309,408 was released in accordance with the terms of the agreement.

Restricted cash and investments are held under the terms of an agreement with the former Limited partner of the Escallonia Limited Partnership. According to the terms of the agreement, funds are held as guarantee for possible recapture of tax credits for a period of three years. After determination of tax credit recapture has been finalized and assuming no recapture is present, funds will be released on or about on January 15, 2019 in the amount of $1,075,631 and all remaining amounts on January 15, 2020. Distributions will be reduced by should any recapture be required for the investor. As of December 31, 2018 the amount in the investment account totaled $2,256,301 after adjusting for the change in value of the investments and $1,011,116 was released during the year.

Restricted cash in the amount of $5,092,903 is held according to a security agreement with HUD. Funds represent proceeds from land sales at High Point and Yesler Terrace and are to be used for development at Yesler Terrace. HUD will release funds when certain conditions are met as described in the security agreement.

In addition, the Authority has committed loan funds to one non-profit agency as well as three of its limited partnerships according to documented legal agreements. A commitment of $1,000,000 exists for the Buy-Up program with a non-profit developer of low income housing. Funds will be used to increase the unit size of apartments under construction by the entity. Partnership loan commitments total of $10,632,149 with $505,588 to NewHolly Phase I, $5,126,561 to West Seattle Properties and $5,000,000 to Red Cedar. All amounts are expected to be loaned during 2019. These amounts are held as restricted cash and investments for the purpose of funding the commitments.

The Authority also is holding restricted cash in the amount of $50,000 as earnest money for a potential property purchase in 2019.

(4) Notes Receivable

(a) Other Than from Component Units

		December 31, 2018	Due within one year
Due from Stone View Village I Limited Partnership and Stone View Village II Limited Partnership. The notes bear interest at rates ranging from 0.5% to the lowest applicable federal rate as determined under the Internal Revenue Code of 1986, and all interest and principal are due in March and April, 2039.	$	1,373,835	—
Due from Lutheran Alliance to Create Housing (LATCH) Roxbury Limited Partnership. The note bears no interest for the first 30 years. Interest accrues beginning February 1, 2030 at 2%, with annual payments of $73,388 until the note matures in January 2050.		1,200,000	—
Due from the Low Income Housing Institute (LIHI), a Washington nonprofit corporation, and the Lakeview Apartments Limited Partnership. The note bears interest at 3% annually and all interest and principal will be forgiven in December 2040, if the project is operated according to the loan regulatory agreement.		494,600	—
Due from the Plymouth Housing Group (PHG), a Washington nonprofit corporation. The loan bears interest at 1% annually and all principal and interest are due January 2041. Provided the borrower complies with the loan regulatory agreement, all principal and interest will be forgiven January 2041.		856,912	—
Note due from the Mount Baker Housing Association for the Starlighter Apartments, which are secured by a deed of trust on the property. The note bears interest at an annual rate of 1%, which is deferred until October 31, 2040, at which time the loan will be forgiven if the project is operated in in accordance with the loan agreement.		270,000	—
Due from Madison Housing Partners Phase I, LLC and Madison Housing Partners Phase II, LLC. The notes are for the Views at Madison Apartments I and Views at Madison II, respectively, and are secured by deeds of trust on the properties. Both notes bear interest at an annual rate of 1.0% and are payable December 31, 2042.		826,106	—

		December 31, 2018	Due within one year
Due from the Seattle Chinatown International District Public Development Authority (SCIDPDA). The note bears interest at a rate of 1% per annum and all interest and principal are due on the maturity date of December 31, 2043.	$	1,622,881	—
Two notes due from the LIHI NW 85th, LLC, which are secured by a deed of trust on the property. One of the $500,000 notes bears interest at 1% per annum and is payable in full on December 31, 2042, provided the project is operated in accordance with Low Income Housing regulatory agreement and the terms of the loan agreement. The other note bears interest at 3% per annum. The balance of principal and accrued interest as of December 31, 2004 shall be amortized over a period of 20 years beginning on January 1, 2005. Payments of $2,942 will be required monthly until final maturity on December 31, 2025.		693,625	29,902
Due from the Andover Court Associates, LLC and secured by a deed of trust on the property. The note bears interest at 1% per annum and is payable in full on the maturity date of March 31, 2043, provided the project is operated in accordance with the Low Income Housing regulatory agreement and the terms of the loan agreement.		743,179	—
Due from LIHI Meadowbrook Associates, LLC. The note bears interest at a rate of 1% per annum. The balance of principal and interest is due in full on the maturity date of December 31, 2052.		600,000	—
Due from Housing Resources Group for the purchase of Judkins Park Apartments. The note is secured by a deed of trust on the property and bears interest at 1%. Principal and interest are due on the maturity date of February 29, 2044.		400,340	—
Due from the Archdiocesan Housing Authority and ML King Housing Limited Partnership. The note is secured by a deed of trust on the property and bears interest at 1%. Principal and interest are due on the maturity date of July 31, 2044.		266,013	—
Due from Main Street Interim, LLC. The note is secured by a deed of trust, bears interest at 1% per annum, and matures December 1, 2054.		1,055,568	—

(Continued)

		December 31, 2018	Due within one year
Due from Denny Park, LLC. The note is secured by a deed of trust on the property and bears interest at 1%. Principal and interest are due on the maturity date of September 3, 2044.	$	250,000	—
Due from Pantages Apartments LLC. The note is secured by a deed of trust on the property and bears interest at 1%. Principal and interest are payable on the maturity date of August 16, 2044.		548,465	—
Due from Stoneway Apartments, LLC. The note is secured by a deed of trust on the property and bears interest at 1% per annum. Principal and interest are payable on the maturity date of July 31, 2055.		1,499,999	—
Due from Capital Hill Housing Program for the construction of Broadway and Pine Apartments. The note is secured by a deed of trust and bears interest at 1%. Principal and interest are due on the maturity date of November 4, 2055.		548,465	—
Due from Delridge Neighborhood Development, managing member of the West Seattle Resource Center, LLC. The note is secured by a deed of trust and bears interest at 1%. Principal and interest are payable on the maturity date of February 1, 2056.		325,000	—
Due from Neighborhood House for land sold at Rainier Vista. The note bears no interest and matures August 31, 2054.		210,000	—
Due from Solid Ground for the construction of replacement units and rehabilitation of existing units at Santos Place. The note bears no interest and matures August 7, 2067.		150,175	—
Allowance for loss		(762,769)	—
Total notes receivable, net	$	13,172,394	29,902

The Authority has gross notes receivable and an allowance of $4,621,236 for loans made to Neighborhood House and Boys and Girls Club that are excluded from the table above. The allowance fully covers the loans as a portion of the loan amounts is forgivable each year provided they comply with the terms of the loan agreements.

(b) Notes Receivable from Component Units

	December 31, 2018	Due within one year
Two notes due from homeWorks I. One note for $12,000,000 bears interest at 4.82% per annum during rehabilitation and 2.75% per annum thereafter. The other note in the amount of $12,000,000 bears interest at 4.68% per annum during rehabilitation and 2.75% per annum thereafter. Both notes mature on January 1, 2046 with principal and interest payments due quarterly during rehabilitation and annually from available cash flows thereafter. As of December 31, 2018, the amount of interest payable to the Authority was $5,464,250.	$ 24,000,000	—
Two notes due from High Point North in the amounts of $8,500,000 and $16,652,734. The notes bear compounding interest at 1% per annum and mature in in fiscal year 2054. Interest payments are due annually from available net cash flows. As of December 31, 2018, interest payable to the Authority was $3,063,139.	25,152,734	—
Due from Ritz Apartments. The note bears interest at 1% per annum and matures December 31, 2054. Principal and interest payments are due annually from available cash flows. Interest payable to the Authority on December 31, 2018 was $54,948.	265,856	—
Due from Alder Crest. The note bears interest at 5% per annum and matures March 31, 2057 with payments from available cash flows. Interest payable to the Authority on December 31, 2018 was $137,847.	220,000	—
Due from Alder Crest for renovations. The note bears interest at 0.5% per annum, payable annually beginning January 1, 2014. The loan shall not exceed $371,816 and matures January 31, 2029. No interest was due to the Authority on December 31, 2018.	361,231	—

	December 31, 2018	Due within one year
Two notes due from High Point South in the amounts of $4,606,506 and $8,606,159. The notes bear interest at at 1% per annum and mature in 2062. Interest payments are due annually from available net cash flows. As of December 31, 2018, interest payable to the Authority was $1,233,182.	$ 13,212,665	—
Two notes due from homeWorks Phase II in the amounts of $12,000,000 and $16,051,551. The notes bear bear interest at 4.88% and 4.60%, respectively, during rehabilitation and 3.5% thereafter. Both notes mature December 21, 2046. As of December 31, 2018, interest payable to the Authority was $5,816,455.	28,051,551	—
Two notes due from homeWorks Phase III in the amounts of $9,200,000 and $11,750,000. The notes bear interest at 4.13% and 5.04%, respectively, during rehabilitation and 4.25%, thereafter. Both notes mature December 19, 2047. As of December 31, 2018, interest payable to the Authority was $4,198,291.	20,950,000	—
Due from Tamarack Place. The note bears interest at 1% per annum and matures in 2049. Interest payments are due annually from available net cash flows. As of December 31, 2018, interest payable to the Authority was $650,202.	10,400,000	—
Two notes due from Rainier Vista NE. One note in the amount of $10,000,000 and one note in the amount of $6,337,135. Both notes bear interest at 1.5% per annum and mature in 2060. Interest payments are due annually from available cash flows. As of December 31, 2018, no interest was payable to the Authority.	16,337,135	—
Due from Lake City Court. The note accrues interest at 0.8% per annum and matures May 2065. As of December 31, 2018, interest payable to the Authority was $1,149,025.	16,358,505	—

		Balance December 31, 2018	Due within one year
Due from Lake City Court for a long term capital lease. The note accrues interest at 4.7% and matures May 1, 2065 with payments subject to cash flow.	$	1,391,215	—
Due from South Shore Court. The note accrues interest at 4.80% per annum and matures June 2040. As of December 31, 2018, interest payable to the Authority was $6,760.		1,690,000	40,000
Two notes due from Kebero Court. The notes accrue interest at 3.0% per annum and mature April 1, 2065. As of December 31, 2018, interest payable to the Authority was $1,197,269.		8,783,627	—
Due from Raven Terrace. The note accrues interest at 2.5% and matures in May 2069. As of December 31, 2018 interest payable to the Authority was $856,705.		10,190,761	—
Due from Leschi House. The note accrues interest at 1.0% per annum and matures April 30, 2065. As of December 31, 2018, interest payable to the Authority was $20,889.		628,250	—
Two notes due from Hoa Mai Gardens which accrue interest at 1.0% per annum and mature December 1, 2065. As of December 31, 2018 interest payable to the Authority was $337,374.		16,981,197	—
Two notes due from NewHolly Phase I. The acquisition loan accrues interest at 2.18% per annum and the second loan bears interest at 1.0% per annum. Both loans are payable from available cash flows and mature October 2066. As of December 31, 2018 interest payable to the Authority was $572,586.		15,528,491	—
Due from Red Cedar. The loan bears an interest rate of 1.0% per annum compounded annually and is payable from available cash flows. Interest payable to the Authority was $61,596 as of December 31, 2018.		9,638,140	—

	Balance December 31, 2018	Due within one year
Due from West Seattle Properties from a non-revolving variable rate line of credit bearing interest at 3.96% as of December 31, 3018. The line matures June 25, 2020 and interest payments are due monthly.	$ 2,500,000	—
Due from West Seattle Properties, a 50 year ground lease with annual payments due of $43,600. Interest on the unpaid portion accrues at 2.64%	2,180,000	43,600
Due from West Seattle Properties. The acquisition loan accrues interest at 2.64% and matures December 1, 2067. As of December 31, 2018 interest payable to the Authority was $656,870.	20,419,458	—
Allowance for loss	(4,872,542)	—
Total notes from component units, net	$ 240,368,274	83,600

(Continued)

(5) Capital Assets

The following is a summary of changes in capital assets of the Authority for the year ended December 31, 2018:

		Balance January 1, 2018	Additions and transfers-in	Dispositions and transfers-out	Balance December 31, 2018
Capital assets, not being depreciated:					
Land	$	62,471,758	7,200,528	(1,195,506)	68,476,780
Construction in progress		45,069,608	23,231,049	(22,535,889)	45,764,768
Total capital assets, not being depreciated		107,541,366	30,431,577	(23,731,395)	114,241,548
Depreciable capital assets:					
Land improvements		49,339,635	157,166	(277,874)	49,218,927
Structures		475,907,887	29,026,409	(8,374,319)	496,559,977
Leasehold improvements		1,386,757	—	—	1,386,757
Equipment		20,575,393	1,297,787	(689,858)	21,183,322
		547,209,672	30,481,362	(9,342,051)	568,348,983
Less accumulated depreciation and amortization for:					
Land improvements		(12,353,826)	(1,020,409)	—	(13,374,235)
Structures		(250,846,589)	(9,685,427)	8,374,211	(252,157,805)
Leasehold improvements		(818,681)	(70,590)	—	(889,271)
Equipment		(17,928,392)	(897,431)	632,000	(18,193,823)
Total accumulated depreciation and amortization		(281,947,488)	(11,673,857)	9,006,211	(284,615,134)
Total capital assets, being depreciated, net		265,262,184	18,807,505	(335,840)	283,733,849
Total capital assets, net	$	372,803,550	49,239,082	(24,067,235)	397,975,397

Substantial restrictions are imposed by HUD, as well as by state and local governments, on the use and collateralization of the Authority’s capital assets.

Construction in Progress

Capital improvements made on the Authority's Low Rent housing stock are financed by grant funds provided by HUD under Capital Grants and the Choice Neighborhood Implementation Grants (CNI). The funds provided through these programs are used to rehabilitate the housing stock, which extends the useful life of the buildings. Capital grants are awarded annually based on a comprehensive modernization plan submitted by the Authority. CNI grants are awarded based on a specific application request. The Authority's construction in progress in the Low Rent program consists of the costs for modernization of public housing units. When modernization grants are completed, HUD issues a modernization cost certificate for each grant, at which time construction in progress for that grant is recorded in the building category. For the CNI redevelopment grants, some construction in progress amounts represent infrastructure costs, which will be ultimately transferred to and maintained by the City of Seattle. These transfers occur when the projects are complete.

Dispositions and transfers out from construction in progress also include the expense of soft costs and transfers to newly formed component units. It is not uncommon for the Authority to incur predevelopment costs for development projects prior to the completion of the legal process that establishes a component unit.

Component Units

The following is a summary of changes in the capital assets of the Authority's component units for the year ended December 31, 2018:

	Balance January 1, 2018	Additions and transfers-in	Dispositions and transfers-out	Balance December 31, 2018
Capital assets, not being depreciated:				
Land	$ 5,099,274	—	—	5,099,274
Construction in progress	31,553,991	58,269,267	(24,070,973)	65,752,285
Total capital assets not being depreciated	36,653,265	58,269,267	(24,070,973)	70,851,559
Depreciable capital assets:				
Land improvements	23,193,159	690,824	—	23,883,983
Structures	441,149,316	24,231,875	—	465,381,191
Equipment	8,581,402	321,491	—	8,902,893
	472,923,877	25,244,190	—	498,168,067
Less accumulated depreciation for:				
Land improvements	(6,433,603)	(1,408,421)	—	(7,842,024)
Structures	(80,946,758)	(11,712,722)	—	(92,659,480)
Equipment	(4,110,917)	(442,901)	—	(4,553,818)
Total accumulated depreciation	(91,491,278)	(13,564,044)	—	(105,055,322)
Total capital assets, being depreciated, net	381,432,599	11,680,146	—	393,112,745
Total capital assets, net	$ 418,085,864	69,949,413	(24,070,973)	463,964,304

(6) Short-Term Borrowings

The Authority maintains a $6,000,000 line of credit, which provides the Authority with a ready means of short-term financing for general operations of the Authority. The line of credit bears interest at 65% of the bank's prime rate plus 0.96%, or 4.5% at December 31, 2018, which is payable monthly. The line of credit matures August 2019. The line may be extended annually by the Executive Director until August 31, 2022 with the consent of the bank. At December 31, 2018, there were no outstanding amounts on the line.

The Authority maintains a $15,000,000 revolving real property line of credit in order to provide a ready means of financing real property acquisitions. The Authority entered an agreement with the bank effective June 22, 2016. Under the terms of the agreement, the line of credit is split into series A in the amount of

$9,250,000 and Series B in the amount of $5,750,000. Series A and Series B bear interest the bank's prime rate plus 0.96% multiplied by 65.01% and is for a term of one year. Both Series A and Series B lines may be extended annually by the Executive Director until June 22, 2022 with consent of the bank. The rate for both lines at December 31, 2018 was 4.2%. As of December 31, 2018, $8.0 million was outstanding, all from Series A.

