The Housing Authority
of the City of Seattle, Washington

Comprehensive Annual Financial Report

For the year ended
December 31, 2011

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

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December 31, 2011

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

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Table of Contents

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Introductory Section

Section I

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Principal Officials

Commissioners as of December 31, 2011

Name	Term expires
John Littel, Chair	October 1, 2014
Nora Gibson, Vice Chair	March 20, 2015
Yusuf Cabdi, Commissioner	October 1, 2014
Juan Martinez, Commissioner	March 20, 2015
Kollin Min, Commissioner	March 20, 2012
Heyward Watson, Commissioner	March 20, 2013
Doug Morrison, Commissioner	March 20, 2014

Administrative Staff

Tom Tierney, Secretary-Treasurer/Executive Director

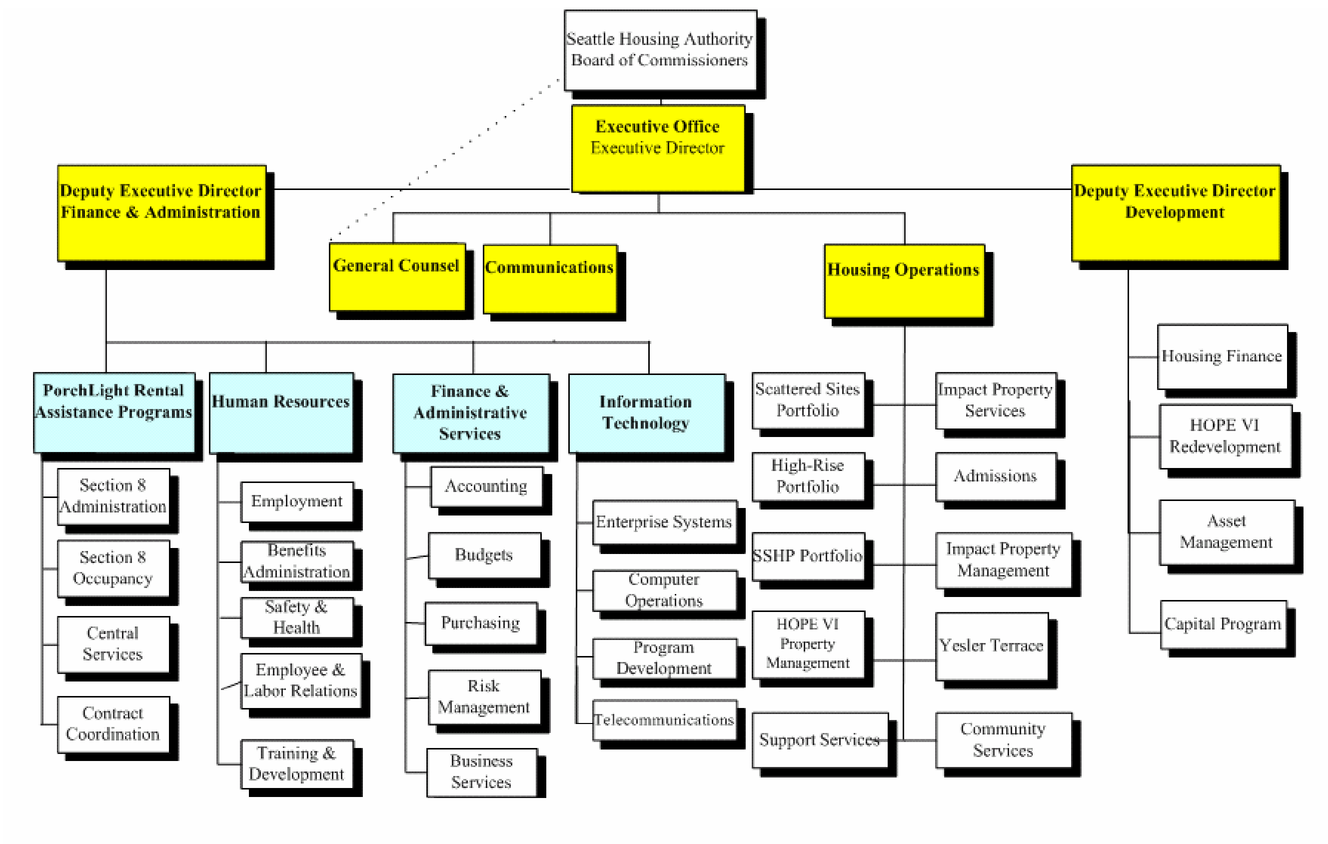
Andrew Lofton, Deputy Executive Director for Finance and Administration

Shelly Yapp, Chief Financial Officer

Janet Hayes, Controller

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Organization Chart



May 25, 2012

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

Introduction

We are pleased to present the Seattle Housing Authority Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2011. This report was prepared by the Authority's Finance staff, and was audited by the international public accounting firm of KPMG LLP, with assistance from the Seattle accounting firm of Francis & Company.

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; and include all necessary disclosures to enable the reader to gain a thorough understanding of the Authority's financial affairs. For a complete overview, please review Management's Discussion and Analysis found in Section II: FINANCIAL SECTION, in tandem with this transmittal letter.

Profile

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 governing body of the Authority is its Board of Commissioners. This Board is comprised of seven members appointed by the Mayor and confirmed by the City Council. The Board appoints an Executive Director to administer the affairs of the Authority. The programs and actions of the Authority have been guided by the FY 2011-2015 Strategic Plan. The Plan was adopted by the Board in October 2010, following a twelve month planning and community participation process. The underpinnings for the 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 Authority provides long-term rental housing and rental assistance to more than 29,500 low-income people within the City. The Authority operates low-income housing in four large family communities – NewHolly, Rainier Vista, High Point, and Yesler Terrace; in twenty-eight high-rise buildings, and in single, duplex, triplex, and small apartment buildings across the city. The Authority also administers the Housing Choice Voucher programs that provide tenant-based or project-based vouchers that serve as rent supplements for qualified low-income tenants.

The Authority works with local agencies to provide community, social, and health services to some low-income residents. These services include recreation, job training, elder services, instruction in English as a second language, health and dental clinics, and various educational programs.

In the mid-1990s, the agency began a long-term program to redevelop its housing stock to transform the family communities to new mixed-income neighborhoods, while assuring that all low-income tenants of these neighborhoods receive relocation assistance. Replacement housing, either on or offsite has also been built or acquired in order to maintain or increase Seattle's inventory of low-income housing.

In 2011, the agency completed construction on a new HOPE VI project – Lake City Village – adjacent to an existing high-rise in north Seattle. With lease-up of the commercial space in early 2011, Tamarack Place, an 85 unit mixed–use building at Rainier Vista became fully operational. And, 58 of the eventual 118 rental townhomes for low-income residents were completed at Rainier Vista. In late 2011, Seattle Housing was awarded one of six inaugural Choice Neighborhood Initiative grants from the U.S. Department of Housing and Urban Development (HUD). With this grant, the Housing Authority has initiated planning and design work to begin construction in 2013 of the first phase of the redevelopment of Seattle's oldest public housing community, Yesler Terrace.

Seattle Housing also completed in 2011 major rehabilitation of building systems and the building envelope of Denny Terrace, one of two remaining high-rise buildings to be renovated. This project includes significant "green" features to conserve resources and promote sustainability.

The Authority's continuing redevelopment efforts have been greatly aided by funding through the American Recovery and Reinvestment Act, ("ARRA") funding. Through formula and competitive grants the Housing Authority secured $45 million and has leveraged nearly $2.50 for every dollar of ARRA funds. This multiplier for project funding also translates to a multiplier in job creation. In 2011, the Authority completed expenditure of nearly all ARRA funds received directly from the federal government, and in 2012 will complete additional work funded under ARRA grants from State and local agencies, principally for environmental remediation and weatherization projects.