The Authority has also established a $7,000,000 revolving taxable line of credit for the purpose of obtaining bridge financing for the Authority's acquisition of commercial or other nontax-exempt properties over the next five to seven years. The line of credit bears interest at the bank's prime rate minus 0.90%, or 3.6% as of December 31, 2018, which is payable monthly. The line matures on December 3, 2019, and is renewable annually through 2021. The total amount outstanding at December 31, 2018 was $994,686.

During the year, the Authority established a new non-revolving line of credit in the amount of $2.5 million to fund additional work needed at the West Seattle Properties. As of December 31, 2018, the line was fully drawn and funds were loaned to the partnership. The note bears interest at 3.96% which is paid monthly and the line matures June 25, 2020 when the entire amount will be repaid with a contribution from the investor limited partner.

The following is a summary of changes in the Authority's short-term borrowings for the year ended December 31, 2018:

		Balance January 1, 2018	Additions	Retirements	Balance December 31, 2018
Taxable line of credit to pay off the WCRA loan for the Tamarack condominium.	$	—	994,686	—	994,686
Taxable line of credit for loan to Desdemona partnership to pay off fixed rate bonds.		5,833,527	—	5,833,527	—
Operating line of credit to pay off NewHolly Phase I bonds on January 1, 2018.		1,656,760	—	1,656,760	—
Real estate line of credit for purchase of Spring Lake Apartments		—	8,000,000	—	8,000,000
Non-revolving line of credit for loan to West Seattle properties.		—	2,500,000	—	2,500,000
Total short-term borrowings	$	7,490,287	11,494,686	7,490,287	11,494,686

(7) Long-Term Debt and Other Long-Term Obligations

(a) Authority Debt and Accrued Compensated Absences

The following is a summary of changes in the Authority's long-term debt and accrued compensated absences for the year ended December 31, 2018:

	Balance January 1, 2018	Additions	Retirements	Balance December 31, 2018	Due within one year
Notes payable issued in 1998 to the City of Seattle's General Fund, Urban Renewal, and Capital Facilities Fund for NewHolly Phase I. Interest accrues at 1% simple interest per year and is forgiven at the rate of 5% per year beginning on the 21st year subject to compliance with certain covenants. Principal payments may be deferred if the property is kept for low-income housing. If the Authority remains in compliance with the debt covenants for 75 years, the unpaid principal balance will be forgiven.	$ 1,615,684	—	—	1,615,684	—
Note payable to the City of Seattle's Housing Development fund for NewHolly Phase II. Interest accrues at 1% simple interest per year and is payable on or before September 11, 2040.	1,700,000	—	—	1,700,000	—

	Balance January 1, 2018	Additions	Retirements	Balance December 31, 2018	Due within one year
Notes payable issued in 2001 to the City of Seattle's Cumulative Reserve Fund and HOME Program for NewHolly Phase II. Interest accrues at 1% simple interest per year up to the 20th year and is forgiven at the rate of 5% per year beginning on the 21st year, subject to compliance with certain covenants. Principal and interest payments may be deferred if the property is kept for low-income use. If the Authority remains in compliance with the debt covenants for 75 years, the unpaid principal balance and accrued interest will be forgiven.	$ 2,800,000	—	—	2,800,000	—
Note payable to the Washington State Office of Assistance Program for New Holly Phase II. Payments of principal and interest are deferred for 30 years until December 31, 2032 with interest accruing at 1%. Beginning on the 31st year, all unpaid principal and interest will be paid over 20 years with annual payments of $149,383, with annual interest only payments of $22,104 for the first 10 years and $122,060 for the remaining 10 years and the final payment due on or before October 1, 2045.	2,000,000	—	—	2,000,000	—

	Balance January 1, 2018	Additions	Retirements	Balance December 31, 2018	Due within one year
Note payable to the State of Washington for the Villa Park project. Interest accrues at 1% per year compounded monthly, with 50 annual payments of $27,698. The note is secured by a deed of trust on the property.	$ 714,838	—	20,550	694,288	20,755
Note payable to the City for the Villa Park Apartments. Interest accrues at 1% simple interest per year for the first 20 years and is forgiven at the rate of 5% per year beginning on the 21st year, subject to compliance with certain covenants. Principal payments may be deferred if the property is kept for low-income housing. If the Authority remains in compliance with debt covenants for 75 years, the unpaid principal balance will be forgiven. The note is secured by a deed of trust on the property.	1,785,723	—	—	1,785,723	—
Mortgage loan for Wedgewood Estates payable to CBRE. Term is 35 years, with final maturity September 1, 2046. The interest rate is 4.10% with monthly payments of $75,102. The loan is guaranteed with FHA insurance.	15,204,776	—	15,204,776	—	—

	Balance January 1, 2018	Additions	Retirements	Balance December 31, 2018	Due within one year
Note payable to the City from 1992 for the Beacon House project. Interest accrues at 1% simple interest per year for the first 20 years and is forgiven at the rate of 5% per year beginning on the 21st year, subject to compliance with certain covenants. Principal payments may be deferred if the property is kept for low-income housing. If the Authority remains in compliance with the debt covenants for 75 years, the unpaid principal balance will be forgiven.	$ 329,260	—	—	329,260	—
Loans payable to Seattle Office of Housing for the rehab of Willis House and Reunion House. Loans bear interest at 1%, which is payable at maturity, December 2059.	850,000	—	—	850,000	—
Loans payable to Seattle Office of Community Trade and Economic Development for rehab at Willis House and Reunion House which bear interest at 1%. Forgivable on maturity date in December 2049.	879,273	—	—	879,273	—

	Balance January 1, 2018	Additions	Retirements	Balance December 31, 2018	Due within one year
Loans payable to Seattle Office of Housing for the rehab of Nelson Manor. The loan bears interest at 1%, which is payable at maturity, in August 2061.	$ 478,065	—	—	478,065	—
Loan payable to Seattle Office of Housing for the rehab of Olmsted Manor. The loan bears interest at 1% and is payable at maturity, August 2061.	477,974	—	—	477,974	—
Loan payable to Seattle Office of Housing for the rehab of Blakely Manor. The loan is payable at maturity November 18, 2061. Interest rate is 1%.	984,155	—	—	984,155	—
Loan payable to Seattle Office of Housing for the rehab of Bitter Lake Manor. The loan bears interest at 1% and is payable at maturity, January 25, 2062.	978,930	—	—	978,930	—
Loan to the State of WA for Beacon House payable at maturity in March 2043 and bears no interest.	114,212	—	—	114,212	—
Loan payable to WA State Community Reinvestment Assn for Tamarack Commercial property. Term is 15 years. Note bears interest at 6.5% and is due March, 2027.	1,005,516	—	1,005,516	—	—
CDBG loan payable to City of Seattle for Yesler Terrace redevelopment. Principal and interest at 1% are due at maturity, December 1, 2064.	375,027	—	—	375,027	—

(Continued)

	Balance January 1, 2018	Additions	Retirements	Balance December 31, 2018	Due within one year
CDBG loan payable to City of Seattle for Yesler Terrace redevelopment. Principal and interest at 1% are due at maturity, December 1, 2065. for Yesler Terrace	$ 436,470	—	—	436,470	—
Note payable to Washington State Department of Community, Trade and Economic Development. Payments of principal and interest were deferred unitl December 1, 2015 when all unpaid interest and principal will be paid over 20 years, with annual interest only payments of $22,104 for the first 10 years and $122,060 for the remaining 10 years and the final payment due on or before October 1, 2045.	2,000,000	—	—	2,000,000	—
Note payable to the City of Seattle which accrues interest at 1% and matures August 7, 2053. Principal and interest payments are due from available net cash flows.	2,066,671	—	—	2,066,671	—
Total notes payable	36,796,574	—	16,230,842	20,565,732	20,755
Bonds payable for Gamelin and Genessee commercial condo units. The bonds mature in 2035 and bear interest at 4.3%. The bonds are to be repaid with revenues from the properties and are further secured by a pledge of general revenue of the Authority.	3,070,000	—	125,000	2,945,000	135,000
Bonds payable for the High Rise Rehabilitation project, Phase III. The bonds mature November 1, 2027 and bear interest of 5.15%. The bonds were repaid during the year.				—	

	Balance January 1, 2018	Additions	Retirements	Balance December 31, 2018	Due within one year
Variable rate bonds subject to remarketing for Douglas Apartments rehabilitation project and mature June 2040. The interest rate is reset every Wednesday with remarketing agent and was 0.19% on December 31, 2014. The bonds are secured by a letter of credit with Key Bank.	$ 1,730,000	—	40,000	1,690,000	40,000
Fixed rate bonds for Replacement housing properties, Montridge Arms, Main Street Apts and Yesler Court. Interest rates range from 0.7%-5.6%. Bonds mature September 2043 and are secured by a deed of trust'on the properties.	11,760,000	—	1,265,000	10,495,000	125,000
Fixed rate bonds for Market Terrace, Mary Avenue town-homes, Bayview Tower, Lake City Commons, Villa Park, Telemark Apartments, Main Place II, Place II, Delridge Triplexes, 5983 Rainier Ave, 924 MLK Way and Baldwin Apartments. Bonds mature December 1, 2044 and are secured by a deed of trust on the properties. properties. Rates range from 0.25 to 3.50%.	12,850,000	—	280,000	12,570,000	285,000
Fixed rate bonds for New Holly Phase II. The bonds mature January, 2032 and bear interest at 7.0%. The bonds are backed by a deed of trust on the property and by a pledge of the Authority's general revenue.	1,790,000	—	1,790,000	—	—
Fixed rate bonds payable for Rainier Vista Phase I bearing interest at 3.98%. The bonds were repaid during the year.	4,045,000	—	4,045,000	—	—

	Balance January 1, 2018	Additions	Retirements	Balance December 31, 2018	Due within one year
Fixed rate bonds payable for the rehabilitation of Rainier Vista Phase I, NewHolly Phases II and III, and Wedgewood Estates. The bonds bear interest at 3.57% and mature February, 2047.	$ —	35,850,000	1,010,000	34,840,000	810,000
Total bonds payable	35,245,000	35,850,000	8,555,000	62,540,000	1,395,000
Accrued compensated absences	3,010,286	3,066,005	2,895,976	3,180,315	258,236
Total long-term obligations	$ 75,051,860	38,916,005	27,681,818	86,286,047	1,673,991

For variable rate bonds, the Authority estimated interest payments based on the interest rates in effect at the end of the fiscal year and principal payments based on the maturity date on the bond indentures assuming the bonds will not be called before the maturity dates.

The following is a summary of debt service requirements of the Authority for long-term obligations as of December 31, 2018:

			Total	
	Bonds	Notes	Principal	Interest
2019	$ 3,935,868	179,683	1,415,755	2,699,796
2020	3,942,030	179,135	1,455,963	2,665,202
2021	3,871,974	159,716	1,421,172	2,610,518
2022	3,845,548	157,747	1,466,384	2,536,911
2023	3,764,518	151,141	1,401,598	2,514,061
2024–2028	19,761,101	1,155,561	9,053,630	11,863,032
2029–2033	19,991,912	1,703,721	11,524,658	10,170,975
2034–2038	19,222,019	5,368,240	17,002,990	7,587,269
2039–2043	19,151,874	6,476,536	21,438,296	4,190,114
2044–2048	8,523,641	1,312,474	8,775,120	1,060,995
2049–2053	—	3,567,491	3,240,285	327,206
2054–2058	—	228,005	—	228,005
2059–2063	—	3,914,743	3,769,124	145,619
2064–2068	—	1,149,119	1,140,757	8,362
Total requirements	$ 106,010,485	25,703,312	83,105,732	48,608,065

There are several limitations and restrictions contained in the various debt instruments primarily requiring the Authority to maintain certain levels of low-income tenants. Authority management believes it is in compliance with all significant limitations and restrictions. As of December 31, 2018, Authority management also believes that all bond issues met debt coverage ratio requirements.

(b) Conduit Debt

The Authority has issued special revenue bonds to provide financial assistance to not-for-profit agencies and private developers for the purpose of constructing low-income housing. The bonds are limited obligation bonds of the Authority and are payable solely from project revenue. These nonrecourse conduit bonds are secured by the property financed and are often collateralized by a letter of credit issued by a major bank. The Authority is not obligated in any manner, and accordingly, the bonds have not been recorded in the accompanying financial statements except for the 14 series of bonds amounting to $122,522,770 that are obligations of the component units of the Authority. The component unit bonds are further backed by the general revenues of the Authority as described in Note 14.

As of December 31, 2018, there were 27 series of outstanding special revenue bonds for private non-profits and private developers. The aggregate principal payable could not be determined for two of the bonds, their original issue amount totaled $5,370,000. The aggregate principal payable as of December 31, 2018 for the remaining 25 series of bonds totaled $105,002,501.

(c) Component Unit Debt

High Point North has fixed rate bonds outstanding at December 31, 2018 totaling $8,035,598. The bonds were issued by the Authority on behalf of the component unit and are backed by a deed of trust on High Point North's leasehold interest in the High Point Phase I redevelopment project. The bonds are further secured by a pledge of the Authority's unobligated general revenue. The bonds mature on June 1, 2036 and accrue interest at 5.295%.

As of December 31, 2018, High Point North has other long-term debt totaling $27,152,734. Of this amount, $25,152,734 represents the general partner loans made by the Authority and is secured by liens on the partnership's property. These loans accrue compounding interest at the annual rate of 1% and mature in fiscal year 2054. Interest-only payments on the loans are due to the general partner from available net cash flows. As of December 31, 2018, no interest payments had been made to the Authority. The remaining $2,000,000 represents a loan from the State of Washington Housing Assistance Program. Payments of principal and interest are deferred for 12 years, with interest accruing at 1% per year during the deferral period. Beginning April 30, 2016, quarterly interest payments are due, and beginning April 30, 2021, quarterly payments of principal and interest are required until the final maturity date of January 31, 2046.

High Point South has bonds outstanding at December 31, 2018 totaling $14,000,000. The bonds were issued by the Authority on behalf of the component unit and are backed by a deed of trust on High Point South's leasehold interest in the High Point Phase II redevelopment project. The bonds are further secured by a pledge of the Authority's unobligated general revenue. Interest is due monthly at a fixed rate of 3.98% through an interest rate swap agreement, and at the variable rate of 65.01% of the one-month LIBOR rate plus 2.54%. The bonds mature on March 1, 2039.

As of December 31, 2018, High Point South has other long-term debt totaling $15,212,665. Of this amount, $13,212,665 represents the general partner loans made by the Authority and is secured by liens on the partnership's property. These loans accrue noncompounding interest at an annual rate of 1% and mature in fiscal year 2062. Interest-only payments on the loans are due to the general partner from available net cash flows. As of December 31, 2018, no interest payments had been made to the Authority. The remaining $2,000,000 represents a loan from the State of Washington Housing Trust Fund. Payments of principal and interest are deferred for 12 years, with interest accruing at 1% per year during the deferral period. Beginning December 31, 2019, quarterly interest payments are due, and beginning December 31, 2029, quarterly payments of principal and interest are required until the final maturity date of September 30, 2059.

Ritz Apartments has total loans outstanding totaling $1,686,943 as of December 31, 2018. The construction loan of $861,087 bears interest at 5.496%, requires monthly principal and interest payments, and is due September 1, 2036.

As of December 31, 2018, Ritz Apartments has other long-term notes payable outstanding totaling $825,856. Of this amount, $560,000 represents a note to the City that bears simple interest at 1% annually. Payments are due annually beginning June 30, 2006 from available net cash flows and the note is payable in full by August 9, 2054. The remaining $265,856 is payable to the general partner and bears interest at 1% annually. Payments are due annually beginning March 30, 2006 from available net cash flows, with final maturity on December 31, 2054.

Alder Crest has outstanding long-term obligations in the amount of $2,663,978 as of December 31, 2018. Of this amount, $992,283 represents a loan payable to the City that bears interest at 1% per annum and matures March 31, 2057. Alder Crest also has a loan payable to the City in the amount of $111,124. The loan bears interest at 1% per annum and matures March 31, 2057. The loan is secured by a third deed of trust on the property. Alder Crest has a loan payable to the State in the amount of $979,340. Of this amount, $426,340 requires quarterly payments. The entire amount bears no interest and is payable in full March 31, 2057. In addition, Alder Crest also has other borrowings outstanding in the amount of $581,231 from the Authority. One loan in the amount of $220,000 bears interest at 5% per annum and is secured by a fourth deed of trust on the property and matures March 31, 2057. The remaining $361,231 is a loan from the Authority for reimbursement of capital work needed on the stairways of the property. The loan amount shall not exceed $371,816, bears interest at 0.5% annually beginning January 1, 2014 and matures January 31, 2029.

Phase I homeWorks has long-term obligations totaling $24,000,000 as of December 31, 2018. Of this amount, $12,000,000 represents a promissory note from the general partner made by the Authority and secured by a deed of trust encumbering the partnership's interest in the project. Principal and interest shall be paid from available cash flows at an annual interest rate of 2.75%. The loan matures on January 1, 2046. Phase I homeWorks has another loan from the general partner made by the Authority and secured by the land, buildings, and improvements in the amount of $12,000,000 as of December 31, 2018. Principal and interest shall be paid from available cash flows at an annual interest rate of 2.75%. The loan matures on January 1, 2046.

Phase II homeWorks has long-term obligations totaling $28,051,551 as of December 31, 2018. Of this amount, $12,000,000 represents a promissory note from the general partner made by the Authority and secured by a deed of trust encumbering the partnership's interest in the project. Principal and interest shall be paid from available cash flows at an annual interest rate of 3.5%. The loan matures on December 21, 2046. Phase II homeWorks has another loan from the general partner made by the Authority and secured by the land, buildings, and improvements in the amount of

$16,051,551 as of December 31, 2018. Principal and interest shall be paid from available cash flows at an annual interest rate of 3.5%. The loan matures on December 21, 2046.

Phase III homeWorks has long-term obligations totaling $20,950,000 as of December 31, 2018. Of this, $9,200,000 represents a promissory note from the general partner made by the Authority and secured by a deed of trust encumbering the partnership's interest in the project. Principal and interest shall be paid from available cash flows at an annual interest rate of 4.25%. The loan matures on December 19, 2047. Phase III homeWorks has another loan from the general partner made by the Authority and secured by the land, buildings, and improvements in the amount of $11,750,000 as of December 31, 2018. Principal and interest shall be paid from available cash flows at an annual interest rate of 4.25%. The loan matures on December 19, 2047.

South Shore Court has outstanding long-term obligations in the amount of $7,840,000 as of December 31, 2018. Of this amount, $3,650,000 represents a loan payable to the City that bears interest at 2% per annum and matures June 30, 2060. Also, the partnership has a long-term note payable to the Authority in the amount of $1,690,000, which bears interest at 4.8% annually and matures June 1, 2040. South Shore Court has another note payable to the Department of Commerce with the face amount of $2,500,000. The note bears no interest and is payable on June 30, 2060.

As of December 31, 2018, Tamarack Place has outstanding long-term obligations in the amount of $11,296,969. Of this amount, $896,969 represents a fixed rate construction loan payable to Washington Community Reinvestment Association (WCRA) at an interest rate of 6.5%. In addition, the Tamarack Place has a loan payable to the Authority in the amount of $10,400,000. The loan bears interest at 1% per annum and is secured by a leasehold deed of trust on the project.

As of December 31, 2018, Lake City Court has outstanding long-term obligations in the amount of $17,749,720. Of this amount, $16,358,505 represents a note payable to the Authority, which bears interest at 0.8% per annum and is secured by a leasehold dead of trust on the project. Lake City Court also has a lease payable to the Authority in the amount $1,391,215, which is payable from available cash flows.

As of December 31, 2018, Rainier Vista NE has outstanding long-term obligations in the amount of $18,760,558. Rainier Vista NE has a fixed rate note payable to U.S. Bank in the amount of $2,423,423, which is secured by a deed of trust on the property and carries an interest rate of 4.8%. The remaining long-term obligation balance consists of two loans payable to the Authority. Loan one bears interest at 1.5% per annum and is secured by a leasehold deed of trust on the project. As of December 31, 2015, $10,000,000 was outstanding. Loan two bears interest at 1.5% per annum and is also secured by a leasehold deed of trust on the project. As of December 31, 2018, $6,337,135 was outstanding.

As of December 31, 2018, Kebero Court has outstanding long-term obligations in the amount of $17,380,500. Of this amount, $6,782,098 represents a permanent, fixed rate loan bearing interest at 5.54% which was converted from a variable rate construction loan in April, 2016. The original note amount was $7,050,000 and matures November 8, 2034 when the remaining portion will be paid off. Kebero Court also has a loan payable to the City of Seattle in the amount of $1,814,775, which bears interest at 1.0% and matures in April, 2065. The maximum loan amount is $1,855,000. The remaining $8,783,627 represents two notes from the Authority, which bear interest at 3.0% with principal and interest payable annually from the property's cash flow and matures April 2065. The notes are secured by a leasehold deed of trust and the maximum amount is $8,783,627.

As of December 31, 2018, Leschi House has outstanding long-term obligations in the amount of $8,022,062. Of this amount, $3,268,813 represents fixed bonds bearing interest of 5.13% annually and with a maturity date of August 1, 2045. In addition, Leschi House has a loan payable to the State of Washington Department of Commerce in the amount of $2,499,999. The loan began accruing interest of 1% per annum beginning on May 1, 2015 and matures on April 30, 2065. Leschi House has an additional loan payable to the City of Seattle Office of Housing in the amount of $1,625,000. The loan accrues interest at a rate of 1% per annum and matures on April 30, 2065. Leschi House also has a loan payable to the Authority for $628,250 which bears interest at 1% per annum and matures on April 30, 2065.

As of December 31, 2018, Raven Terrace has outstanding long-term obligations in the amount of $15,204,802. Of this amount $1,141,831 represents a loan from the City of Seattle with a maximum amount of $1,300,000. The loan accrues interest at 1% annually with no payments due until maturity on December 1, 2065. In addition, the partnership has a fixed rate loan in the amount of $3,872,210. The loan matures December 7, 2046. The remaining $10,190,761 represents two loans from the Authority that mature in May 2069 and bear interest of 2.5%.

As of December 31, 2018, Hoa Mai Gardens has outstanding long-term obligations in the amount of $27,682,503. During the year, the variable rate construction loan was converted to a fixed rate loan bearing interest at 4.72% with a maturity date in July, 2053. As of December 31, 2018, the outstanding amount was $10,701,306. Hoa Mai Gardens also has two notes from the Authority. The first note bears interest at 1% and has a term of 50 years that matures in December 2065 and the amount of the note is $6,688,824. The second note bears interest at 1% and carries a term of 50 years with a maximum loan amount of $10,475,000. As of December 31, 2018 $10,292,373 was drawn from that note.

As of December 31, 2018, NewHolly Phase I has outstanding long-term obligations in the amount of $40,050,069. Of this amount, $6,639,999 represents 30 year bonds with rates from 1.15% to 3.55% and $15,380,000 represents 2.5 year fixed rate bonds with a rate of 1.25% as of December 31, 2018. In addition, NewHolly has an acquisition loan from the Authority in the amount of $13,034,079 which bears interest at 2.18% compounded annually and matures in 2066. The partnership also has two rehabilitation loans from the Authority which have not yet been fully funded. The first note is not to exceed $3,000,000 and the second note is not to exceed $2,500,000. As of December 31, 2018 $2,494,412 was outstanding on the loans. Both of these loans carry an interest rate of 1% compounded annually and mature in 2066. Lastly, NewHolly Phase I acquired two loans from the Authority when the partnership was closed. One loan is in the amount of $1,700,000 from the State of Washington Department of Commerce. The loan matures on December 31, 2040 and does not accrue interest. The remaining note is in the amount of $801,579 from the City of Seattle. It matures in 2032 and has an interest rate of 1% per annum.

As of December 31, 2018, Red Cedar has outstanding long-term obligations in the amount of $37,767,004. Of this amount $24,758,864 represents the outstanding amount on a 32 month variable rate construction loan. The maximum loan amount is $35,000,000. After construction is completed, the construction loan will be converted to a fixed interest rate of 4.56% per annum permanent loan for up to $13,960,000 with a 35-year amortization period. As of December 31, 2018, $3,370,000 was drawn from the City of Seattle Office of Housing loan. The note bears interest at 1% and carries a term of 52 years with a maximum loan amount of $3,420,000. Also, Red Cedar has approved a $17,900,000 maximum note amount from the Authority. As of December 31, 2018 the project had drawn $9,638,140 on this loan.

As of December 31, 2018, West Seattle Properties has outstanding long-term obligations in the amount of $50,029,458. Of this amount, $8,430,000 represents 30 year bonds with a rate of 3.6% and $16,500,000 represents short term bonds maturing June 1, 2020 with a rate of 1.95%. In addition, West Seattle Properties has an acquisition loan from the Authority in the amount of $22,305,000. Of this amount, $2,180,000 is payable within 50 years with annual payments of $43,600 in January of each year from cash flow. Any unpaid portion shall be deferred and accrues interest at 2.64% per annum. The remaining $20,125,000 of the acquisition loan bears interest at 2.64%, compounded annually and is also payable in 50 years, maturing December 1, 2067. The partnership also has a rehabilitation loan from the Authority in the amount of 2,794,458 as of December 31, 2018. The loan carries a maximum amount of $5,500,000 and is comprised of two pieces. The $3,000,000 portion of the note bears interest at a rate of 1.00% per annum and matures December 1, 2067. The remaining $2,500,000 is secured by a leasehold deed of trust, bearing interest in an amount equal to the interest accruing and payable under a master non-revolving line of credit revenue note entered into by the Authority. The note bears interest at 3.96 and matures June 25, 2020.

The following is a summary of changes in long-term obligations for the component units:

	Balance January 1, 2018	Additions/ transfers	Retirements	Balance December 31, 2018	Due within one year
Loans payable to primary government from High Point North	$ 25,152,734	—	—	25,152,734	—
Loan payable to Washington State Housing Trust fund from High Point North	2,000,000	—	—	2,000,000	—
Loans payable to primary government from High Point South	13,212,665	—	—	13,212,665	—
Loan payable to Washington State Housing Trust fund from High Point South	2,000,000	—	—	2,000,000	—
Loans payable to primary government from the Ritz Apartments	265,856	—	—	265,856	—
Loans payable to the City of Seattle from the Ritz Apartments	560,000	—	—	560,000	—
Loans payable to Washington Mutual from the Ritz Apartments	889,196	—	28,109	861,087	29,557
Loan payable to City of Seattle from Alder Crest	992,283	—	—	992,283	—
Loan payable to City of Seattle from Alder Crest	111,124	—	—	111,124	—
Loans payable to primary government from Alder Crest	581,231	—	—	581,231	—
Loan payable to Washington State Housing Trust fund from Alder Crest	990,564	—	11,224	979,340	11,224
Loans payable to primary government from homeWorks I	24,000,000	—	—	24,000,000	—

	Balance January 1, 2018	Additions/ transfers	Retirements	Balance December 31, 2018	Due within one year
Loans payable to primary government from homeWorks II	$ 28,051,551	—	—	28,051,551	—
Loans payable to primary government from homeWorks III	20,950,000	—	—	20,950,000	—
Loan payable to City of Seattle from South Shore Court	3,650,000	—	—	3,650,000	—
Loan payable to primary government from South Shore Court	1,730,000	—	40,000	1,690,000	40,000
Loan payable to the Department of Commerce from South Shore Court	2,500,000	—	—	2,500,000	—
Loans payable to primary government from Tamarack Place	10,400,000	—	—	10,400,000	—
Loan payable to WCRA from Tamarack Place	913,912	—	16,943	896,969	18,077
Loan payable to primary government from Rainier Vista NE	16,604,267	—	267,132	16,337,135	—
Loan payable to US Bank for construction of Rainier Vista NE	2,475,602	—	52,179	2,423,423	54,337
Lease payable to primary government from Lake City Court	16,358,505	—	—	16,358,505	—
Lease payable to primary government from Lake City Court	1,484,002	—	92,787	1,391,215	—
Loan payable to Office of Housing from Leschi House	1,323,637	301,363	—	1,625,000	—
Loan payable to Washington State Housing Trust fund from Leschi House	2,499,999	—	—	2,499,999	—
Loan payable to primary government from Leschi House	628,250	—	—	628,250	—
Loan payable to Chase Bank from Kebero Court	6,884,838	—	102,740	6,782,098	108,661

	Balance January 1, 2018	Additions/ transfers	Retirements	Balance December 31, 2018	Due within one year
Loan payable to primary government from Kebero Court	$ 8,783,627	—	—	8,783,627	—
Loan payable to City of Seattle from Kebero Court	1,814,775	—	—	1,814,775	—
Loan payable to primary government from Raven Terrace	10,190,761	—	—	10,190,761	—
Loan payable to City of Seattle from Raven Terrace	1,141,831	—	—	1,141,831	—
Loan payable to Chase Bank from Raven Terrace	3,932,618	—	60,408	3,872,210	63,594
Construction loan from Hoa Mai Gardens	25,300,000	—	14,598,694	10,701,306	124,112
Loan payable to primary government from Hoa Mai Gardens	14,909,397	2,071,800	—	16,981,197	—
Construction loan from Red Cedar	50,001	24,708,863	—	24,758,864	—
Loan payable to City of Seattle from Red Cedar	1,692,403	11,315,737	—	13,008,140	—
Loan payable to WA State Housing Trust fund from NewHolly Phase I	1,700,000	—	—	1,700,000	—
Loan payable to City of Seattle from NewHolly Phase I	801,579	—	—	801,579	—
Loan payable to primary government from NewHolly Phase I	13,034,079	2,494,412	—	15,528,491	—
Loan payable to primary government from West Seattle properties	20,125,000	2,794,458	—	22,919,458	—
Capital lease to primary government from West Seattle properties	2,180,000	—	—	2,180,000	43,600
Total notes	292,866,287	43,686,633	15,270,216	321,282,704	493,162

	Balance January 1, 2018	Additions/ transfers	Retirements	Balance December 31, 2018	Due within one year
Bonds payable – High Point North	$ 8,308,990	—	273,392	8,035,598	286,945
Bonds payable – High Point South	14,360,000	—	360,000	14,000,000	360,000
Bonds payable – Leschi House	3,323,492	—	54,679	3,268,813	57,306
Bonds payable - NewHolly Phase I	22,180,000	—	160,001	22,019,999	15,545,000
Bonds payable - West Seattle Properties	25,000,000	—	70,000	24,930,000	150,000
Total bonds	73,172,482	—	918,072	72,254,410	16,399,251
Total long-term debt	$ 366,038,769	43,686,633	16,188,288	393,537,114	16,892,413

Debt service requirements of long-term obligations of the component units as of December 31, 2018 are as follows:

				Total	
		Bonds	Notes	Principal	Interest
2019	$	18,118,570	7,289,992	16,892,413	8,516,149
2020		19,120,132	20,763,399	31,562,897	8,320,634
2021		2,506,902	7,682,899	2,035,087	8,154,714
2022		2,479,075	7,712,718	2,088,263	8,103,530
2023		2,460,090	7,735,835	2,146,746	8,049,179
2024–2028		12,730,195	40,577,871	14,062,250	39,245,816
2029–2033		13,193,200	39,154,525	15,317,294	37,030,431
2034–2038		11,910,059	40,520,531	17,326,968	35,103,622
2039–2043		8,375,272	40,959,930	18,014,795	31,320,407
2044–2048		3,444,203	105,255,827	84,865,328	23,834,702
2049–2053		—	29,661,100	15,231,903	14,429,197
2054–2058		—	41,582,447	28,862,525	12,719,922
2059–2063		—	48,373,589	36,401,750	11,971,839
2064–2068		—	101,220,666	95,720,755	5,499,911
2069–2073		—	13,119,051	13,008,140	110,911
Total requirements	$	94,337,698	551,610,380	393,537,114	252,410,964

The component units have adopted Accounting Standards Update 2015-03, Simplifying the Presentation of Debt Issuance Costs (ASU 2015-03) which requires debt issuance costs and discounts be reported as a reduction in the carrying amount of the related debt rather than an asset. Amortization of the debt issuance costs is reported as interest expense rather than as amortization expense. The table below shows the detail of those amounts.