The primary source of external funding for the operation and maintenance of the Authority's housing is Low Rent and Housing Choice Voucher funds administered by HUD. In 1999, after six straight years of designation as a high performing housing authority, the Authority became one of the first six housing authorities selected by HUD to participate in its Moving to Work (MTW) Demonstration Program. In 2009, the Board approved and Seattle Housing Authority signed a new ten-year agreement through 2018 with HUD to continue its status as an MTW agency, along with about thirty-three other housing authorities out of 3,500 authorities in the country.

As an MTW agency, the Authority is able to operate its programs and administration under streamlined regulations and is authorized to consolidate MTW revenues (public housing operating subsidy, public housing capital grant, and Section 8 Housing Choice Voucher funds) into a block grant. This gives the agency single-fund authority to apply federal funds in ways that best address local priorities and circumstances. It also allows the agency to leverage funds in order to increase low-income housing units and expand housing choice for low-income residents and participants. The capacity to waive program regulations also allows an MTW Authority to undertake new programs and demonstrate different ways of conducting business in order to promote efficiency and enhance the effectiveness of services.

The Board adopts an annual budget for the Authority after the Executive Director has presented both the Annual MTW Plan and the Proposed Budget for public review and comment. The capital redevelopment programs of the Authority, designed to rebuild and rehabilitate the family communities, senior program buildings, and high-rise public housing buildings, are supported through mixed financings, including low-income housing tax-credit partnerships, bond and mortgage financing, federal HOPE VI funds, and State and local funds.

Once adopted by the Board, the annual operating and capital budgets are implemented and monitored by all departments of the Authority, with support from the Finance and Administration Department. Monthly reports on budget versus actual performance are reviewed by the Budget Office and the Departments. Quarterly budget and portfolio reviews are conducted at the management and executive levels and budget revisions and corrective actions, as needed, are taken to ensure appropriate budget control.

Consistent with our mission, the primary objective of the Authority is to provide decent, safe and affordable housing for families and individuals who, due to economic hardship and/or disabilities, find it difficult or impossible to obtain housing in the private real estate market. A second objective is to assist these families in achieving self-sufficiency or financial stability, as appropriate for the individual family. To accomplish these objectives, the Authority participates in a number of programs and with a number of partners, which are discussed in the Management's Discussion and Analysis and in the Notes to the Basic Financial Statements sections of this report.

Economic Conditions and Authority Outlook

Local Economy – Forecast and Impacts[1]

The economic recovery from the Great Recession continues, but at a moderate rate. There are still threats to the recovery, but the consensus among economists and the weight of available data point to a continuing and strengthening recovery. Despite this prognosis, the housing market, employment, construction, retail sales, and consumer confidence continue to display starts and stops that cloud the recovery and slow its pace.

As the economy rebounds, Washington State is slightly outperforming the national recovery and the Puget Sound Region is expected to lead the State's recovery. The recovery is not equally shared by all sectors, workers, or consumers. By comparison to recoveries from recessions since the late 1940's, recovery from the Great Recession of 2007-2009 has been more erratic and protracted.

The risks to recovery of the local and State economy, even a continued modest recovery, come largely from outside the State or outside U.S. borders.

[1] This economic outlook information is significantly informed by the "Puget Sound Economic Forecaster" produced by Conway Pedersen Economics, Inc. and by the "Washington Economic and Revenue Forecast" prepared by the Washington State Economic and Forecast Council.

- The continuing European debt problems continue to threaten the international banking systems and therefore the world economy.
- The economic slowdown in Asia, particularly China, could portend slower growth and recovery reversals in much of the rest of the world.
- While most forecasts anticipate that world oil prices will retreat, the transitions and continuing turmoil in the Middle East add uncertainty.
- Domestically, political stalemate on federal fiscal policy -- how best to support the recovery and job growth and address our long term deficit reduction objectives through a combination of increased revenues and expenditure reductions – increasingly becomes a destabilizing factor in economic recovery prospects for the U.S. and the world. This impasse becomes more critical as the limits of monetary policy to sustain the economic recovery become more apparent.

Below are indicators of economic performance nationally, in Washington State, and locally, as we look toward the future of the recovery:

❖ Real U.S. gross domestic product (GDP) grew at a seasonally adjusted annualized rate of 2.8 percent in the fourth quarter of 2011, the strongest rate since the middle of 2010. While encouraging, the question of whether this rate can be sustained or grow remains.

❖ Real GDP is now above its pre-recession peak, but it is being produced with 5.9 million fewer jobs. Growth in jobs has been very slow in this recovery. The unemployment rate continues to decline, partly as a result of workers leaving the job market, and in February 2012 was 8.7 percent nationally; 8.3 percent in Washington State and 8.3 percent in the Seattle-Bellevue-Tacoma area.

❖ Employment in Washington has now been expanding for two years but this expansion has been characterized by the slowest jobs recovery in recent memory:

- The 91,900 jobs gained in Washington, since the low point in February 2010, still makes up less than half of the 207,000 jobs lost during the recession.
- For the U.S., the average employment loss from the peak before the recession to the bottom of the recession for all recessions between World War II and the Great Recession was 2.6 percent. For the Great Recession, the comparable employment loss was 6.3 percent.
- Employment loss has been severe and prolonged – after 50 months from the start of the Great Recession, the U.S. is still 5.1 million jobs below the peak before the recession began. In all other recoveries after the late 1940s, employment had not only regained prior levels, but outdistanced their pre-recession levels by large margins, following 50 months.

❖ Much of the weakness in the U.S. and State economy comes from the housing sector, which is just beginning to recover and continues to show mixed signs:

- Housing in the U.S. remains weak, although the worst is now behind us. Housing starts fell 4.1 percent in December 2010, still the second-highest monthly reading since April 2010. More importantly for the future, housing permits are improving. At the end of 2011, single-family permits climbed to their highest level in 12 months. Multi-family permits are faring even better than the single-family permits.

- The Puget Sound Housing Market Index shows positive signs – home sales were up 20.2 percent in 2011 over 2010 and almost 50 percent from the trough; in addition, the average time it takes to sell a house showed a sharp drop during 2011. Not since the first half of 2007, the last stage of the housing bubble, have homes sold more quickly.

- Countering these positive indicators, however, are continuing declines in home prices. In the fourth quarter of 2011, the average sales price in King County was down 13.4 percent over the year to $301,700, the lowest price in seven years. The average home price has fallen 30.5 percent since it hit a high of $433,900 in the third quarter of 2007. Adjusted for general inflation, the real home price has plunged 36.2 percent.

- While the average price is giving a distorted picture of home prices because of the large number of foreclosures or other distressed sales, the concern over the real and perceived decline of the home sale process is definitely dampening recovery of the housing market. As a result, currently low home prices are also depressing the housing supply, as builders and potential home sellers wait for a better deal.

- Despite these housing market dynamics, the Seattle Housing Authority sees encouraging signs of the housing market recovery in our programs to sell lots to developers in our mixed-income communities.

  - ✓ In 2011, we completed sales or negotiation of purchase agreements or letters of intent to purchase all of the blocks available for housing development at Rainier Vista;

  - ✓ In 2011, for-sale homes built by private developers in High Point sold well, leading to steady take-down of parcels under intents to purchase for construction of additional for-sale units that are expected to come on line over 2012 and 2013.

❖ On the downside, construction, which has a disproportionate impact on employment, remains weak. Employment in the construction sector is flat. Prior to the recession, construction-related jobs represented one in every ten jobs in King County. Now it is closer to one in twenty. Nearly half of those unemployed in King County used to work in a construction-related field.

❖ While private sector employment is on the upswing, government employment at the local and State level continues to decline. These declines relate to general economic conditions, to national and global developments, and to budget reductions at the federal level affecting both discretionary and mandatory programs administered by the states.