		Notes payable to primary government	Notes payable	Bonds payable	Total
Amount of debt	$	245,240,816	76,041,888	72,254,410	393,537,114
Unamortized discount		—	—	(90,698)	(90,698)
Unamortized debt issuance costs		(1,230,458)	(334,486)	(1,506,778)	(3,071,722)
Net debt amount	$	244,010,358	75,707,402	70,656,934	390,374,694

(8) Unearned Revenue – Operating Leases

The Authority leased the building and land of the Ritz Apartments to the Ritz Apartments partnership beginning in August 2004. The lease term is 75 years and the Authority has received all required payments. The lease includes a purchase option in which Ritz Apartments has the right to require the Authority to convey legal title to the property for a total purchase price equal to $1 plus the sum of the amount remaining to be paid or outstanding on the bonds any time after all lease payments have been made. Assets held for lease included the land of $194,480, building and improvements with a cost of $1,395,225, and accumulated depreciation at December 31, 2018 of $528,935.

The Authority leased the building and land of the Alder Crest Apartments to the Alder Crest partnership beginning in December 2005. The lease matures December 31, 2080. The lease includes a purchase option in which Alder Crest has the right to require the Authority to convey legal title to the property for a total purchase price of $1 any time after December 31, 2104. The Authority has received all payments required under the terms of the lease. Assets held for lease included land of $595,017, building and improvements with a cost of $1,405,230, and accumulated depreciation at December 31, 2018 of $509,444.

Phase I homeWorks has leased seven public housing buildings and the related land from the Authority for the purpose of rehabilitating and operating the properties. The initial lease amount was $11,434,750 and all payments have been received. The lease matures December 31, 2104. Assets held for lease included land of $982,235, building and improvements with a cost of $17,052,143, and accumulated depreciation at December 31, 2018 of $16,883,421.

Phase II homeWorks has leased seven public housing buildings and the related land from the Authority for the purpose of rehabilitating and operating the properties. The initial lease amount was $12,171,533 and all payments have been received. The lease matures December 31, 2105. Assets held for lease included land of $804,323, building and improvements with a cost of $16,997,451 and accumulated depreciation at December 31, 2018 of $16,995,432.

Phase III homeWorks has leased seven public housing buildings and the related land from the Authority for the purpose of rehabilitating and operating the properties. The initial lease amount was $11,446,098 and all payments have been received. The lease matures December 31, 2106. Assets held for lease included land of $1,088,828, building and improvements with a cost of $18,442,567, and accumulated depreciation at December 31, 2018 of $18,026,155.

The Authority leased the building and land of the Douglas Apartments to South Shore Court beginning in December 2008. The lease matures December 31, 2083. The lease includes a purchase option in which South Shore Court has the right to require the Authority to convey legal title to the property for a total purchase price of $1 any time after December 31, 2058. The Authority has received all payments required under the terms of the lease. Assets held for lease included land of $813,062, building and improvements with a cost of $2,856,708, and accumulated depreciation at December 31, 2018 of $850,800.

The Lake City Court has leased land and improvements from the Authority beginning May 2010 for the purpose of constructing an 86-unit affordable apartment building in northeast Seattle. The initial lease amount was $2,750,000 of which $1,391,215 is a note payable due to the Authority no later than May 1, 2065, and payments are subject to available cash flow of the partnership. The lease matures December 31, 2109. Assets held for lease included land with a cost of $951,658.

The Authority has leased land to Kebero Court for the purpose of constructing a 103-unit affordable apartment building as part of the overall Yesler Terrace development. The initial lease amount was $365,615 based on the appraised land value and was presented as a capital contribution from the Authority. The lease matures December 31, 2112. Assets held for lease include land with a value of $8,327 as of December 31, 2018.

The Authority has leased land to Leschi House for the purpose of constructing a 35-unit addition to Leschi House. The initial lease amount was $3,110,000 based on the appraised land value and was presented as a capital contribution from the Authority. The lease matures December 31, 2112. Assets held for lease included land of $427,500, building and improvements with a cost of $1,700,469, and accumulated depreciation of $775,793 as of December 31, 2018.

The Authority has leased the land improvements and structures of phase one of the NewHolly redevelopment to the NewHolly Phase I partnership for the purpose of performing rehabilitation of the building exteriors in phase one of the redevelopment. The initial lease amount was $19,250,000. The lease matures December 31, 2115. Assets held for lease included land improvements of $1,341,315, building and improvements with a cost of $24,446,539, and accumulated depreciation of $8,310,018 as of December 31, 2018.

The Authority has leased three properties to the West Seattle Properties partnership. The land held by the Authority at Longfellow Creek, Wisteria Court, and Roxhill Court was recorded at amounts of $1,058,491, $753,805, and $649,799, respectively. The initial lease amount for the land was $2,180,000. In addition, the Authority leased building and improvements to the partnership for Longfellow Creek, Wisteria Court, and Roxhill Court with an initial lease amount of $26,810,000. The building and improvements included were $6,011,531 at Longfellow Creek, $6,476,793 at Wisteria Court, and $2,203,033 at Roxhill Court. As of December 31, 2018 accumulated depreciation was $2,131,268, $2,418,695, and $1,405,325, respectively. Of the $26,810,000, $6,685,000 was paid at closing and the remaining $20,125,000 is in the form of a note payable to the Authority. The lease expires on December 31, 2116.

Unearned lease payments are shown as unearned revenue on the statement of net position. The following schedule shows related unearned rental revenue as of December 31, 2018.

		Original lease amount	Unearned revenue
Ritz Apartments	$	1,600,000	1,294,226
Alder Crest Apartments		1,935,000	1,599,600
homeWorks I		11,434,750	9,933,513
homeWorks II		12,171,533	10,692,563
homeWorks III		11,446,098	10,170,306
South Shore Court		3,650,000	3,163,329
Lake City Court		2,750,000	1,261,663
Leschi House		3,110,000	2,950,553
Kebero Court		365,615	339,797
NewHolly Phase I		19,250,000	18,809,262
West Seattle Properties		28,990,000	28,922,475
Total	$	96,702,996	89,137,287

Unearned lease revenues as of December 31, 2018 are reflected in the statement of net position in current and long-term liabilities in the amounts of $803,908 and $88,333,379, respectively.

(9) Deferred Outflows and Deferred Inflows of Resources

The composition of deferred outflows and deferred inflows of resources at December 31, 2018 are summarized as follows:

	Pensions	OPEB	Total
Deferred outflows of resources	$ 3,730,316	$ 226,729	$ 3,957,045
Deferred inflows of resources	7,273,169	543,828	7,816,997

(10) Pension Plans

Substantially all of the Authority’s full-time and qualifying part-time employees participate in the Washington State Public Employees Retirement System (PERS), a defined benefit, cost-sharing, multiple-employer public employee retirement system. PERS issues publicly available reports which can be obtained from the Washington State Department of Retirement Systems’ (DRS) website at www.drs.wa.gov or at 402 Legion Way, Olympia, WA 98504.

(a) Aggregated Balances

The Authority's aggregated balances of net pension liability, net pension assets and deferred inflows and outflows of resources as of December 31, 2018 are presented in the table below.

	Net pension liability	Deferred outflows	Deferred inflows
PERS 1	$12,869,324	1,024,754	511,420
PERS 2/3	6,298,571	2,705,562	6,761,749
Total	$19,167,895	3,730,316	7,273,169

(b) Plan Description

The State legislature established PERS in 1947 under RCW Chapter 41.40. Membership in the system includes: elected officials; State employees; employees of the Supreme, Appeals, and Superior courts (other than judges); employees of legislative committees; college and university employees not in national higher education retirement programs; judges of district and municipal courts; noncertificated employees of school districts; and employees of local government. Approximately 50% of PERS members are State employees. PERS contains separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3 and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of the benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of Plan 2/3 may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest-paid consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's AFC times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. Members are eligible for retirement with a full benefit at age 65 with at least five years of service credits. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 service credits and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credits and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the Consumer Price Index), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of five percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

(c) Pension Plan Fiduciary Net Position

The pension plans' fiduciary net positions have been determined on the same basis used by the pension plans. DRS financial statements have been prepared in conformity with GAAP. The retirement plans are accounted for as pension trust funds using the flow of economic resources measurement focus and the accrual basis of accounting. Plan member contributions are recognized as revenues in the period in which the contributions are earned. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

The Washington State Investment Board (WSIB) has been authorized by statute (chapter 43.33A of the RCW) as having the investment responsibility for the pension funds. Investments are reported at fair value, and unrealized gains and losses are included as investment income in the statement of changes in fiduciary net position presented in the DRS Comprehensive Annual Financial Report. Purchases and sales of investments are recorded on a trade-date basis.

Detailed information about the pension plan's fiduciary net position is available in the separately issued DRS financial report.

(d) Contributions

Each biennium, the legislature establishes Plan 1 and Plan 3 employer contribution rates and Plan 2 employer and employee contribution rates. Employee contribution rates for Plan 1 are established by legislative statute and do not vary from year to year. Employer rates for Plan 1 are not necessarily adequate to fully fund the system. The employer and employee contribution rates for Plan 2 and for Plan 3 are developed by the Office of the State Actuary to fully fund the system. The Plan 2/3 employer rates include an administrative expense that is currently at 0.18% and a component to address the PERS Plan 1 unfunded actuarial accrued liability as provided for in chapter 41.45 of the RCW. The methods used to determine the contribution requirements were established under State statute. All employers are required to contribute at the level established by the legislature and the Office of the State Actuary.

The actual contribution rates for the employers and employees were changed during the year. Effective September 1, 2018 employer rates were increased from 12.70% to 12.83% for all plans. Contributions rates for employees in Plan 2 increased from 7.38% to 7.41% effective September 1, 2018.

The Authority's employer and employee contribution rates as a percentage of covered payroll and required contributions for employees covered by PERS as of December 31, 2018 were:

	PERS Plan 1 required	PERS Plan 2 required	PERS Plan 3 required
Employer	12.83%	12.83%	12.83%
Employee	6.00	7.41	varies

		PERS Plan 1 required	PERS Plan 2 required	PERS Plan 3 required
Employer	$	5,846	3,820,955	1,217,813
Employee		2,751	2,217,015	626,166
	$	8,597	6,037,970	1,843,979

(e) Actuarial Assumptions

The total pension liability for each of the plans was determined by an actuarial valuation as of June 30, 2017, with the results rolled forward to the June 30, 2018 measurement date. The following actuarial assumptions have been applied to all prior periods included in the measurement:

Inflation	2.75 percent total economic inflation, 3.50 percent salary inflation
Salary increases	In addition to the base 3.50 percent salary inflation assumptions, salaries are also expected to grow by promotions and longevity
Investment rate of return	7.40 percent

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Washington State Office of the State Actuary (OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100% Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2017 report were based on the results of OSA's 2007-2012 Experience Study. Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report.

(f) Discount Rate

The discount rate used to measure the total pension liability was 7.40 percent for all the plans. To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net assets was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency tests for PERS included an assumed 7.50 percent long term discount rate to determining funding liabilities for calculating future contribution rate requirements.

Consistent with the long term expected rate of return, a 7.40 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at the contractually required rates which includes the component of PERS 2/3 pertaining to the unfunded actuarial accrued liability for PERS 1, as provided for in chapter 41.45 of the RCW.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.40 percent on pension plan investments was applied to determine the total pension liability.

(g) Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The table below presents the Authority's net pension liability calculated using the discount rate of 7.40 percent as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.40 percent) or one percentage point higher (8.40 percent) than the current rate.

Plan		1% decrease	Current discount rate	1% increase
PERS 1	$	15,815,595	12,869,324	10,317,258
PERS 2/3		28,809,811	6,298,571	(12,158,133)
Total	$	44,625,406	19,167,895	(1,840,875)

(h) Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined by the WSIB using a building-block method in which the best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected real rate of return
Fixed income	20.00%	1.70%
Tangible assets	7.00%	4.90%
Real estate	18.00%	5.80%
Global equity	32.00%	6.30%
Private equity	23.00%	9.30%

The inflation component used to create the table is 2.20 percent and represents WSIB's most recent long-term estimate of broad economic inflation.

(i) Proportionate Share

Collective pension amounts are determined as of a measurement date which can be no earlier than an employer's prior fiscal year. The measurement date for the net pension liabilities recorded by the Authority as of December 31, 2018 was June 30, 2018, the Plan's fiscal year end. The Authority's contributions received and processed by DRS during DRS' fiscal year ended June 30, 2018 have been used as the basis for determining the Authority's proportionate share of the collective pension amounts reported by DRS in their June 30, 2018 Schedules of Employer and Nonemployer Allocations for PERS Plans 1, 2 and 3. The proportionate share for the years ended December 31, 2018 and 2017 was 0.288 percent and 0.287 percent for Plan 1, respectively, and 0.369 percent and 0.365 percent for Plan 2/3, respectively.

(j) Pension Expense and Deferred Outflows and Inflows of Resources

For the year ended December 31, 2018, the amount of pension expense recognized by the Authority was $1,141,531 for PERS 1 and $(135,696) for PERS 2/3 and is reported on the statement of revenues, expenses and changes in net position as a component of housing operations and administration expenses.

The Authority's deferred outflows of resources and deferred inflows of resources pertaining to PERS as of December 31, 2018 are presented in the following table:

Plan	Description		Deferred outflows of resources	Deferred inflows of resources
PERS 1	Difference between projected and actual earnings on plan investments, net	$	—	(511,420)
PERS 1	Contributions subsequent to the measurement date of the collective net pension liability		1,024,754 *	—
PERS 2/3	Difference between projected and actual earnings on plan investments, net		—	(3,865,095)
PERS 2/3	Contributions subsequent to the measurement date of the collective net pension liability		1,506,253 *	—
PERS 2/3	Difference between expected and actual experience		772,040	(1,102,764)
PERS 2/3	Change in proportionate share		353,586	(1,368)
PERS 2/3	Change of assumptions		73,683	(1,792,522)
	Total	**$**	3,730,316	(7,273,169)

* PERS 2/3 employer rates include a component to address the PERS 1 Unfunded Actuarial Accrued Liability (UAAL). Those contributions for PERS 2/3 related to the UAAL have been reflected as PERS 1 contributions subsequent to the measurement date of the collective net pension liability above.

Deferred outflows of resources related to the Authority's contributions subsequent to the measurement date of $2,531,007 will be recognized as a reduction of the net pension liability as of December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year		PERS 1	PERS 2/3	All Plans
2019	$	22,374	(507,603)	(485,229)
2020		(111,799)	(1,217,268)	(1,329,067)
2021		(335,478)	(2,307,064)	(2,642,542)
2022		(86,517)	(818,240)	(904,757)
2023		—	(265,534)	(265,534)
Thereafter		—	(446,731)	(446,731)
Total	**$**	(511,420)	(5,562,440)	(6,073,860)

(11) Deferred Compensation Plan

The Authority, in conjunction with the State, offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is managed by the Washington State Department of Retirement Systems. In June 1998, the State Deferred Compensation Program plan assets were placed into trust for the exclusive benefit of participants and their beneficiaries. Pursuant to GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, since the Authority is not the owner of these assets, the plan assets and liabilities are not reported as part of the Authority.

(12) Other Postemployment Benefits (OPEB)

(a) Plan Description and Funding Policy

The Authority participates in the City Health Care Blended Premium Subsidy, a single employer postemployment healthcare plan administered by the City. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 as this is an unfunded plan. Employees who retire from the Authority and spouses of employees who have passed away may continue medical coverage until age 65. Eligible retirees self-pay 100% of the premium based on blended rates, which were established by including the experience of retirees with the experience of active employees for underwriting purposes. Retirees age 65 or older may also enroll in Medicare supplemental programs. The Authority's employees are included with the City of Seattle for this plan.

The postemployment benefit provisions are established and may be amended by City ordinances.

At January 1, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	6
Active employees	515
Total	521

(b) Total OPEB Liability

The total OPEB liability of $1,543,594 as of December 31, 2018 was measured as of January 1, 2018 and was determined by an actuarial valuation as of that date. The following is a schedule of changes in the total OPEB liability for the year ended December 31, 2018.

Beginning balnce as of December 31, 2017 using a measurement date of January 1, 2017	$	1,798,221
Service cost		137,862
Interest on total OPEB liability		71,892
Differences between expected and actual experience		226,248
Change of assumptions		(621,629)
Benefit payments		(69,000)
Ending balance as of December 31, 2018 using a measurement date of January 1, 2018	$	1,543,594

(c) Actuarial Methods, Assumptions, and Other Inputs

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the time of the valuation and the pattern of sharing of benefit costs between the employer and plan members to that point.

In the January 1, 2018 actuarial valuation, the actuarial methods, assumptions, and other inputs were as follows:

Participation	Based on review of recent experience, 25% of active employees who retire are assumed to participate.
Mortality	Mortality assumptions are derived from the RP-2014 tables, adjusted by 95% for retirees, 60% for male active employees and 95% for female active employees.
Dependent coverage	Based on review of recent experience, 35% of members electing coverage are assumed to be married or to have a registered domestic partner and to cover their spouse in retirement. It is assumed that children will have aged off of coverage.
Service retirement, disability rates and termination rates	Based on the Seattle City Employees' Retirement System 2014-2017 investigation of experience report.

Health care cost trend rate	Initial rate of 7.7% reaching the ultimate rate of 4.5% in 2030.
Valuation method	Entry age normal actuarial cost method. The total liability for all benefits is the Present Value of Total Benefits (PVB). Under the Entry Age Normal method the Actuarial Accrued Liability (AAL) for active members is calculated as the portion of the PVB allocated to prior fiscal years. The cost allocated to the current fiscal year is called normal cost. For members currently receiving benefits, members beyond age 70, and members entitled to deferred benefits, the AAL is equal to the present value of the benefits expected to be paid; there is normal cost for these participants. This method allocates the liability as a level percentage of payroll over past and future service. Under this method, projected benefits are determined for all members and the associated liabilities are spread over employment history from the age of hire to assumed retirement age. The normal cost is intended to remain at or near a level percentage over time.
Discount rate	As the plan is unfunded, the discount rate is based entirely on the Bond Buyer municipal bond index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Using this Index, a discount rate of 3.44% was used for the January 1, 2018 measurement date and a discount rate of 3.78% was used for the January 1, 2017 measurement date, the date of implementation of GASB Statement No. 75.

Material assumption changes during the measurement period include updating the discount rate as of each measurement date, as required by GASB 75. The discount rate used for the beginning total OPEB liability was 3.78% and the discount rate used for the ending total OPEB liability was 3.44%.

(d) OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended December 31, 2018, the Authority recognized OPEB expense of $160,269. The tables below summarize the Authority's deferred outflows of resources and deferred inflows of resources related to the OPEB plan, together with the related future year impacts to OPEB expense from amortization of those deferred amounts. Note that deferred outflows of resources related to the Authority's contributions subsequent to the measurement date are recognized as a reduction of the total OPEB liability in the following year and are not amortized to OPEB expense.

Deferred outflows of resources and deferred inflows of resources:

		Deferred outflows	Deferred inflows
Difference between expected and actual experience	$	197,932	—
Changes of assumptions		—	(543,828)
Subtotal		197,932	(543,828)
Contributions made in year ending 12/31/18 after the measurement date		28,797	—
Total	$	226,729	(543,828)

Amortization of deferred outflows and deferred inflows of resources:

Year ending December 31		
2019	$	(49,485)
2020		(49,485)
2021		(49,485)
2022		(49,485)
2023		(49,485)
Thereafter		(98,471)
Total	$	(345,896)

(e) Sensitivity of the OPEB Liability to Changes in the Discount Rate

The table below presents the Authority's total OPEB liability calculated using the discount rate of 3.44 percent as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.44 percent) or one percentage point higher (4.44 percent) than the current rate.

		1% decrease	Current discount rate	1% increase
Total OPEB Liability	$	1,681,869	1,543,594	1,417,074

(f) Sensitivity of the OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following table presents the Authority's total OPEB liability calculated using an initial healthcare cost trend rate of 7.7 percent that decreases to the ultimate rate of 4.5 percent in 2030, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.7 percent decreasing to 3.5 percent) or one percentage point higher (8.7 percent decreasing to 5.5 percent) than the current healthcare cost trend rates:

	1% decrease	Current Healthcare Cost Trend Rates	1% increase
Total OPEB Liability	$ 1,381,014	1,543,594	1,733,025

(13) Risk Management

The Authority maintains insurance against most normal hazards. Property insurance coverage is at a limit of $100 million, with a deductible of $50,000. The total insured value for buildings, business personal property and business income are insured on a blanket basis. Earthquake insurance coverage is $1 million per occurrence, with a deductible of $100,000 per occurrence. The Authority participates in the Housing Authority Risk Retention Group (HARRG) in order to obtain stable and affordable general liability insurance coverage. General liability coverage provided is $15 million per year, with a deductible of $25,000 per occurrence. The Authority also maintains a number of other insurance policies necessary and appropriate in the normal course of business, including employee fidelity, public official liability and cyber liability insurance. The amount of settlements has not exceeded insurance coverage for each year of the past three fiscal years.

The Authority's economic risk as a participant in HARRG is limited to the Authority's initial surplus contribution of $90,000 and the payment of annual premiums for its general liability insurance coverage. Although the underwriting experience of HARRG may result in increased annual premium charges and/or assessments against each participant's surplus contribution account, the Authority's exposure to any net loss allocation is restricted to its surplus contribution account balance.

The Authority has elected to pay for its employment security coverage via quarterly reimbursements to the Washington State Department of Employment Security. This reimbursable method of payment is in lieu of unemployment taxes and the election is authorized for all political subdivisions under Washington State Law (RCW 50.44.060).

(14) Contingencies

In connection with various federal and state grant programs, the Authority is obligated to administer related programs and spend the grant monies in accordance with regulatory restrictions, and is subject to audit by the grantor agencies. In cases of noncompliance, the agencies involved may require the Authority to refund program monies. The amount, if any, of expenses, which may be disallowed by the grantor, cannot be determined at this time although the Authority expects such amount, if any, to be immaterial.

As of December 31, 2018, the Authority and its component units have outstanding construction contracts and other commitments totaling approximately $25.5 million. These commitments are primarily related to the implementation of redevelopment activities and capital projects funded by federal, state, and local financial assistance, tax-exempt bonds, and tax credit equity contributions.

The Authority is also contingently liable in connection with claims and contracts arising in the normal course of its activities. Authority management is of the opinion that the outcome of such matters will not have a material effect on the accompanying financial statements.

(15) General Revenue Pledge

The Authority issues certain bonds and short-term borrowings that are backed by the general revenues of the Authority. The Authority also backs certain bonds issued by its discretely presented component units. For some borrowings, revenues from the properties are intended to be the primary source of repayment and the revenues of the Authority would be used only if those revenues are not sufficient to cover the required payments. As of December 31, 2018 the amount of available general revenue was $201.3 million and the total pledged revenues are as follows:

Description of debt	Purpose of Debt	Year Issued	Total future revenues pledged	Proportion of annual debt service pledged to 2018 general revenue	Term of commitment	Annual debt service
Obligations of the Authority						
Project revenues are primary repayment source:						
Fixed Rate taxable	Refunding of bonds for Gamelin/Genesee mixed use buildings	2015	$ 4,227,316	0.13%	2035	$ 253,183
Fixed Rate bonds	2013 Refunding for Montridge Arms, Main Street Apartments, 2002 Replacement Housing projects, Yesler Court properties	2013	20,938,745	0.42	2043	847,906
Fixed Rate bonds	2014 Refunding for Market Terrace, Mary Avenue Townhomes, Bayview Tower, Lake City Commons, Villa Park, Telemark Apartments, Main Place II, Delridge Triplexes, 5983 Rainier Ave, 924 MLK Way and Baldwin Apartments	2014	22,346,606	0.43	2044	861,144
Fixed Rate bonds	2018 Refunding for NewHolly Phase II and III, Rainier Vista Phase I and Wedgewood estates	2018	55,819,308	0.97	2047	1,961,285
General revenues are primary repayment source:						
Variable Rate bonds	Rehabilitation of Douglas Apartments	2009	2,683,510	0.06	2040	116,050
Taxable short term line of credit	Pay off loan for Tamarack Condo	2018	994,686	0.02	2018	45,756
Real Estate short term line of credit	Purchase Spring Lake Apartments	2018	8,000,000	0.17	2018	336,000
Non-revolving line of credit $2.5 million	Loan to West Seattle Properties	2018	2,500,000	0.05	2018	99,000

Description of debt	Purpose of Debt	Year Issued	Total future revenues pledged	Proportion of annual debt service pledged to 2018 general revenue	Term of commitment	Annual debt service
Obligations of the Authority for component units:						
Project revenues are primary repayment source:						
Fixed Rate bonds for component unit	Construction of housing units at High Point redevelopment, Phase I	2004	$ 12,346,246	0.35	2036	705,952
Fixed Rate bonds for component unit	Construction of housing units at High Point redevelopment, Phase II	2007	19,670,000	0.32	2039	640,000
Fixed Rate bonds for component unit	Construction of housing units at Kebero Court	2013	13,265,913	0.24	2034	486,822
Fixed Rate bonds for component unit	Construction of housing units at Raven Terrace	2015	7,323,088	0.13	2034	261,539
Fixed Rate bonds for component unit	Construction of housing units at Hoa Mai Gardens	2016	21,938,617	0.31	2034	633,512
Fixed Rate bonds for component unit	Rehabilitation of houring units at New Holly Phase I	2016	10,119,504	0.18	2046	362,021
Fixed Rate bonds for component unit	Rehabilitation of houring units at Longfellow creek, Roxhill Court and Wisteria Court	2017	13,732,566	0.22	2017	436,875
Fixed Rate bonds for component unit	Construction of housing units at Red Cedar	2018	25,643,453	—	2048	—
Equity investment is are primary repayment source:						
Fixed rate construction loan	Construction of housing units at New Holly Phase I	2016	15,458,062	7.66	2019	15,428,062
Variable rate construction loan	Construction of housing units at Red Cedar	2014	11,472,713	0.22	2020	449,233
Variable rate construction loan	Rehabilitation of houring units at Longfellow creek, Roxhill Court and Wisteria Court	2017	16,983,225	0.16	2020	321,750
Total General Revenue Pledge and annual debt service			$ 285,463,558			24,246,090

(16) Discretely Presented Component Units Condensed Financial Information

The following tables reflect the condensed statements of net position and statements of revenues, expenses, and changes in net position for the discretely presented component units as of and for the year ended December 31, 2018:

		Condensed statements of net position				
		Tamarack Place	Rainier Vista NE	High Point North	High Point South	Ritz Apartments
Cash and cash equivalents	$	796,974	1,296,270	3,314,716	2,118,995	102,013
Current receivables from primary government		90,408	55,169	67,514	25,375	46,686
Capital assets, net		11,158,428	18,035,481	38,916,976	43,638,164	1,623,672
Other assets		33,829	89,511	188,490	235,650	13,530
Total assets	$	12,079,639	19,476,431	42,487,696	46,018,184	1,785,901
Current payables due to primary government		131,366	58,882	347,174	800,424	32,032
Other current payables		115,532	193,431	875,295	2,641,144	178,270
Long-term payables to primary government		11,037,212	16,336,292	28,375,873	14,445,847	413,806
Bonds and other long-term liabilities		875,951	2,335,063	9,308,335	15,370,847	1,363,170
Total liabilities	$	12,160,061	18,923,668	38,906,677	33,258,262	1,987,278
Net investment in capital assets		(117,244)	(663,933)	4,220,433	14,733,331	(34,911)
Restricted net position		536,122	1,116,611	2,097,871	1,268,937	91,463
Unrestricted net position		(499,300)	100,085	(2,737,285)	(3,242,346)	(257,929)
Total net position	$	(80,422)	552,763	3,581,019	12,759,922	(201,377)
		Condensed statements of revenues, expenses and changes in net position				
Operating revenues	$	977,370	1,497,779	3,866,618	3,849,968	264,738
Depreciation/amortization		(363,608)	(837,729)	(1,766,398)	(1,625,630)	(104,805)
Other operating expenses		(669,631)	(934,528)	(2,627,459)	(2,093,428)	(148,919)
Operating income (loss)		(55,869)	(274,478)	(527,239)	130,910	11,014
Nonoperating expense		(163,762)	(370,353)	(756,213)	(512,402)	(59,262)
Change in net position before partners' contributions		(219,631)	(644,831)	(1,283,452)	(381,492)	(48,248)
Partners' contributions		—	—	—	—	—
Beginning net position		139,209	1,197,594	4,864,471	13,141,414	(153,129)
Ending net position	$	(80,422)	552,763	3,581,019	12,759,922	(201,377)

		Condensed statements of net position				
		Alder Crest	South Shore Court	homeWorks I	homeWorks II	homeWorks III
Cash and cash equivalents	$	360,674	488,993	3,284,453	3,060,010	2,044,906
Current receivables from primary government		23,194	7,417	93,942	109,882	157,113
Capital assets, net		4,603,301	8,292,709	23,059,722	27,668,288	21,566,147
Other assets		26,853	31,195	728,381	353,683	248,439
Total assets	$	5,014,022	8,820,314	27,166,498	31,191,863	24,016,605
Current payables due to primary government		—	46,760	308,907	8,814	8,812
Other current payables		219,937	759,531	845,608	943,740	510,149
Long-term payables to primary government		890,185	1,740,355	29,092,932	33,533,430	24,824,959
Bonds and other long-term liabilities		2,023,194	6,153,809	45,406	38,319	51,448
Total liabilities	$	3,133,316	8,700,455	30,292,853	34,524,303	25,395,368
Net investment in capital assets		1,987,652	550,967	(568,960)	(48,687)	939,479
Restricted net position		348,674	400,403	3,117,561	2,892,094	1,905,221
Unrestricted net position		(455,620)	(831,511)	(5,674,956)	(6,175,847)	(4,223,463)
Total net position	$	1,880,706	119,859	(3,126,355)	(3,332,440)	(1,378,763)
		Condensed statements of revenues, expenses and changes in net position				
Operating revenues	$	350,009	484,365	4,754,283	5,771,371	5,256,312
Depreciation/amortization		(248,457)	(246,463)	(888,256)	(990,080)	(742,144)
Other operating expenses		(252,641)	(270,466)	(4,507,343)	(4,570,557)	(4,134,034)
Operating income (loss)		(151,089)	(32,564)	(641,316)	210,734	380,134
Nonoperating expense		(26,367)	(164,020)	(667,358)	(989,197)	(897,171)
Change in net position before partners' contributions		(177,456)	(196,584)	(1,308,674)	(778,463)	(517,037)
Partners' contributions		—	—	—	—	—
Beginning net position		2,058,162	316,443	(1,817,681)	(2,553,977)	(861,726)
Ending net position	$	1,880,706	119,859	(3,126,355)	(3,332,440)	(1,378,763)

(Continued)

	Condensed statements of net position				
	Lake City Court	Leschi House	Kebero Court	Raven Terrace	Hoa Mai Gardens
Cash and cash equivalents	$ 756,380	786,335	1,236,860	775,630	5,716,746
Current receivables from primary government	33,324	—	—	—	—
Capital assets, net	22,343,288	11,960,490	26,554,799	24,139,271	45,301,654
Other assets	109,040	3,193,901	1,180,765	140,232	289,251
Total assets	$ 23,242,032	15,940,726	28,972,424	25,055,133	51,307,651
Current payables due to primary government	81,633	48,955	17,383	86,102	28,088
Other current payables	106,843	335,656	328,930	248,730	2,159,039
Long-term payables to primary government	18,809,927	929,163	10,064,089	11,658,925	20,267,004
Bonds and other long-term liabilities	7,505	7,077,546	8,430,674	4,926,402	10,529,140
Total liabilities	$ 19,005,908	8,391,320	18,841,076	16,920,159	32,983,271
Net investment in capital assets	4,614,496	4,200,011	9,245,215	8,981,089	17,738,481
Restricted net position	626,717	299,033	852,153	567,916	2,638,776
Unrestricted net position	(1,005,089)	3,050,362	33,980	(1,414,031)	(2,052,877)
Total net position	$ 4,236,124	7,549,406	10,131,348	8,134,974	18,324,380

	Condensed statements of revenues, expenses and changes in net position				
Operating revenues	$ 773,586	738,322	1,371,696	969,660	1,524,328
Depreciation/amortization	(873,972)	(390,801)	(802,880)	(836,054)	(1,277,615)
Other operating expenses	(636,792)	(383,714)	(624,611)	(549,628)	(709,770)
Operating income (loss)	(737,178)	(36,193)	(55,795)	(416,022)	(463,057)
Nonoperating (expense) revenue	(197,102)	(253,488)	(673,369)	(465,823)	(827,920)
Change in net position before partners' contributions	(934,280)	(289,681)	(729,164)	(881,845)	(1,290,977)
Partners' contributions	—	471,940	525,000	205,247	15,305,392
Beginning net position	5,170,404	7,367,147	10,335,512	8,811,572	4,309,965
Ending net position	$ 4,236,124	7,549,406	10,131,348	8,134,974	18,324,380

(Continued)

		Condensed statements of net position			
		Red Cedar	NewHolly Phase I	West Seattle Properties	Total
Cash and cash equivalents	$	2,163,428	2,967,695	15,698,265	46,969,343
Current receivables from primary government		—	—	—	710,024
Capital assets, net		54,100,649	41,438,390	39,562,875	463,964,304
Other assets		—	216,003	139,596	7,218,349
Total assets	$	56,264,077	44,622,088	55,400,736	518,862,020
Current payables due to primary government		2,864,214	228,338	281,706	5,379,590
Other current payables		7,890,207	17,754,013	3,797,957	39,904,012
Long-term payables to primary government		9,699,736	17,057,594	25,712,728	274,890,057
Bonds and other long-term liabilities		28,128,864	8,848,564	24,422,327	129,936,564
Total liabilities	$	48,583,021	43,888,509	54,214,718	450,110,223
Net investment in capital assets		16,333,645	1,577,052	(10,098,506)	73,589,610
Restricted net position		1,950,215	2,253,573	1,282,031	24,245,371
Unrestricted net position		(10,602,804)	(3,097,046)	10,002,493	(29,083,184)
Total net position	$	7,681,056	733,579	1,186,018	68,751,797

		Condensed statements of revenues, expenses and changes in net position			
Operating revenues	$	88	2,943,882	1,401,486	36,795,861
Depreciation/amortization		—	(1,019,599)	(677,552)	(13,692,043)
Other operating expenses		—	(2,056,069)	(1,132,751)	(26,302,341)
Operating income (loss)		88	(131,786)	(408,817)	(3,198,523)
Nonoperating revenue (expense)		—	(504,664)	(828,674)	(8,357,145)
Change in net position before partners' contributions		88	(636,450)	(1,237,491)	(11,555,668)
Partners' contributions		593,107	—	—	17,100,686
Beginning net position		7,087,861	1,370,029	2,423,509	63,206,779
Ending net position	$	7,681,056	733,579	1,186,018	68,751,797

(Continued)

(17) Lease Commitment

During August 2011, the Authority executed a long-term operating lease for the central office. The lease began on April 1, 2012 and the following schedule shows the future minimum rentals under the lease:

Year ending December 31:		
2019	$	1,723,028
2020		1,723,028
2021		1,723,028
2022		1,723,028
2023		430,757
Total	$	7,322,869

Total lease expense for the year ended December 31, 2018 was $1,713,075.