Impact of Economic Conditions on Seattle Housing Authority

Seattle Housing is not immune to the ups and downs of the economy, nor are the residents and voucher participants we serve. Here are a few of the positive impacts and continuing concerns that predicted economic conditions present for the Housing Authority in 2012 and beyond:

- Consumers, including residents, remain uncertain and cautious about the future. As a result, more people are staying put. The Housing Choice Voucher program is experiencing lower than usual turnover, and vacancy rates in our housing units remain at historic lows.

- Working and work-able residents will continue to be challenged as the job recovery inches along. The sluggish rate of employment growth, with modest private sector increases and continuing employment decreases at State and local government levels, will limit job opportunities and security for low-income residents and participants.

- A large number of Seattle Housing Authority residents and voucher holders rely on financial aid from the State and/or on social services provided through State and local government funds. These government services have been reduced over the last several years as the State government has sought to balance its budget deficits. Although the State government has faced continuing budget gaps, the Legislature and Governor agreed on plans to close the most recent deficit without further substantial cuts to income and program supportive services to low-income people. For the Housing Authority's interest in selling land designed for mixed-income housing development at the family communities at High Point, Rainier Vista, and Lake City, recovery in the multi-family market is encouraging – more permits, more investment, more demand. We had a very positive 2011 with sustained interest by developers of market rate-housing in our family communities. While we have yet to see prices recover, the growing demand for parcels is a positive sign. In 2011, all available for sale parcels were either under a Purchase Agreement or had Letters of Intent.
- The Housing Authority is also beginning to see more investors return to the low-income housing tax credit market, along with recovery in tax credit pricing. While this market hasn't yet stabilized, the improvements in pricing make our housing development projects more viable.
- For the first time in a long time, we are also beginning to see greater liquidity in the credit markets. While this may be important for the Housing Authority in the future, right now it is most important for our private development partners. And, the absence of credit sources for small businesses has created challenges for our commercial properties and small business entrepreneurs.
- Most prognoses anticipate that inflation will remain under control and relatively low, while the Federal Reserve maintains its policy to keep interest rates low as a means of stimulating investments to promote economic growth.

On balance, the economy is moving in a positive direction for the well-being of our residents and in the interest of the Housing Authority's financial stability and access to credit.

Federal Funding – Status and Outlook

With Congress split between a Republican majority in the House of Representatives and a Democratic majority in the Senate, the federal government spent much of 2011 in brinkmanship over fiscal policy, the debt ceiling, and deficit reduction versus economic stimulus measures. The impasses were resolved just short of government shutdowns, first with passage of budget reductions, particularly in discretionary programs, in exchange for raising the debt ceiling. Second, the Budget Control Act of 2011 was eventually adopted and established reduced spending ceilings for defense and non-defense mandatory and discretionary programs over the period 2012 through 2021.

The Act also established a Committee of House and Senate legislators ("the Super Committee") charged with recommending to Congress further deficit reduction measures of at least $1.5 trillion over 2013-2021. The Super Committee failed to meet its deadline for reaching agreement on such a deficit reduction plan. The Act anticipated this potential outcome and provided a mechanism for automatic spending reductions of $1.2 trillion to apply across the board to defense and non-defense programs effective January 1, 2013. These Congressional actions have resulted in reduced federal support from HUD for ongoing operating and capital budgets in 2011 and in 2012. The cuts have not been so dramatic as to result in reductions in the numbers of low-income people served by Seattle Housing. However, they have required a reduction of nearly 10 percent of the Authority's work force and constrained our capacity to expand service to more-low-income people.

Fortunately, the Housing Authority has continued to compete effectively for federal grants, City and State funds, and foundation support for redevelopment, educational and employment programs for low-income tenants. We have also successfully pursued opportunities to add additional vouchers through competitive applications and through taking the lead in preserving low-income housing units where private voucher contracts have expired. In 2011, we successfully converted nearly 900 units of local affordable housing for low-income seniors to public housing, making these units eligible for federal subsidy to address the capital needs of these buildings. These measures in combination are allowing Seattle Housing to serve more low-income people in 2011 and 2012 than in prior years, despite diminished ongoing operating and capital support from HUD.

In spite of the funding challenges described above, the Seattle Housing has been able to advance several key aims of our Strategic Plan in 2011:

- Increased service to low-income people;
- Completed the redevelopment of low-income and tax credit rental housing at Rainier Vista and Lake City Court;
- Secured over $13 million in federal funds to be the catalyst to begin the first phase of Yesler Terrace redevelopment;
- Expanded sustainable building practices with the completion of significant green features at Denny Terrace and Lake City Court;
- Implemented efficiencies and modified operating procedures to maintain critical direct services to residents and clients; and
- Continued to meet our financial policy objectives for Operating Cash Reserves.

As the federal government turns away from stimulating the economy to deficit reduction and discretionary spending cuts, we can expect continued retrenchment over the next several years from the increases in federal support we saw in 2009 and 2010. As the federal decisions unfold, we expect to see flat to moderately reduced federal revenues that are outstripped by the inflationary pressures on expenditures, with the result that we will have to reduce expenses to balance our budgets.

While we are planning for near term constraints on federal funding support, provision of housing for our most vulnerable populations has been a continuous federal commitment and funding priority for nearly 75 years. This partnership endures and we are confident that federal policy and financial support for low-income housing – operations, maintenance, and development – will continue over the long run.

Long-Term Planning and Major Commitments and Initiatives

At the end of 2011, the Authority was nearing the end of redevelopment of three of our four extremely low-income family communities; had completed construction of a new sustainable model “green” family community for low-income people; and was poised to complete final land use approvals and begin implementing the redevelopment of the remaining family community, Yesler Terrace.

Beginning in the 1990s, the Authority began planning for the redevelopment and major rehabilitation of much of its public housing stock and for the creation of new mixed-income communities. To implement these long-range plans, the Authority received HUD HOPE VI Urban Revitalization grant awards for the redevelopment of its Holly Park and Rainier Vista communities in southeast Seattle, and the Roxbury and High Point communities in southwest Seattle, and Lake City in the north Seattle. While important, federal funds comprise a minority share of the funding for redeveloping these communities. In undertaking renewal of its housing stock, the Authority sought new funding sources and partnerships.

These new partnerships have included mixed-finance strategies, including the following:

- Use of low-income housing tax-credit partnerships for equity investment;
- Use of local bond or mortgage financing to be repaid through operating income;
- Involvement of partners such as Habitat for Humanity and service providers in developing homes and facilities;
- Use of lines of credit or reserve funds as interim financing of property acquisition, design, predevelopment, and infrastructure to be repaid through land sale proceeds;
- Use of interim or bridge financing for predevelopment activities; and,
- Most recently, use of stimulus funds from the American Recovery and Reinvestment Act (ARRA).

Seattle Housing has completed redevelopment of NewHolly, Roxbury Village (renamed Westwood Heights), Phases I and II of Rainier Vista and of High Point rental housing. Final completion of Rainier Vista and High Point will occur when all for-sale parcels for privately-developed affordable and market rate homes are complete and the new housing is sold.

Despite the lethargy of the housing market as we continue to emerge from the Great Recession, the Housing Authority enjoyed a very positive year in 2011 in sale of land parcels. Builders have also enjoyed success in their sales. All parcels available for the market rate housing at Rainier Vista were under a Letter of Intent or a Purchase and Sales Agreement by the end of 2011. At High Point, we saw a steady pattern of a private developer purchasing blocks, building homes, starting to sell the homes and buying additional blocks for development throughout 2011. Developers are continuing to show interest in remaining lots at High Point and we foresee sale of these lots and completion of the market rate housing at High Point over the next three to four years.