(18) Pollution remediation

The Authority has a purchase and sale agreement to sell certain property in the Phase III area of the NewHolly Community known as the Othello Corner. For one of the parcels on this property, Chevron has agreed to pay for environmental cleanup required to sell the property, however the costs are expected to exceed Chevron's obligation and the Authority projects that a total of $150,000 will be needed in 2019 above the settlement amount in order to prepare the land for sale. The pollution is related to soil contamination on the property. For the other parcels on the Othello Corner, the Authority paid $14,699 in 2018 towards environmental investigative costs. The parcels are expected to be sold in 2019 and 2020 at which time $100,000 and $435,000 of the proceeds will be held by escrow after closing to pay for incremental costs associated with the buyer's environmental clean-up.

In addition, as the Authority proceeds with land sales at Yesler Terrace, negotiations regarding costs of potential pollution remediation continue. As of year end, and estimate of future costs was not available.

(19) Subsequent Events

The Authority has signed a purchase and sale agreement for three apartment buildings currently funded from HUD's project-based multi-family program. Total purchase price for the 262 units will be approximately $32.3 million and the sale is expected to be completed by the end of June, 2019. The purchase will be financed from the Authority's taxable line of credit which was increased to $40 million in 2019.

REQUIRED SUPPLEMENTARY INFORMATION
PENSION AND OPEB PLANS

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Schedules of Required Supplemental Information

Schedule of Proportionate Share of the Net Pension Liability

Last Ten Fiscal Years (Unaudited)

		2014	2015	2016	2017	2018
PERS 1						
Proportion of the net pension liability		0.283200%	0.279123%	0.285530%	0.286530%	0.288160%
Proportionate share of the net pension liability	$	14,267,693	14,600,729	15,334,306	13,596,072	12,869,324
Covered payroll through the measurement date	$	361,085	252,404	223,081	137,438	42,626
Proportionate share of the net pension liability as a percentage of covered payroll		3951.34%	5784.67%	6873.87%	9892.51%	30191.25%
Plan fiduciary net position as a percentage of the total pension liability		61.19%	59.10%	57.03%	61.24%	63.22%
PERS 2/3						
Proportion of the net pension liability		0.354434%	0.354073%	0.360458%	0.365225%	0.368896%
Proportionate share of the net pension liability	$	7,164,391	12,651,234	18,148,776	12,689,823	6,298,571
Covered payroll through the measurement date	$	30,375,164	31,546,379	33,932,176	36,047,071	38,413,259
Proportionate share of the net pension liability as a percentage of covered payroll		23.59%	40.10%	53.49%	35.20%	16.40%
Plan fiduciary net position as a percentage of the total pension liability		93.29%	89.20%	85.82%	90.97%	95.77%

Schedule of Pension Plan Contributions

Last Ten Fiscal Years (Unaudited)

PERS 1						
Contractually required contribution	$	28,502	22,792	22,957	7,396	5,846
Contributions in relation to the contractually required contribution	$	(28,502)	(22,792)	(22,957)	(7,396)	(5,846)
Contribution deficiency (excess)	$	—	—	—	—	—
Covered payroll	$	309,471	223,273	205,337	63,272	45,856
Contributions as a percentage of covered payroll		9.21%	10.21%	11.18%	11.69%	12.75%
PERS 2/3						
Contractually required contribution	$	2,827,178	3,329,025	3,918,248	4,433,870	5,038,768
Contributions in relation to the contractually required contribution	$	(2,827,178)	(3,329,025)	(3,918,248)	(4,433,870)	(5,038,768)
Contribution deficiency (excess)	$	—	—	—	—	—
Covered payroll	$	30,697,958	32,579,187	35,044,215	37,096,578	39,553,027
Contributions as a percentage of covered payroll		9.21%	10.22%	11.18%	11.95%	12.74%

Notes to the Required Supplementary Information for the year ended December 31, 2018.

Changes in benefit terms

There were no changes in the benefit terms for pension plans.

Changes of assumptions

There were no changes in the assumptions for pension plans.

GASB 68 was adopted in 2015, prior years data not available.

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Schedules of Required Supplemental Information

Schedule of Changes in Total OPEB Liability

Last Ten Fiscal Years (Unaudited)

		2018
Total OPEB liability		
Service cost	$	137,862
Interest cost		71,892
Changes of benefit terms		—
Differences between expected and actual experience		226,248
Changes of assumptions		(621,629)
Benefit payments		(69,000)
Net changes in total OPEB liability		(254,627)
Total OPEB liability – beginning		1,798,221
Total OPEB liability – ending	$	1,543,594
Covered payroll	$	41,293,112
Net OPEB liability as a percentage of covered payroll		3.74%

Notes to the Required Supplementary Information for the year ended December 31, 2018.

Schedule of contributions not required as funding is not based on actuarially determined contributions and contributions are netiher statutorily or contractually established.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

Material assumption changes during the measurment period include updating the discount rate as of each measurement date, as required by GASB 75. The discount rate used for the beginning total OPEB liability was 3.78% and the discount rate used for the ending total OPEB liability was 3.44%, resulting in a reduction of the total OPEB liability.

GASB 75 was adopted in 2018, prior years data not available.

SUPPLEMENTARY INFORMATION
COST CERTIFICATES (SEE INDEPENDENT AUDITORS' REPORT)

Actual Modernization Cost Certificate

U.S. Department of Housing and Urban Development
Office of Public and Indian Housing

OMB Approval No. 2577-0157 (exp. 01/31/2017)

Capital Fund Program (CFP)

PHA Name:	Modernization Project Number:
HOUSING AUTHORITY OF THE CITY OF SEATTLE	WA19R00150114

The PHA hereby certifies to the Department of Housing and Urban Development as follows:

1. That the total amount of Modernization Cost (herein called the "Actual Modernization Cost") of the Modernization Grant, is as shown below:

A. Funds Approved	$ 58,329
B. Funds Disbursed	$ 58,329
C. Funds Expended (Actual Modernization Cost)	$ 58,329
D. Amount to be Recaptured (A–C)	$ 0
E. Excess of Funds Disbursed (B-C)	$ 0

2. That all modernization work in connection with the Modernization Grant has been completed;
3. That the entire Actual Modernization Cost or liabilities therefor incurred by the PHA have been fully paid;
4. That there are no undischarged mechanics', laborers', contractors', or material-men's liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work;
5. That the time in which such liens could be filed has expired; and
6. That for any years in which the grantee is subject to the audit requirements of the Single Audit Act, 31 U.S.C. § 7501 et seq., as amended, the grantee has or will perform an audit in compliance with said requirements.
7. Please mark one:

☑ **A.** This grant **will** be included in the PHA's next fiscal year audit per the requirements of the Single Audit Act.

☐ **B.** This grant **will not** be included in the PHA's next fiscal year audit per the requirements of the Single Audit Act.

I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate.

Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

Name & Title of Authorized Signatory (type or print clearly):
Andrew J. Lofton - Executive Director

Signature of Executive Director (or Authorized Designee):
X [signature]

Date: 8/6/2018

For HUD Use Only

The Cost Certificate is approved for audit (if box 7A is marked):
Approved for Audit (Director, Office of Public Housing)
X HARLAN STEWART

Digitally signed by HARLAN STEWART
DN: CN = HARLAN STEWART C = US O = U.S. Government OU = Department of Housing and Urban Development, Office of Administration
Date: 2018.08.07 08:25:34 -07'00'

Date:

The costs shown above agree with HUD verified costs (if box 7A or 7B is marked):
Approved: (Director, Office of Public Housing)
X

Date:

form **HUD-53001** (10/96)
ref Handbooks 7485.1 &.3

Actual Modernization Cost Certificate

U.S. Department of Housing and Urban Development
Office of Public and Indian Housing

OMB Approval No. 2577-0157 (exp. 01/31/2017)

Capital Fund Program (CFP)

Public reporting burden for this collection of information is estimated to average 2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Reports Management Officer, Paperwork Reduction Project (2577-0044 and 0157), Office of Information Technology, U.S. Department of Housing and Urban Development, Washington, D.C.20410-3600. This agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless that collection displays a valid OMB control number.

Do not send this form to the above address.

This collection of information requires that each Housing Authority (HA) submit information to enable HUD to initiate the fiscal closeout process. The information will be used by HUD to determine whether the modernization grant is ready to be audited and closed out. The information is essential for audit verification and fiscal close out. Responses to the collection are required by regulation. The information requested does not lend itself to confidentiality.

PHA Name:	Modernization Project Number:
HOUSING AUTHORITY OF THE CITY OF SEATTLE	WA19P00150114

The PHA hereby certifies to the Department of Housing and Urban Development as follows:

1. That the total amount of Modernization Cost (herein called the "Actual Modernization Cost") of the Modernization Grant, is as shown below:

A. Funds Approved	$ 9,864,179
B. Funds Disbursed	$ 9,864,179
C. Funds Expended (Actual Modernization Cost)	$ 9,864,179
D. Amount to be Recaptured (A–C)	$ 0
E. Excess of Funds Disbursed (B-C)	$ 0

2. That all modernization work in connection with the Modernization Grant has been completed;
3. That the entire Actual Modernization Cost or liabilities therefor incurred by the PHA have been fully paid;
4. That there are no undischarged mechanics', laborers', contractors', or material-men's liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work;
5. That the time in which such liens could be filed has expired; and
6. That for any years in which the grantee is subject to the audit requirements of the Single Audit Act, 31 U.S.C. § 7501 et seq., as amended, the grantee has or will perform an audit in compliance with said requirements.
7. Please mark one:

☑ **A.** This grant **will** be included in the PHA's next fiscal year audit per the requirements of the Single Audit Act.

☐ **B.** This grant **will not** be included in the PHA's next fiscal year audit per the requirements of the Single Audit Act.

I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate.

Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

Name & Title of Authorized Signatory (type or print clearly):
Andrew J. Lofton - Executive Director

Signature of Executive Director (or Authorized Designee):	Date:
X	8/6/2018

For HUD Use Only

The Cost Certificate is approved for audit (if box 7A is marked): Approved for Audit (Director, Office of Public Housing)	Date:
X HARLAN STEWART — Digitally signed by HARLAN STEWART DN: CN = HARLAN STEWART C = US O = U.S. Government OU = Department of Housing and Urban Development, Office of Administration Date: 2018.08.07 08:23:32 -07'00'	

The costs shown above agree with HUD verified costs (if box 7A or 7B is marked): Approved: (Director, Office of Public Housing)	Date:
X	

form **HUD-53001** (10/96)
ref Handbooks 7485.1 &.3

Actual Modernization Cost Certificate

U.S. Department of Housing and Urban Development
Office of Public and Indian Housing

OMB Approval No. 2577-0157 (exp. 01/31/2017)

Capital Fund Program (CFP)

Public reporting burden for this collection of information is estimated to average 2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Reports Management Officer, Paperwork Reduction Project (2577-0044 and 0157), Office of Information Technology, U.S. Department of Housing and Urban Development, Washington, D.C.20410-3600. This agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless that collection displays a valid OMB control number.

Do not send this form to the above address.

This collection of information requires that each Housing Authority (HA) submit information to enable HUD to initiate the fiscal closeout process. The information will be used by HUD to determine whether the modernization grant is ready to be audited and closed out. The information is essential for audit verification and fiscal close out. Responses to the collection are required by regulation. The information requested does not lend itself to confidentiality.

PHA Name:	**Modernization Project Number:**
HOUSING AUTHORITY OF THE CITY OF SEATTLE	WA19R00150214

The PHA hereby certifies to the Department of Housing and Urban Development as follows:

1. That the total amount of Modernization Cost (herein called the "Actual Modernization Cost") of the Modernization Grant, is as shown below:

A. Funds Approved	$ 1,239,745
B. Funds Disbursed	$ 1,239,745
C. Funds Expended (Actual Modernization Cost)	$ 1,239,745
D. Amount to be Recaptured (A–C)	$ 0
E. Excess of Funds Disbursed (B-C)	$ 0

2. That all modernization work in connection with the Modernization Grant has been completed;
3. That the entire Actual Modernization Cost or liabilities therefor incurred by the PHA have been fully paid;
4. That there are no undischarged mechanics', laborers', contractors', or material-men's liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work;
5. That the time in which such liens could be filed has expired; and
6. That for any years in which the grantee is subject to the audit requirements of the Single Audit Act, 31 U.S.C. § 7501 et seq., as amended, the grantee has or will perform an audit in compliance with said requirements.
7. Please mark one:

☑ **A.** This grant **will** be included in the PHA's next fiscal year audit per the requirements of the Single Audit Act.

☐ **B.** This grant **will not** be included in the PHA's next fiscal year audit per the requirements of the Single Audit Act.

I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate.

Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

Name & Title of Authorized Signatory (type or print clearly):
Andrew J. Lofton - Executive Director

Signature of Executive Director (or Authorized Designee):
X

Date: 8/6/2018

For HUD Use Only

The Cost Certificate is approved for audit (if box 7A is marked):
Approved for Audit (Director, Office of Public Housing)
X

HARLAN STEWART
Digitally signed by HARLAN STEWART
DN: CN = HARLAN STEWART C = US O = U.S. Government OU = Department of Housing and Urban Development, Office of Administration
Date: 2018.08.07 08:27:31 -07'00'

Date:

The costs shown above agree with HUD verified costs (if box 7A or 7B is marked):
Approved: (Director, Office of Public Housing)
X

Date:

form **HUD-53001** (10/96)
ref Handbooks 7485.1 &.3

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Statistical Section
(Unaudited)

Section III

Statistical Section

This section provides additional information regarding the Authority in the following categories:

Financial Trends	show how the Authority's financial position has changed over time	Tables 1–2
Revenue Capacity	the tables in this section show the Authority's ability to generate revenue	Tables 3–4
Debt Capacity	shows the Authority's debt burden over time and provide information on the ability to issue debt	Tables 5–6
Demographics and Economic Statistics	the tables in this section portray the socioeconomic environment and provide information to allow comparisons over time and comparisons to other governments	Table 7–9
Operating Information	the purpose of these tables is to show the Authority's operations and provide information to assess the government's economic condition	Tables 10–12

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Financial Trends

Net Position by Component – Primary Government

Last Ten Fiscal Years (Unaudited)

Year		Net investment in capital assets	Restricted	Unrestricted	Total
2009	$	227,083,324	5,550,146	151,794,210	384,427,680
2010		229,826,301	6,486,917	170,526,030	406,839,248
2011 (a)		224,771,337	8,543,577	185,863,188	419,178,102
2012 (a)		199,273,982	9,406,113	212,444,630	421,124,725
2013 (b)		210,293,958	10,069,831	228,421,457	448,785,246
2014 (c)		218,243,381	11,669,052	217,985,386	447,897,819
2015		223,534,799	13,578,114	243,740,195	480,853,108
2016		242,874,725	14,808,756	259,687,843	517,371,324
2017 (d)		260,634,170	34,443,955	266,899,301	561,977,426
2018		314,557,682	31,204,129	285,704,222	631,466,033

Notes: (a) Net position for 2011 and 2012 were restated as a result of the adoption of GASB 65.