Redevelopment Summary

The Authority’s redevelopment and revitalization efforts contribute positively to all Seattle neighborhoods touched by our housing portfolio. The redevelopment activities of the Authority continue to stimulate and leverage public and private investments in neighborhoods throughout the city. Benefits to residents, Housing Choice Voucher participants, and the greater Seattle community include new parks, libraries, and community centers; increased private investments in local business enterprises leading to greater job opportunities; and increased goods and services for neighborhood residents.

By the time the Authority completes all right-of-way transfers from High Point and Rainier Vista, it will have transferred to the City of Seattle an estimated $100 million in public right-of way infrastructure – roads, sewers, water lines, electrical systems from the street, including streetlights, sidewalks, landscaping, irrigation, and parks and open space. All of these public assets were financed by the Authority and not by local taxpayers. In addition, with the creation of mixed-income communities, the Housing Authority is creating new tax revenues for the City, County, and State, as private market rate properties become part of the property tax base.

In all of the redevelopment activities, the Authority has committed to replace all units of housing for affordable to extremely low-income households, and is on track to meet those commitments. Thus, the Authority's redevelopment program is producing increased affordable housing and market rate opportunities in mixed-income communities, while continuing to serve at least the same number of (or more) extremely low-income residents as before redevelopment**.**

Completing Our Commitment to Redeveloping Family Communities – The Next 10-15 Years – Yesler Terrace

Yesler Terrace is Seattle's oldest public housing community, constructed in 1939 on 30+ acres adjacent to downtown. The community houses more than 1,000 low-income people in 561 apartment units. The Authority's Board of Commissioners adopted a comprehensive set of guiding principles for the redevelopment of Yesler Terrace in December 2007. These guiding principles were developed by a Citizen Review Committee (CRC) chaired by former Mayor Norman Rice. Conceptual site alternatives were defined in 2009 based on these principles. In 2010, the Environmental Impact Statement (EIS) process got underway. The draft EIS was issued in late 2010 and the final EIS was issued in April 2011. In May 2011, the Board approved the plan to guide development on the site over the next 10-15 years. This Development Plan provides for:

- Up to 4.3 million square feet of housing (5,000 units);
- 900,000 square feet of office space;
- 65,000 square feet of neighborhood services, including the existing Yesler Community Center;
- 88,000 square feet of neighborhood retail;
- 15.9 acres of parks and semi-private open space; and,
- A minimum of 5,100 parking spaces to serve residential, retail, and office uses.

The configuration of the new housing on the site will serve residents across a broad spectrum of incomes:

- 661 units will serve residents with incomes below 30 percent of the Area Median Income (AMI). Of these, 561 will serve to replace the low-income units that exist today. The other 100 will be built in partnership with local non-profit housing developers.
- 290 apartments will serve residents with incomes below 60 percent of AMI.
- 850 apartments will serve residents with incomes below 80 percent of AMI, people who may work downtown at low wage jobs.
- 3,199 housing units that would be market rate units.

The Housing Authority plans to finance the redevelopment with a host of partners, including HUD and other federal agencies; the State, County, and City; educational institutions both public and private, especially the Seattle Public Schools, Bailey Gatzert Elementary, and Seattle University; non-profit service providers and housing developers; foundations, including the Seattle Foundation, the Bill and Melinda Gates Foundation, and the Parks Foundation; tax credit equity partners; land sale proceeds; bonds or loans paid from property operating revenues; and investment of Authority resources.

The Authority has worked in partnership with the Citizen Advisory Committee, interested stakeholders, several City departments, King County, and the Seattle Mayor and City Council over the last seven years to bring the Guiding Principles for Yesler Terrace Redevelopment to reality. The package of land-use entitlements, zoning changes, and cooperative agreements between the City and the Housing Authority have been submitted to the City Council and the Council is expected to act on the proposals in the fall of 2012. The Housing Authority will simultaneously solicit qualifications for a development partner, complete plans for the implementation of Phase I, and compete for federal funds for Phase II.

In early 2013, construction work on Phase 1 is scheduled to begin using the catalyst of federal resources from one of the six inaugural Choice Neighborhoods Initiative (CNI) grants of $10.3 million and vouchers worth an additional $500,000. And, in 2013 rehabilitation of the historic steam plant into an education center will commence. CNI is based on the premise that the key to lasting change in an area is a holistic approach. Thus, the Plan focuses change efforts on three targets: housing, people, and neighborhood.

We expect the redevelopment of Yesler Terrace to occur over a ten to fifteen year period. The initial CNI grant will be the seed money to provide 200 new units of mixed-income of housing on-site east of Boren St. and 18 units in a rehabilitated building nearby. The Housing Authority will build 100 of these units in a new development at 1105 East Fir St. The Housing Authority will also rehab the vacant Baldwin Apartments at 14th and East Fir to create 18 one-bedroom apartments. Of these units, 98 will be replacements for public housing units currently existing at Yesler Terrace. A market-rate housing developer will build a 100 unit building at 12th and Yesler.

In 2012, at HUD's invitation, the Housing Authority is applying for a second CNI grant of $19.7 million to leverage other public and private dollars to undertake Phase II, beginning in 2014.

Rehabilitating Seattle Senior Housing Properties

The Authority's local senior housing portfolio of 23 buildings was the product of one of the first City-wide voter-approved local property tax levies in the early 1980s. Seattle Housing built nearly 1,000 units of senior housing for low-income people. These buildings are predominantly low-rise wood-frame or stucco buildings. By the mid-2000s they had begun showing their age and the impacts of years of the Northwest's rainy weather. A study found a good number of them required expensive repairs to the building envelope due to water intrusion.

In 2009, we began funding these repairs with capital reserves set aside from building revenues and contributions of MTW capital funds. We have also competed successfully for City of Seattle levy-funded rehabilitation grants and weatherization grants to assist with major repairs to six buildings. And, in 2011, we converted 20 of the 23 buildings in the Seattle Senior Housing Program to federal public housing with the approval of HUD, giving the program access to a new stream of capital funds to augment other sources. To date, the Authority has undertaken and completed three major rehabilitation projects and has five more funded and underway. These major projects, costing $1-2 million each, entail replacing the building siding; repairing dry rot and structural damage; replacing windows; and, generally upgrading the sealing and ventilation of the buildings. One additional building will undergo both a major water intrusion rehab and an expansion of the facility with the addition of a new wing of 35 senior units, using a mixed finance approach with four percent tax credits and grant support from the city and state.

In addition to the major rehab projects, the Authority has been systematically going through all the senior buildings and implementing targeted repairs to correct water intrusion problems and prevent their reoccurrence. In some cases, these repairs entail replacing caulking and flashing, replacing windows in others, and removing balconies in others. At the same time, the Housing Authority is undertaking a comprehensive multi-year program to rehabilitate, upgrade or replace elevators.

Highlights of 2011 Accomplishments

2011 was an important year for Seattle Housing in many ways. Among a number of significant accomplishments the agency:

- Completed the rehabilitation of Denny Terrace, including ventilation improvements, replacement of hot water lines, new windows, new exterior siding, and common area upgrades;
- Constructed 86 new affordable units at Lake City Court;
- Developed 66 new affordable units in the Rainier Vista community;
- Won a $10.3 million Choice Neighborhoods grant to spark the transformation of the Yesler Terrace neighborhood and a $3.1 million Community Facilities Capital Fund grant to contribute to the development of early childhood education and adult training facilities at the Yesler Steam Plant;
- Addressed weather damage with repairs to framing, siding, sidewalks, decks, and new windows at the second of three buildings at Wedgwood Estates and began work at four Seattle Senior Housing Program buildings;
- Expanded the Ready to Rent program to help voucher holders and households on the waiting list identify and successfully lease housing of their choice, with 72 participants graduating in 2011;
- Expanded housing choice throughout the city, with voucher households renting units at 272 new buildings during the year;

- Expanded housing opportunities for extremely low-income families and veterans with the addition of 100 Family Unification Program vouchers and 53 Veterans Supportive Housing vouchers serving homeless veterans.
- Supported the development of new low-income housing by non-profit housing agencies by contributing 110 project-based vouchers to augment City construction funding from the Seattle Housing Levy;
- Adopted a smoke-free policy for indoor areas at all SHA-owned residential buildings, which will go into effect in early 2012;
- Integrated formerly separate employment and self-sufficiency programs in order to provide comprehensive services and help residents make progress on multiple fronts toward financial stability; and,
- Converted the seventh floor of Jefferson Terrace to host a medical respite care program for homeless individuals, staffed and operated by Public Health - Seattle & King County and Harborview Hospital
- Took the lead in serving as administrator and participating in development of a free county-wide on-line housing locator service to connect renters and landlords of affordable housing.

Strategic Plan 2011-2015 – Bold Plans in the Face of Uncertainty

The Board of Commissioners of Seattle Housing Authority adopted a new five year Strategic Plan in October 2010. The new plan is designed to maintain focus on bold plans to meet the challenges and opportunities of the future even in the face of uncertainties about the continuing effects of the Great Recession and the impacts that deficit reduction will have on funding for low-income housing.

Seattle Housing Authority's 2011-2015 Strategic Plan lays out five broad strategic directions that will define the agencies work over the period and which underpin the accomplishments listed above, as well as others:

1. Expand housing for low-income residents across Seattle by maintaining and expanding low-income housing stock.
2. Expand housing access and choice across Seattle for low-income residents using Housing Choice Vouchers.
3. Assist housing participants in gaining access to education and employment opportunities so they can improve their lives.
4. Provide additional services and increase the stock of housing for low-income seniors.
5. Partner with others to create healthy, welcoming and supportive living environments in Seattle Housing Authority communities.

In addition to these strategic directions, we have identified three areas for internal focus. They represent management and administrative conditions that are necessary for our success:

1. Manage the Seattle Housing Authority as effectively as possible to meet the agency's mission.
2. Identify and implement sustainable practices throughout the agency to minimize impact on the environment.
3. Promote a healthy, engaged and productive workforce.

Financial Management and Oversight

The Authority's management is responsible for establishing and maintaining an internal control structure designed to ensure that the Authority's assets are protected from loss, theft or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformance with generally accepted accounting principles. The internal control structure is designed 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 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 and the compliance staff of the Authority.

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 international public accounting firm of KPMG LLP. The audit for the year ended December 31, 2011 resulted in one finding of significant deficiencies, related to Reporting. The auditors cited three instances of incomplete compliance with reporting requirements – incomplete documentation maintained for a HOPE VI reports; failure of two non-profit agencies under contract to the Authority in the Mod Rehab Program to submit annual progress reports; and, the absence of evidence of review and approval of ARRA Capital Core Activity Report. The auditors recommended improving policies surrounding the controls over review and monitoring of submission of reports to ensure accuracy and timeliness. A revised policy has been put in place. There were no significant deficiencies found by KPMG in the Housing Authority's Financial Statements.

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 corrective actions needed. 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 agency's Asset Management Team. 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 are presented by property management staff.

Financial Policy Oversight: The Authority has two ongoing Committees – one internal and one a Board Committee – that provide financial oversight. The Board Committee is the Audit Committee consisting of the Chair of the Board, two other Board members, and two outside independent 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 Audit Committee reports its activities to the full Board, along with any conclusions or recommendations they have to continue to strengthen the agency's financial management.

Internally, the agency has a Financial Policy Oversight Committee that meets monthly and is comprised of the Executive Director, the Deputy Executive Director for Finance and Administration, the Deputy Executive Director for Development and Asset Management, 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 Financial Policy Oversight Committee is charged with overseeing the financial conditions and financial management decisions of the agency 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; coordination of timing on actions; planning and monitoring of interim financing repayment plans; management of cash reserves; and, risk assessment. The Financial Policy Oversight Committee also administers the agency's policy on unrestricted cash balances and unassigned cash (Operating Cash Reserves), which was adopted by the Board of Commissioners in April 2011.

Component Units: The Authority has fifteen discretely-presented component units as of December 31, 2011. No new limited-liability limited partnerships were created in 2011. 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 2011, the Authority's component units represented over AA percent of all rental housing units operated directly by the Authority.

We expect to establish two new limited partnerships in 2012, one associated with the first Phase of Yesler Terrace and one for the rehab and expansion of Leschi House, a Senior Program property.

Prudently Managing Public Housing Properties

The Authority has continued to take an active asset management approach to managing its properties, treating each of them 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 noted above, the internal Asset Management Committee with management representatives from all departments conducts quarterly portfolio reviews with property managers and notes issues for further discussion and review and circumstances requiring corrective measures. The Authority's approach is spelled out in the "Local Asset Management Plan" included in the agency's MTW Plan.

The Authority will continue to supplement its tenant rental income, operating revenues, and HUD subsidies by actively competing for additional federal funds for modernization, redevelopment, and resident 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. As previously noted, in 2011 Seattle Housing Authority was awarded one of the six inaugural national grants under the Choice Neighborhoods Initiative program for $10.3 million for Yesler Terrace and a Community Facilities grant of about $3 million for education and training center at Yesler

Terrace. We were successful in securing nearly $5 million in City and State grants and loans for weatherization, for rehabilitation of senior housing buildings and for environmental remediation.

We have continued to forge new partnerships around educational and job training opportunities with foundations and schools. The U.S. Department of Labor through the King County Workforce Development Council is funding a two year program – Pathways Out of Poverty; this grant is designed to support low-income people in gaining access to pre apprenticeship construction training and placement into construction jobs. In addition, we are using these grant funds to support parent engagement work for Yesler parents so they can better support and advocate for their children's educational success. The Robert Wood Johnson Foundation provides funding for High Point and New Holly community members to address issues pertaining to healthy eating and physical activity.

The City's street car project has selected a route that runs through the heart of the Yesler Terrace Transformation Plan area and $32 million of project investments will occur within the boundaries of the Plan area.

SHA Activities in the Community

SHA continues to make concerted efforts to participate in citywide and regional housing and economic development forums, to ensure coordination of Seattle Housing's activities with those of other affordable housing agencies and to promote access for agency residents and voucher-holders to social services and self-sufficiency resources throughout the region. Activities include:

- SHA is well-represented on the Committee to End Homelessness and its various subcommittees by the Executive Director, Communications Director and Director of Housing Advocacy and Rental Assistance Programs.
- The Executive Director serves on the Board of the Workforce Development Council (WDC) of Seattle-King County. The WDC provides training and development systems to promote economic opportunity for residents and assure a viable workforce for area businesses. SHA staff is also on the WDC Youth Committee.
- The Executive Director serves on the Board of Seattle Jobs Initiative, which connects low-income people to job training and placements.
- The Executive Director was appointed by the Governor to the State's Affordable Housing Advisory Board, which advises the Governor and the Department of Commerce regarding issues of affordable housing.
- The Executive Director participates as an active member in each of the following organizations:
  - ✓ Medina Foundation Youth Homelessness Group, which focuses on critical services for at-risk youth, including housing and related services.
  - ✓ Building Changes WA Families Foundation Leadership Committee, which provides recommendations for a new multi-year evaluation to assess the effectiveness of efforts to reduce family homelessness in the Puget Sound region through systems-level change.
  - ✓ High Point Promise Executive Partners, which works to enhance and expand early learning opportunities through kindergarten readiness and elementary afterschool programming for High Point youth.
  - ✓ Community Center for Education Results Network (CCER), which works in partnership with communities to dramatically improve results at all stages of the education continuum, from "cradle through college and career."
  - ✓ HIV/AIDS Housing Leadership Collaborative, which works to identify resources to integrate the HIV/AIDS housing continuum into the larger housing continuum.