(b) Net position for 2013 was restated as a result of the merger with Ravenna School Limited Partnership, a component unit of the Authority.

(c) Net position for 2014 was restated as a result of the merger with Othello Street Limited Partnership, a component unit of the Authority and as a result of GASB 68.

(d) Net position for 2017 was restated as a result of the merger with Desdemona Limited Partnership and Escallonia Limited Partnership, component units of the Authority and as a result of GASB 75.

Table 2

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Financial Trends

Changes in Net Position – Primary Government

Last Ten Fiscal Years (Unaudited)

	2009	2010	2011 (b)	2012 (b)	2013 (c)	2014 (d)	2015	2016	2017 (e)	2018
Operating revenues:										
Tenant rentals	$ 18,963,514	19,853,164	21,338,005	20,690,177	21,550,029	22,785,736	22,837,426	23,540,026	26,239,514	24,407,125
Housing assistance payment subsidies	87,253,047	96,202,546	95,645,677	105,422,182	103,981,489	109,438,967	115,101,121	126,672,548	128,201,000	152,967,302
Operating subsidies and grants (a)	18,006,286	21,258,217	22,814,568	19,522,792	28,020,480	28,898,006	29,245,755	31,641,807	34,150,522	36,755,420
Other	19,212,557	19,480,446	21,762,895	18,081,083	18,619,880	21,002,883	28,511,890	21,451,962	43,158,723	46,570,077
Total operating revenues	143,435,404	156,794,373	161,561,145	163,716,234	172,171,878	182,125,592	195,696,192	203,306,343	231,749,759	260,699,924
Operating expenses:										
Housing operations and administration	38,998,671	42,453,709	44,662,095	41,680,059	39,786,646	48,731,040	49,455,950	51,948,733	54,637,955	54,750,243
Tenant services	1,644,363	3,729,452	3,937,994	3,602,554	3,542,648	4,096,481	5,072,113	4,878,898	4,695,275	4,973,614
Utility services	4,540,982	4,718,662	4,998,955	5,393,684	5,990,952	6,334,799	6,045,785	6,061,780	6,373,419	5,804,235
Maintenance	18,159,325	20,082,664	18,824,304	15,081,988	17,409,835	18,696,116	18,481,187	18,552,983	20,691,487	19,881,927
Housing assistance payments	71,064,302	73,550,131	76,942,437	79,478,249	78,552,745	79,543,161	82,775,844	88,541,664	97,660,333	102,181,935
Other	2,115,315	4,209,600	1,318,772	2,021,796	30,221,452	1,398,022	3,344,964	736,987	4,101,298	4,919,870
Depreciation and amortization	9,281,594	10,059,962	10,676,293	10,258,105	10,232,876	10,077,223	9,314,799	9,230,730	11,716,648	11,699,844
Total operating expenses	145,804,552	158,804,180	161,360,850	157,516,435	185,737,154	168,876,842	174,490,642	179,951,775	199,876,415	204,211,668
Operating income (loss)	(2,369,148)	(2,009,807)	200,295	6,199,799	(13,565,276)	13,248,750	21,205,550	23,354,568	31,873,344	56,488,256
Nonoperating revenues (expenses):										
Interest expense	(7,956,814)	(7,479,432)	(6,887,452)	(5,721,825)	(5,500,338)	(5,082,076)	(4,572,533)	(3,979,539)	(4,541,717)	(2,790,751)
Interest income	5,337,931	5,257,848	1,536,648	1,397,221	461,197	3,698,302	3,520,102	3,947,513	7,003,861	5,716,403
Change in fair value of investments	430,908	44,842	68,742	(74,996)	(94,819)	(40,763)	(1,704)	(32,797)	31,103	(13,011)
Insurance proceeds, net	—	—	—	—	—	—	—	1,157,909	—	404,523
Loss from refinancing						—				(606,336)
Loss on notes receivable	—	—	(479,017)	—	—	—	—	—	—	—
Loss on investment in limited partnerships	(1,480)	(67,624)	(1,321)	(621,387)	(70,809)	(2,320,774)	(1,160)	(1,230,014)	(3,442,579)	2,468,913
Disposition of assets	(4,472,397)	(19,878,330)	(16,774,091)	(12,343,242)	(11,826)	(2,540,988)	(403,789)	(73,161)	—	(2,487,637)
Net nonoperating expenses	(6,661,852)	(22,122,696)	(22,536,491)	(17,364,229)	(5,216,595)	(6,286,299)	(1,459,084)	(210,089)	(949,332)	2,692,104
Change in net position before contributions	(9,031,000)	(24,132,503)	(22,336,196)	(11,164,430)	(18,781,871)	6,962,451	19,746,466	23,144,479	30,924,012	59,180,360
Capital contributions	23,456,062	46,544,071	34,675,050	13,249,971	17,146,108	21,307,488	13,208,823	15,221,989	11,833,838	10,308,247
Increase (decrease) in net position	14,425,062	22,411,568	12,338,854	2,085,541	(1,635,763)	28,269,939	32,955,289	38,366,468	42,757,850	69,488,607
Net position at beginning of year	370,002,618	384,427,680	406,839,248	419,178,102	421,263,643	419,627,880	447,897,819	480,853,108	519,219,576	561,977,426
Net position at end of year	$ 384,427,680	406,839,248	419,178,102	421,263,643	419,627,880	447,897,819	480,853,108	519,219,576	561,977,426	631,466,033

Notes: (a) Beginning with reporting year 2010, the Authority has classified Operating subsidies and grants as operating revenues. Prior years have been restated on this schedule to reflect comparative results.

(b) Net position for 2011 and 2012 were restated as a result of the adoption of GASB 65.

(c) Net position for 2013 was restated as a result of the merger of Ravenna School LLC, a component unit of the Authority.

(d) Net position for 2014 was restated as a result of the adoption of GASB 68 and as a result of the merger with Othello Street Limited Partnership, a component unit of the Authority.

(e) Net position for 2017 was restated as a result of the merger with Desdemona Limited Partnership and Escallonia Limited Partnership, component units of the Authority and as a result of GASB 75.

Table 3

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Revenue Capacity

Operating Revenues by Source – Primary Government

Last Ten Fiscal Years (Unaudited)

	Tenant rentals		Housing assistance payment subsidies		Operating subsidies and grants		Other		Total	
Year	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total	Amount	Total
2009	18,963,514	13.2	87,253,047	60.9	18,006,286	12.6	19,212,557	13.3	143,435,404	100.0
2010	19,853,164	12.7	96,202,546	61.3	21,258,217	13.6	19,480,446	12.4	156,794,373	100.0
2011	21,338,005	13.2	95,645,677	59.2	22,814,568	14.1	21,762,895	13.5	161,561,145	100.0
2012	20,690,177	12.6	105,422,182	64.4	19,522,792	11.9	18,081,083	11.1	163,716,234	100.0
2013	21,287,096	12.4	103,981,489	60.5	28,020,480	16.3	18,618,710	10.8	171,907,775	100.0
2014 (a)	22,785,736	12.5	109,438,967	60.1	28,898,006	15.9	21,002,883	11.5	182,125,592	100.0
2015	22,837,426	11.7	115,101,121	58.8	29,245,755	14.9	28,511,890	14.6	195,696,192	100.0
2016	23,540,026	11.6	126,672,548	62.3	31,641,807	15.6	21,451,962	10.5	203,306,343	100.0
2017 (b)	26,239,514	11.3	128,201,000	55.3	34,150,522	14.8	43,158,723	18.6	231,749,759	100.0
2018	24,407,125	9.4	152,967,302	58.7	36,755,420	14.1	46,570,077	17.8	260,699,924	100.0

Notes: (a) Year 2014 was restated due to the merger with Othello Street Limited Partnership, a component unit of the Authority
(b) Year 2017 was restated due to the merger with Desdemona Limited Partnership and Escallonia, component units of the Authority

Table 4

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Revenue Capacity

Nonoperating Revenues by Source – Primary Government

Last Ten Fiscal Years (Unaudited)

	Interest income		Change in fair value of investments		Insurance proceeds, net		Gain (loss) on investment in limited partnerships		Total	
Year	Amount	Percent of total	Amount	Percent of total	Amount	Percent of total	Amount	Percent of total	Amount	Total
2009	5,337,931	92.5	430,908	7.5	—	—	(1,480)	—	5,767,359	100.0
2010	5,257,848	100.4	44,842	0.9	—	—	(67,624)	(1.3)	5,235,066	100.0
2011	1,536,648	95.8	68,742	4.3	—	—	(1,321)	(0.1)	1,604,069	100.0
2012	1,397,221	199.4	(74,996)	(10.7)	—	—	(621,387)	(88.7)	700,838	100.0
2013	444,930	159.3	(94,819)	(33.9)	—	—	(70,809)	(25.4)	279,302	100.0
2014 (a)	3,698,302	276.6	(40,763)	(3.0)	—	—	(2,320,774)	(173.6)	1,336,765	100.0
2015	3,520,102	100.0	(1,704)	—	—	—	(1,160)	—	3,517,238	100.0
2016	3,947,513	102.8	(32,797)	(0.9)	1,157,909	30.1	(1,230,014)	(32.0)	3,842,611	100.0
2017 (b)	7,003,861	194.9	31,103	0.9	—	—	(3,442,579)	(95.8)	3,592,385	100.0
2018	5,716,403	66.7	(13,011)	(0.2)	404,523	4.7	2,468,913	28.8	8,576,828	100.0

Notes: (a) Year 2014 was restated due to the merger with Othello Street Limited Partnership, a component unit of the Authority.
(b) Year 2017 was restated due to the merger with Desdemona Limited Partnership and Escallonia, component units of the Authority.

Table 5

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Debt Capacity

Schedule of General Revenue Bond Coverage

Last Ten Fiscal Years (Unaudited)

Fiscal year	Debt service Principal	Debt service Interest	Total debt service	General expense (a)	Ratio of debt service to general expenses
2013 Bond Refunding					
2014	205,000	627,845	832,845	1,080,325	0.8
2015	205,000	642,406	847,406	1,135,804	0.7
2016	205,000	640,356	845,356	1,185,802	0.7
2017	210,000	634,206	844,206	1,224,700	0.7
2018	1,265,000	615,690	1,880,690	1,285,718	1.5
2014 Bond Refunding					
2014	185,000	400,569	585,569	1,781,030	0.3
2015	270,000	588,129	858,129	1,822,150	0.5
2016	275,000	586,644	861,644	1,888,396	0.5
2017	275,000	584,581	859,581	1,901,600	0.5
2018	280,000	581,144	861,144	2,004,626	0.4
Douglas Bonds					
2010	3,750,000	21,565	3,771,565	24,010	157.1
2011	20,000	6,752	26,752	52,454	0.5
2012	30,000	5,760	35,760	44,543	0.8
2013	30,000	5,601	35,601	46,971	0.8
2014	30,000	3,827	33,827	42,993	0.8
2015	30,000	3,384	33,384	45,342	0.7
2016	40,000	9,950	49,950	42,085	1.2
2017	40,000	17,194	57,194	46,156	1.2
2018	40,000	26,987	66,987	42,813	1.6
Gamelin/Genesee 2015 bond refunding					
2015	—	—	—	45,322	—
2016	125,000	120,446	245,446	182,271	1.3
2017	125,000	121,631	246,631	187,057	1.3
2018	125,000	122,234	247,234	157,020	1.6
2018 Bond refunding					
2018	1,010,000	1,050,654	2,060,654	5,200,645	0.4

Notes: (a) General expense includes operating expenses except for depreciation and amortization.

(Continued)

Table 6

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Debt Capacity

Ratio of Debt to Capital Assets – Primary Government

Last Ten Fiscal Years (Unaudited)

Year	Bonds payable	Notes payable	Total debt	Capital assets, net	Ratio of total debt to capital assets	Ratio of debt for housing units to total debt (a)
2009	108,984,688	60,573,959	169,558,647	337,089,410	50.30	44.71
2010	98,950,816	62,277,978	161,228,794	343,138,706	46.99	51.45
2011	79,675,557	55,221,591	134,897,148	322,532,095	41.82	53.07
2012	77,128,664	49,564,954	126,693,618	291,056,484	43.53	54.07
2013	71,408,875	40,188,127	111,597,002	288,455,844	38.69	54.71
2014 (b)	73,169,909	40,493,796	113,663,705	299,240,816	37.98	57.27
2015	65,436,551	39,990,204	105,426,755	306,245,985	34.43	42.15
2016	50,175,000	36,948,841	87,123,841	317,607,863	27.43	32.57
2017 (c)	35,244,999	36,796,574	72,041,573	372,803,550	19.32	15.65
2018	62,540,000	20,565,732	83,105,732	397,975,397	20.88	22.74

Note: (a) Unit count excludes Section 8 units not owned by the Authority and excludes units owned by component units where the related debt is held by the component unit.

(b) 2014 was restated due to the merger with Othello Street Limited Partnership, a component unit of the Authority

(c) 2017 was restated due to the merger with Desdemona Limited Partnership and Escallonia Limited Partnership, component units of the Authority.

Table 7

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Demographics and Economic Statistics

Tenant Demographics – Population Statistics

Last Ten Fiscal Years (Unaudited)

Calendar year	Adults	Public housing program Elderly	Minors	Total number of tenants	Nonelderly handicapped/ disabled
2009	4,897	1,767	3,230	9,894	1,782
2010	4,888	1,823	3,089	9,800	1,839
2011	5,029	1,909	3,180	10,118	1,807
2012	5,140	1,970	3,317	10,427	1,774
2013	4,953	2,008	3,148	10,109	1,691
2014	4,795	2,049	3,079	9,923	1,716
2015	4,582	2,073	3,003	9,658	1,655
2016	4,603	2,883	3,133	10,619	1,738
2017	4,442	3,118	2,924	10,484	1,581
2018	4,873	2,311	3,209	10,393	1,485

Calendar year	Adults	Section 8 program (a) Elderly	Minors	Total number of tenants	Nonelderly handicapped/ disabled
2009	8,084	1,995	5,998	16,077	3,289
2010	8,371	2,059	5,937	16,367	3,451
2011	8,694	2,307	5,949	16,950	3,520
2012	8,654	2,477	5,938	17,069	3,510
2013	8,528	2,547	5,717	16,792	3,503
2014	8,295	2,638	5,733	16,666	3,419
2015	8,252	2,695	5,639	16,586	3,387
2016	8,185	2,621	5,880	16,686	3,480
2017	8,122	2,964	5,582	16,668	3,585
2018	8,194	3,187	5,547	16,928	3,559

(Continued)

Table 7

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Demographics and Economic Statistics

Tenant Demographics – Population Statistics

Last Ten Fiscal Years (Unaudited)

Calendar year	Adults	Senior and local housing programs [b] Elderly	Minors	Total number of tenants	Nonelderly handicapped/ disabled
2009	924	1,023	424	2,371	126
2010	926	1,001	424	2,351	117
2011	994	1,039	426	2,459	86
2012	1,023	1,042	434	2,499	110
2013 [c]	1,040	1,058	499	2,597	93
2014 [d]	994	1,074	474	2,542	102
2015	929	1,136	442	2,507	91
2016	1,138	1,117	549	2,804	83
2017 [e]	1,129	1,087	575	2,791	83
2018 [f]	790	1,134	491	2,415	77

Calendar year	Adults	Agency wide totals Elderly	Minors	Total number of tenants	Nonelderly handicapped/ disabled
2009	13,905	4,785	9,652	28,342	5,197
2010	14,185	4,883	9,450	28,518	5,407
2011	14,717	5,255	9,555	29,527	5,413
2012	14,817	5,489	9,689	29,995	5,394
2013	14,521	5,613	9,364	29,498	5,287
2014	14,084	5,761	9,286	29,131	5,237
2015	13,763	5,904	9,084	28,751	5,133
2016	13,864	5,723	9,562	29,149	5,256
2017	13,693	7,169	9,081	29,943	5,249
2018	13,857	6,632	9,247	29,736	5,121

Notes: [a] Includes incoming portable vouchers and excludes outgoing portable vouchers and participants living in the Authority's Senior Housing program.

[b] Effective 2009, Senior and Local Housing Programs includes tenants from privately managed properties.