- ✓ Runstad Center Advisory Board, which promotes the value, quality, and sustainability of the built environment through an interdisciplinary real estate education program at the University of Washington.
- ✓ Race and Social Justice Roundtable, which focuses on eliminating racial inequity in the Puget Sound area.

- The Deputy Executive Director for Development serves on both the Urban Land Institute Seattle Advisory Board as well as the Right Sized Parking Committee. He also serves on the Puget Sound Regional Council's Growing Transit Communities Partnership Oversight Committee which oversees the HUD funded Sustainable Communities Grant. He also served as Chair of the ULI technical advisory panel for the City of Kirkland, WA.
- The Deputy Executive Director for Development is an adjunct instructor at the University of Washington College of Built Environments and a member of the College's Department of Urban Design and Planning Professionals Council.
- The Deputy Director for Finance and Administration chairs the National Association of Housing and Redevelopment Officers (NAHRO) Public Housing Subcommittee. He is also an honorary Board Member of the Rainier Vista Boys and Girls Club and was named by the Mayor to the Seattle Center Advisory Commission.
- The Housing Finance and Asset Management Director is a member of both the City of Seattle Credit Committee and the State Bond Cap Advisory Committee.
- The Communications Director represents SHA as Vice President on the Governing Board of the Seattle CityClub, which sponsors public forums on civic issues. She serves as CityClub's expert on housing and homelessness issues.
- SHA's General Counsel is a member of the Historic Seattle Preservation and Development Authority Council, which preserves and maintains historic structures, advocates for the preservation of historic structures and districts, and owns and operates affordable housing.
- The General Counsel is also a board member of Port Jobs, which helps low-income people find employment and apprenticeship opportunities in the building and construction trades, and a member of the Seattle Parks Department's Magnuson Park Advisory Committee, which is creating a strategic development plan that will identify public priorities for the Magnuson Park for the next ten years.
- The Human Resources Director is a member of the Breakfast Group, an African-American men's group that provides business mentorship and an education program aimed at young, at-risk males of color.
- The Human Resources Director is a Board Member of the International Public Management Association for Human Resources.
- The Housing Advocacy and Rental Assistance Director serves on NAHRO's Board of Governors and in 2011 chaired NAHRO's Legislative Network. She continues to be an active member of this network.
- The Housing Advocacy and Rental Assistance Director serves as the Chair of the Association of Washington Housing Authorities legislative committee.
- The Housing Advocacy and Rental Assistance Director serves on the Washington Low Income Housing Alliance (WLIHA) board. The Washington Low Income Housing Alliance is a non-profit that leads the movement to ensure that Washington residents thrive in safe, healthy, affordable homes through advocacy, education and organizing.
- Community Service Division staff continue as founding members of the Seattle Asset Building Collaborative, a coalition that supports economic self-sufficiency of low-income families. Staff also

continued participation on a Seattle-King County inter-governmental committee on the needs of senior housing and services for the baby-boomers.

Awards and Recognition

In 2011 Seattle Housing received distinctions, including:

- For the first year the Popular Annual Financial Reporting Award by the GFOA for the year ending December 31, 2010.
- For the fourteenth year in a row, a Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association (GFOA) of the U.S. and Canada for the fiscal year ending December 31, 2010 for the Seattle Housing Authority Comprehensive Annual Financial Report.
  A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA for their assessment again this year.
- A High Performing Housing Authority: SHA was designated a high performing agency in 1993 under HUD's Public Housing Management Assessment Program (PHMAP). As a result, the Authority became one of six original participants under contract with HUD in its Moving to Work (MTW) Demonstration Program. SHA has signed a contract with HUD for a ten-year extension of its MTW status; pending HUD's revisions of its Public Housing Assessment System or designation of an alternate evaluation tool, Seattle Housing retains its high performer designation. In 2009, SHA had preferential access to competitive ARRA funds as a result of its High Performer status.
- The Yesler Terrace redevelopment project received a Recognition Award for promoting sustainable growth from the Quality Growth Alliance, which is made up of real estate, environmental, and civic organizations.
- The Rainier Vista redevelopment project received a Merit Award from the American Institute of Architects for the high quality of its overall design.
- The Housing Authority Insurance Group presented the agency with a 2010 Best Practice Award for our Safety Hot Topic Program, which is a communication program aimed at reducing work-related accidents and worker compensation costs.
- Seattle Housing won a Merit Award from the National Association of Housing and Redevelopment Officials (NAHRO) for the policies and materials we developed to serve clients with limited English proficiency.
- A "Community Service Award" from Seattle Section 3 Advisory Committee in recognition of placement of 89 Section 3 residents on the High Point rental housing construction project;
- A Housing Authority Risk Retention Innovation Award in recognition for outstanding Risk Control Innovation in Loss Prevention and Loss Control, presented by the Housing Authority Insurance Group (September 2010);
- Recognition for advocacy work by the Pacific Northwest Regional Council of the National Association of Housing and Redevelopment Officers for efforts including promoting increased awareness among staff and residents of the importance of various legislative bodies;
- Design and Sustainability Awards: The Authority has been recognized locally, nationally, and internationally for the quality of our redevelopment communities. In 2007, the Authority received the prestigious Urban Land Institute Global Award for Excellence. This award is broadly recognized as the pinnacle award for design excellence on a worldwide scale and is an apt reflection of the Authority's commitment to sustainability and to the innovative designs and programs implemented at High Point. The Authority's redevelopment projects have also received the following awards:

High Point:
- ✓ Pacific Northwest Regional Council of Carpenters: Apprenticeship Opportunity Award
- ✓ Built Green: Certificate of Merit
- ✓ Puget Sound Regional Council: Vision 2020 Award
- ✓ Washington Excellence in Concrete Construction: Sustainable Merit Award
- ✓ PCBC Gold Nugget Award: Master-Planned Community of the Year
- ✓ PCBC Gold Nugget Award: Best Infill, Redevelopment, or Rehab Site Plan
- ✓ NAHB National Green Building Award: Multifamily Project of the Year
- ✓ A1A: Housing Committee Award (Multifamily)
- ✓ A1A: Show You're Green Award
- ✓ A1A/HUD Secretary's Award: Community Informed Design Award
- ✓ Governor's Smart Communities: Jury's Merit Award
- ✓ International Society of Arboriculturists: Green Leaf Award
- ✓ Rudy Bruner National Award for Urban Excellence
- ✓ EPA National Award for Smart Growth Achievement
- ✓ Urban Land Institute Award for Excellence - Americas

Rainier Vista:
- ✓ The Seattle Metropolitan Magazine "Best Places to Live Award"
- ✓ Energy Star Outstanding Achievement Award

New Holly Phase III:
- ✓ PCBC/Builders Magazine's 2006 Grand Prize for the Best Affordable Project under 30 units/acre.

Yesler Terrace:
- ✓ Received an award from Futurewise for Yesler Terrace Redevelopment Planning.

Acknowledgments

The preparation of this report has been accomplished through the hard work of the Finance Department staff and the support of other staff members throughout the Seattle Housing Authority. We wish to thank the management and staff of KPMG LLP who provided the necessary expertise and technical assistance in conducting the independent audit and organizing this report.

We 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 for their tireless support and guidance.

Respectfully submitted,

Tom Tierney

Tom Tierney
Executive Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Housing Authority of the City of Seattle, Washington

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

Linda C. Davison

President

Executive Director

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THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Financial Section

Section II

KPMG LLP
Suite 900
801 Second Avenue
Seattle, WA 98104

Independent Auditors' Report

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

We have audited the accompanying financial statements of the business-type activities (primary government) and the 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, 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units of the Authority, which represent 100% of the assets, net assets, and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the basic financial statements, insofar as it relates 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 of material misstatement. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

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, 2011, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

As discussed in note 1(c) to the basic financial statements, the Authority implemented one new accounting standard during 2011.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 25, 2012 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 12 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.

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 WA19P001501-06, WA19P001501-07, WA19R001501-09, WA19R001502-09, WA19R001503-09, WA19R001504-09, WA19S001501-09, WA19R001501-10, and WA19R001502-10 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The cost certificates have 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 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 certifications are fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory and statistical sections are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has 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 LLP

May 25, 2012

Overview of the Financial Statements

The Housing Authority of the City of Seattle, Washington (the Authority) is pleased to present its basic financial statements for the year ended December 31, 2011, 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 assets (balance sheet); the statement of revenues, expenses, and changes in net assets; 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 explain some of the information in the basic financial statements and provide 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 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 assets.

This section of the Authority's annual financial report presents our discussion and analysis of the Authority's financial performance during the year ended December 31, 2011, with comparative data for the year ended December 31, 2010. 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.

Financial Highlights

- Assets of the Authority exceeded liabilities at December 31, 2011 by $419.9 million (net assets). Of this amount, $186.5 million represents unrestricted net assets which include committed, assigned and unassigned funds that may be used to meet the Authority's ongoing obligations and to provide an undesignated, unrestricted reserve.
- Total net assets increased by $13.0 million or 3.2 percent. This increase is primarily attributed to capital contributions under the capital program, which includes funds received from the American Recovery and Reinvestment Act (ARRA), and to an increase in operating income.
- The Authority's current ratio that measures liquidity has increased during the year from 1.40 percent to 1.52 percent. This increase was primarily a result of higher current cash and investment levels.
- Long-term notes receivable increased from $194.1 million to $205.8 million. The Authority has made loans to other low-income housing providers and to its component units that are redeveloping housing communities under the HOPE VI Redevelopment program and other tax credit projects. The largest change in long-term notes receivable from 2010 to 2011 was a result of additions to loans made to Rainier Vista Northeast LLLP and Lake City Village LLLP.
- The Authority's total debt decreased from $177.3 million to $147.0 million during the current reporting period. There were three major reasons for the reduction; payment of Wedgewood bonds related to refinancing the mortgage, partial payment of bonds when the central office building was sold, and a scheduled payment of the Bank of America infrastructure note. Also, the percentage of total debt to net capital assets decreased from 51.7 percent at December 31, 2010 to 45.6 percent at December 31, 2011.

Financial Analysis

Statement of Net Assets

The statement of net assets presents the assets, liabilities, and net assets of the Authority at the end of the fiscal year. The purpose of the statement of net assets 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, liabilities, and net assets (assets minus liabilities). Also shown is the sum of total liabilities and net assets, which equals total assets.

Total assets of the Authority at December 31, 2011 and 2010 amounted to $629.2 million and $648.5 million, respectively. The significant components of current assets are investments, receivables from component units, and restricted cash. The noncurrent assets are 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. The principal changes in assets from December 31, 2010 to December 31, 2011 were decreases in capital assets, decreases in noncurrent investments and increases in notes receivable from the component units.

Total liabilities of the Authority are $209.3 million and $241.7 million at December 31, 2011 and 2010, respectively. Current liabilities include accounts payable, accrued liabilities, deferred revenue, current portion of long-term debt, and short-term borrowings. Current liabilities have increased slightly. Although there were decreases in accounts payable and short-term borrowings, there were increases in the current portion of long-term debt and deferred revenue that offset the reductions. Noncurrent liabilities are primarily made up of the long-term portion of the notes and bonds payable. Noncurrent liabilities decreased by approximately $32.3 million as a result of decreases in long-term borrowings.

Net assets represent the Authority's equity, a portion of which is restricted for certain uses. Net assets are divided into three major categories. The first category, invested in capital assets, net of related debt shows the Authority's equity in land, structures, construction in progress, and equipment, net of related capital debt outstanding. The next net asset category is restricted net assets for debt service; these assets are reserved to service the debts until they mature. The last category is unrestricted net assets; these are available to use for any lawful and prudent purpose of the Authority. Unrestricted net assets increased by 9.4 percent during the year from $170.5 million to $186.5 million. This was primarily the result of increases in notes receivable from the component units.

Condensed Statement of Net Assets

(In thousands)

		December 31, 2011	December 31, 2010
Assets:			
Current assets, net	$	67,513	62,473
Noncurrent investments and cash		8,515	24,990
Capital assets, net		322,532	343,139
Notes receivable, long term, net		205,788	194,058
Other noncurrent receivables and other		24,820	23,842
Total assets	$	629,168	648,502
Liabilities:			
Current liabilities	$	44,405	44,654
Noncurrent liabilities		164,909	197,009
Total liabilities		209,314	241,663
Net assets:			
Invested in capital assets, net of related debt		224,771	229,826
Restricted for debt service		8,544	6,487
Unrestricted		186,539	170,526
Total net assets		419,854	406,839
Total liabilities and net assets	$	629,168	648,502

Statement of Revenues, Expenses, and Changes in Net Assets

The purpose of the statement of revenues, expenses, and changes in net assets is to present the revenues earned by the Authority, both operating and nonoperating, and the expenses incurred, operating and nonoperating, and 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 maintain the housing units and provide other services for the tenants of the Authority. Nonoperating 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, Hope VI redevelopment and other capital activities.

The condensed statement of revenues, expenses and changes in net assets, which follows this section, reflects the year ended December 31, 2011 compared to the year ended December 31, 2010. Overall, operating revenues increased by approximately 3.0 percent or $4.8 million from 2010 to 2011 and operating expenses increased by approximately 1.2 percent or approximately $1.9 million for the year; net nonoperating expenses increased by 1.9 percent or approximately $0.4 million; and capital contributions decreased approximately 25.5 percent or $11.9 million as a result of a decrease in economic stimulus funding from HUD under the American Recovery and Reinvestment Act (ARRA) as projects are completed. Net assets increased in 2011 by approximately $13.0 million. Explanations of principal reasons for these changes follows.

For operating revenues, tenant rentals increased by $1.5 million. Although, tenant revenues have generally decreased due to the economic downturn, this was offset by a full year of revenue from Authority's acquisition of 400 housing units that arose from the dissolution of the Holly Park Limited Partnership in August, 2010. In addition, there were fewer vacancies during the year. The increase of $2.3 million in other revenues was primarily due lot sales.

Operating expenses increased slightly, approximately 1.2 percent.

Net nonoperating expenses increased by approximately $0.4 million during the year. The majority of this increase was a result of asset dispositions related to the High Point redevelopment project where infrastructure in the amount of $21.7 million was transferred to the City of Seattle (the City) and the sale of the central office building in June, which resulted in a gain of $6.3 million. There was also a decrease in interest income due to lower rates on investments and the Authority did not recognize approximately $3.6 million of interest from component unit notes receivable due to the uncertainty regarding the collectability of the funds.

Capital contributions in the year ended December 31, 2011 were made up of $6.5 million from Hope VI redevelopment grants and $28.2 million from HUD capital grants. Of the capital grants, $14.8 was from ARRA funding. The net result is that the Authority added $13.0 million to net assets for the year ended December 31, 2011.