[c] Excludes 36 households whose age is unknown

[d] Excludes 37 households whose age is unknown

[e] Excludes 58 households whose age is unknown

[f] Excludes 30 households whose age is unknown

Table 8

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Demographics and Economic Statistics

Regional Demographics – Population Statistics

Last Ten Fiscal Years (Unaudited)

Year	King County population (a)	Seattle population (a)	Per capita income King County (b)	Per capita income King Metro region (b)	Public school (d)	King County average annual unemployment rate (c)
2009	1,909,300	602,000	55,569	50,644	45,944	8.5
2010	1,931,249	608,660	55,503	51,370	47,008	8.4
2011	1,942,600	612,100	58,688	53,931	48,496	7.1
2012	1,957,000	616,500	65,345	52,267	49,525	6.1
2013	1,981,900	626,600	66,073	55,190	51,094	5.6
2014	2,017,250	640,500	71,882	62,481	52,819	4.2
2015	2,052,800	662,400	76,226	63,623	53,844	4.5
2016	2,105,100	686,800	79,323	65,993	54,489	3.4
2017	2,153,700	713,700	88,383	69,214	55,007	3.6
2018	2,190,200	730,400	N/A	N/A	55,185	3.3

Notes: (a) As of April 1, source: Washington State Office of Financial Management, 2018 Population Trends for Washington State estimates only.

(b) Source: U.S. Bureau of Economic Analysis, 2017 is most current available.

(c) Preliminary source: Washington State Employment Security Department.
(d) Source: Seattle Public Schools P 233 Enrollment Report September 11, 2018 (pre-adjusted)

Table 9

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Demographics and Economic Statistics

Principal Industries

Last Ten Fiscal Years (Unaudited)

Industry	2018 Number of employees	2018 Percentage of Employment	2018 Rank	2017 Number of employees	2017 Percentage of Employment	2017 Rank	2016 Number of employees	2016 Percentage of Employment	2016 Rank
Retail trade	156,400	10.90%	1	152,200	10.86%	1	141,000	10.19%	1
Professional and technical	128,800	8.97	2	124,500	8.88	2	120,800	8.79	2
Information	110,500	7.70	3	103,000	7.35	3	96,000	6.81	5
Food services and drinking places	103,300	7.20	4	100,000	7.14	5	96,800	7.03	4
Local government	103,100	7.18	5	100,800	7.19	4	98,100	7.25	3
Manufacturing durable goods	78,000	5.43	6	77,200	5.51	6	80,100	6.29	6
Administrative and waste services	72,000	5.02	7	72,400	5.17	7	70,900	5.35	7
Wholesale trade	65,000	4.53	8	64,700	4.62	8	63,000	4.74	8
Ambulatory health care services	61,400	4.28	9	59,500	4.25	10	57,100	4.23	10
State government	55,800	3.89	10	61,000	4.35	9	60,200	4.49	9
Transportation and warehousing	54,200	3.78	11	52,600	3.75	11	50,600	3.70	11
	988,500	68.88%		967,900	69.07%		934,600	68.87%	

Industry	2015 Number of employees	2015 Percentage of Employment	2015 Rank	2014 Number of employees	2014 Percentage of Employment	2014 Rank	2013 Number of employees	2013 Percentage of Employment	2013 Rank
Retail trade	133,800	10.19%	1	128,000	10.02%	1	120,200	9.75%	1
Professional and technical	115,500	8.79	2	112,000	8.76	2	107,100	8.68	2
Information	92,400	7.03	4	85,600	6.70	5	82,300	6.67	5
Food services and drinking places	95,200	7.25	3	88,300	6.91	4	84,100	6.82	4
Local government	89,400	6.81	5	92,400	7.23	3	90,400	7.33	3
Manufacturing durable goods	82,600	6.29	6	83,000	6.49	6	82,100	6.66	6
Administrative and waste services	70,300	5.35	7	67,400	5.27	7	66,100	5.36	7
Wholesale trade	62,300	4.74	8	61,700	4.83	8	60,600	4.91	8
Ambulatory health care services	55,500	4.23	10	54,100	4.23	10	50,400	4.09	10
State government	59,000	4.49	9	57,200	4.48	9	56,800	4.61	9
Transportation and warehousing	48,600	3.70	11	46,200	3.62	11	43,500	3.53	12
	904,600	68.87%		875,900	68.54%		843,600	68.41%	

Industry	2012 Number of employees	2012 Percentage of Employment	2012 Rank	2011 Number of employees	2011 Percentage of Employment	2011 Rank	2010 Number of employees	2010 Percentage of Employment	2010 Rank
Retail trade	113,600	9.62%	1	109,300	9.47%	1	105,900	9.33%	1
Professional and technical	102,200	8.66	2	97,900	8.49	2	93,400	8.23	2
Information	80,900	6.85	4	80,200	6.95	4	79,400	7.00	4
Food services and drinking places	79,600	6.74	6	76,400	6.62	6	74,400	6.56	6
Local government	89,100	7.55	3	88,800	7.70	3	89,300	7.87	3
Manufacturing durable goods	80,000	6.78	5	77,100	6.68	5	75,200	6.63	5
Administrative and waste services	64,000	5.42	7	63,000	5.46	7	61,000	5.37	7
Wholesale trade	59,400	5.03	8	58,500	5.07	8	58,000	5.11	8
Ambulatory health care services	49,200	4.17	10	48,400	4.20	10	47,400	4.18	10
State government	55,500	4.70	9	55,000	4.77	9	55,800	4.92	9
Transportation and warehousing	42,700	3.62	12	43,400	3.76	12	42,400	3.74	12
	816,200	69.14%		798,000	69.17%		782,200	68.94%	

Industry	2009 Number of employees	2009 Percentage of Employment	2009 Rank
Retail trade	106,000	9.19%	1
Professional and technical	92,900	8.05	2
Information	80,200	6.95	4
Food services and drinking places	74,000	6.42	6
Local government	89,300	7.74	3
Manufacturing durable goods	79,000	6.85	5
Administrative and waste services	61,100	5.30	7
Wholesale trade	59,700	5.18	8
Ambulatory health care services	46,400	4.02	11
State government	55,800	4.84	9
Transportation and warehousing	43,500	3.77	12
Finance and insurance	46,900	4.07	10
	834,800	72.38%	

Source: Washington Employment Security Department Labor Market and Economic Analysis.

Data provided for King County, which includes the Seattle Metropolitan Area and other surrounding communities.

Table 10

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Operating Information

Number of Units by Program (c)

Last Ten Fiscal Years (Unaudited)

Fiscal year	Public housing	Section 8	Senior housing	Other housing programs (i)	Hope IV nonpublic units (i)	Total
2009	5,261	9,425	993	910	629	17,218
2010	5,316	9,612	994	915	661	17,498
2011 (c)	5,408	10,164	994	915	385	17,866
2012 (c)	5,441	10,558	994	876	739	18,608
2013 (c, d)	5,401	10,775	994	876	739	18,785
2014 (e)	5,259	11,036	1,029	826	596	18,746
2015 (f)	5,146	11,248	1,029	929	596	18,948
2016 (g)	5,146	11,262	1,030	961	596	18,995
2017 (h)	5,139	11,299	1,030	1,102	739	19,309
2018	5,139	11,414	1,030	1,177	739	19,499

Households Served and Waiting List Data

Last Ten Fiscal Years (Unaudited)

Fiscal year	Total households served (a)	Total households on waiting lists (b)
2009	12,912	7,751
2010	13,220	8,179
2011	13,765	7,523
2012	13,769	7,586
2013	13,601	9,435
2014	13,532	8,569
2015	13,516	8,481
2016	13,526	7,380
2017	13,471	10,526
2018	13,703	8,962

Notes:
(a) Excludes Mod rehab, outgoing portable vouchers, nonpublic housing tax credits, and local programs, but includes incoming portable vouchers.
(b) Reflects unique households. Excludes HOPE VI communities.
For year 2013 – Housing Choice Voucher waiting list opened and reflects unique households. Includes HOPE VI communities.
(c) 894 Senior housing units were added to public housing but are represented with senior and other local housing programs.
(d) 40 units at Yesler Terrace were demolished in 2013.
(e) 142 public housing units demolished or sold in 2014. 35 senior housing units added at Leschi House.
(f) 113 public housing units demolished or sold in 2015. 103 other affordable units added at Kebero Court.
(g) Completion of Raven Terrace added 50 project based units and 33 affordable units.
(h) Completion of Hoa Mai Gardens added 111 units. 7 units demolished at Yesler.
(i) Totals include section 8 project based units which are also included in Section 8 units.

Table 11

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Operating Information

Property Characteristics and Dwelling Unit Composition

December 31, 2018 (Unaudited)

Public housing

Name of development	Address	Number of units	Year built or acquired
Ballard House	2445 NW 57th Street	79	1969
Barton Place	9201 Rainier Avenue S.	91	1971
Beacon Tower	1311 S. Massachusetts	108	1971
Bell Tower	2215 1st Avenue	120	1970
Cal-Mor Circle	6420 California Avenue SW	75	1968
Capitol Park	525 14th Avenue E.	125	1970
Cedarvale House	11050 8th Avenue NE	118	1970
Cedarvale Village	11050 8th Avenue NE	24	1971
Center Park	2121 26th Avenue S.	137	1969
Center West	533 3rd Avenue W.	91	1969
Denny Terrace	100 Melrose Avenue E.	220	1968
Green Lake Plaza	505 NE 70th Street	130	1969
Harvard Court	610 Harvard Avenue E.	81	1968
High Point	3000 SW Graham Street	250	Various
Holly Court	3804 S. Myrtle	97	1980
International Terrace	202 6th Avenue S.	100	1972
Jackson Park House	14396 30th Avenue NE	71	1970
Jackson Park Village	14396 30th Avenue NE	41	1970
Jefferson Terrace	800 Jefferson Street	299	1967
Lake City Court	12536 33rd Avenue NE	51	2011
Lake City House	12546 33rd Avenue NE	115	1971
Lictonwood	9009 Greenwood Avenue N.	81	1970
Longfellow Creek*	5915 Delridge Way SW	30	1993
NewHolly	7050 32nd Avenue S.	400	Various
Olive Ridge	1700 17th Avenue	105	1969
Olympic West	110 W. Olympic Place	75	1970
Partnership units	Various	50	Various
Queen Anne Heights	1212 Queen Anne Avenue N.	53	1970
Rainier Vista	2917 S Snoqualmie St	251	Various
Ross Manor	1420 Western Avenue	100	1984
Roxhill Court Apartments*	9940 27th Ave SW	13	1980
Scattered Sites	Various	711	Various
Stewart Manor	6339 34th Avenue	74	1968
Tri-Court	720 N. 143rd	87	1971
University House	4700 12th Avenue NE	101	1971
University West	4544 7th Avenue NE	113	1971
West Town View	1407 2nd Avenue W	59	1977
Westwood Heights	9455 27th Avenue SW	130	1978
Wisteria Court*	7544 24th Ave SW	20	1987
Yesler Terrace	903 E. Yesler Way	124	1941
	Total units – public housing	5,000	

*Nonpublic housing units are listed under “Other housing program” section.

(Continued)

Table 11

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Operating Information

Property Characteristics and Dwelling Unit Composition

December 31, 2018 (Unaudited)

Section 8

Name of development	Address	Number of units	Year built or acquired
Housing Choice Vouchers [a]	Various	10,709	—
Moderate Rehabilitation	Various	575	—
Bay View Tower	2614 4th Ave	100	1979
Market Terrace	1115 NW Market St.	30	1980
	Total number of Section 8 units	11,414	

Senior housing

Name of development	Address	Number of units	Year built or acquired
Leschi House	1011 S. Weller	69	1988
Ravenna School Apartments	6564 Ravenna Avenue NE	39	1979
South Park Manor	520 S. Cloverdale	27	1983
Bitter Lake Manor	620 N. 130th	72	1983
Blakeley Manor	2401 NE Blakeley	70	1984
Carroll Terrace	600 5th Avenue W.	26	1985
Columbia Place	4628 S. Holly	66	1983
Daybreak	1515 2nd Ave N	1	1978
Fort Lawton Place	3401 W. Government Way	24	1984
Fremont Place	4601 Phinney Avenue N.	31	1983
Gideon-Mathews Gardens	323 25th Avenue S.	45	1986
Island View	3031 California Avenue SW	48	1984
Michaelson Manor	320 W. Roy	57	1985
Nelson Manor	220 NW 58th	32	1985
Olmsted Manor	501 NE Ravenna Blvd.	35	1986
Phinney Terrace	6561 Phinney Avenue N.	51	1984
Pinehurst Court	12702 15th Avenue NE	73	1984
Pleasant Valley Plaza	3801 34th Avenue W.	41	1984
Primeau Place	308 14th Avenue E.	53	1984
Reunion House	530 10th Avenue E.	28	1984
Schwabacher House	1715 NW 59th Street	44	1984
Sunrise Manor	1530 NW 57th Street	32	1985
Wildwood Glen	4501 SW Wildwood	24	1983
Willis House	6341 5th Ave NE	42	1983
	Total number of senior housing units	1,030	

(Continued)

Table 11

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Operating Information

Property Characteristics and Dwelling Unit Composition

December 31, 2018 (Unaudited)

Other housing programs

Name of development	Address	Number of units	Year built or acquired
104th St Townhomes	528 N 104th	3	2001
127th & Greenwood	12701 Greenwood Ave N	6	1983
5983 Rainier Ave S	5983 Rainier Ave S	12	2002
924 MLK Jr Way S	924 MLK Jr Way S	5	1998
Alder Crest Apartments	6520 35th Ave SW	36	1977
Baldwin Apartments	1305 E Fir Street	15	2014 rehab
Beacon House	1545 12th Ave S	6	1993
Delridge Triplexes	8136 and 8144 Delridge Way SW	6	1993
Fir Street Townhomes	Various	7	Various
Hoa Mai Gardens	221 10th Ave W	111	2017
Kebero Court	1105 E Fir St	103	2015
Lake City Commons	12745 30th Ave NE	15	2002
Lam Bow Apartments	6935 Delridge Way SW	30	1970
Lee and Willows Apartments	3801 S Willow St	15	1967
Longfellow Creek Apartments [b]	5915 Delridge Way SW	54	1993
Main Place II	308 22nd Ave S	25	1993
Main Street Apartments	2035 S Main St	12	1993
Mary Avenue Townhomes	8550-84 Mary Ave NW	8	2001
MLK Townhomes	Various	6	1996
Montridge Arms Apartments	9000 27th Ave SW	33	1968
Norman Street Townhomes	Various	15	Various
Raven Terrace	820 Yesler Way	83	2016
Ravenna Springs/Bryant Apts	Various	13	Various
Referendum 37	Various	2	Various
Ritz Apartments	1302 E Yesler Way	30	1908
Roxhill Court Apartments [b]	9940 27th Ave SW	11	1980
South Shore Court	4811 S Henderson	44	1962
Spring Lake Apartments	12530 35th Ave NE	69	1986
Spruce Street Townhomes	Various	10	1997
Stone Ave Townhomes	8514 Stone Ave N	4	2001
Telemark Apartments	2850 NW 56th St	24	1975
Villa Park Townhomes	9111 50th Avenue S.	43	1997
Wedgewood Estates	3716 NE 75th	203	1948
Westwood Heights East Apts	9440 27th Ave SW	42	1997
Wisteria Court [b]	7544 24th Ave SW	76	1987
Yesler Court	114 23rd Ave	9	1994
	Total other housing units	1,186	
HOPE VI nonpublic housing units:			
High Point		350	
Lake City Village		35	
NewHolly		220	
Rainier Vista		134	
	Total HOPE VI Nonpublic housing (a)	739	
	Total units – All programs	19,369	

Notes: (a) Includes overlap of other housing program units and senior housing units which also have project based and program based Housing Choice Vouchers.

(b) Public housing units are listed under the public housing section.

Table 12

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Operating Information

Regular Staff Headcount by Department

Last Ten Fiscal Years (Unaudited)

Fiscal year	Executive	Development and asset management	Housing operations	Admissions and Section 8	Finance and administrative services	Information systems	Human resources	Total
2009	14	33	362	59	41	19	10	538
2010	15	33	350	63	43	22	10	536
2011	12	32	367	54	43	19	10	537
2012	12	33	343	54	45	18	10	515
2013	13	29	308	57	40	16	9	472
2014	18	26	309	55	39	15	9	471
2015	26	50	332	61	47	18	11	545
2016	27	53	340	64	47	18	11	560
2017	30	52	353	60	47	19	12	573
2018	25	58	353	62	45	20	12	575