Condensed Statement of Revenues, Expenses, and Changes in Net Assets

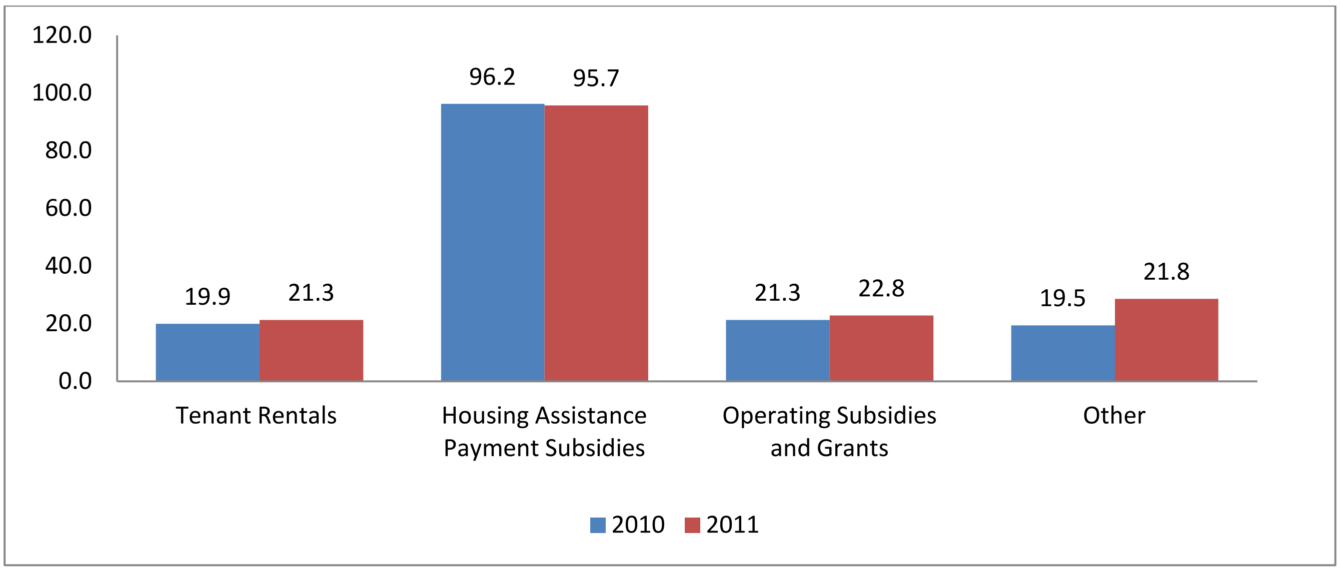
(In thousands)

		Year ended December 31	
		2011	2010
Operating revenues:			
Tenant rentals	$	21,338	19,853
Housing assistance payment subsidies		95,646	96,203
Operating subsidies and grants		22,814	21,258
Other		21,763	19,480
Total operating revenues		161,561	156,794
Operating expenses:			
Housing operations and administration		43,986	42,454
Tenant services		3,938	3,729
Utility services		4,999	4,718
Maintenance		18,824	20,083
Housing assistance payments		76,943	73,550
Other		1,319	4,210
Depreciation and amortization		10,676	10,060
Total operating expenses		160,685	158,804
Operating income (loss)		876	(2,010)
Nonoperating revenues (expenses):			
Interest expense		(6,888)	(7,479)
Interest income		1,537	5,257
Change in fair value of investments		69	45
Loss on notes receivable written off		(479)	—
Loss on investment in limited partnerships		(1)	(68)
Disposition of assets		(16,774)	(19,878)
Net nonoperating expenses		(22,536)	(22,123)
Change in net assets before capital contributions		(21,660)	(24,133)
Capital contributions		34,675	46,544
Change in net assets		13,015	22,411
Net assets, beginning of year		406,839	384,428
Net assets, end of year	$	419,854	406,839

(Continued)

Operating revenues are shown in detail in the chart below.

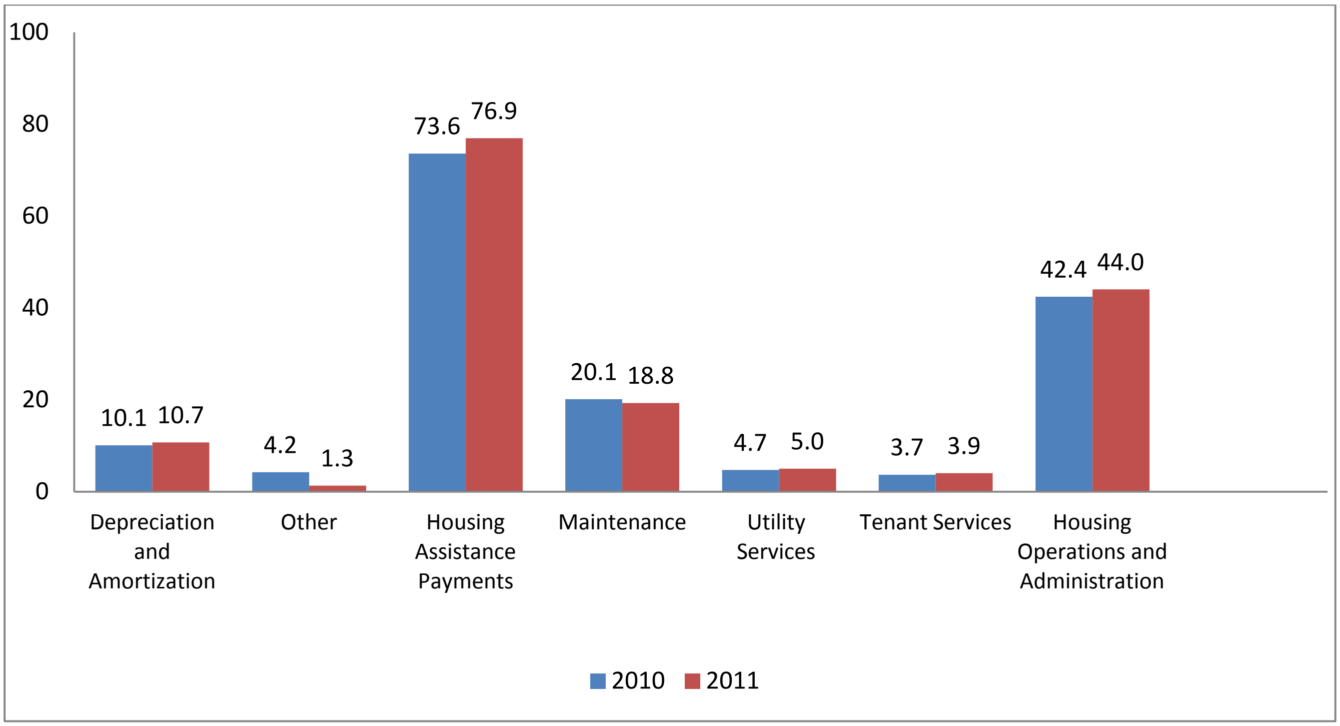
Operating Revenues – 2010 and 2011



Dollars (in millions)

Operating expenses are shown in detail in the chart below:

Operating Expenses – 2010 and 2011



Dollars (in millions)

Capital Asset and Debt Administration

The Authority reduced capital assets during the year ended December 31, 2011 by $20.6 million. Although there was an increase in structures due to building infrastructure improvements, construction in progress decreased by approximately $32.5 million. Construction in progress was reduced by transfers of infrastructure to the City related to the High Point redevelopment project by $21.7 million and there were $8.2 million of capital soft costs that were expensed in 2011.

The table below shows the Authority's capital assets, net of accumulated depreciation, at December 31, 2011 and December 31, 2010 (in thousands).

		2011	2010
Land	$	70,372	70,504
Land improvements		34,569	26,242
Structures		183,538	179,456
Leasehold improvements		466	538
Equipment		1,866	2,129
Construction in progress		31,721	64,270
Total capital assets, net	$	322,532	343,139

Note 5 to the Authority's basic financial statements provide additional detail regarding the changes in capital assets during the fiscal year.

Total debt outstanding decreased from 2010 to 2011 by $30.3 million. The Authority reduced short-term borrowings by $4.0 million. The decrease of $7.0 million in notes payable reflects a decrease of $8.45 million in the Authority's infrastructure note, offset by additional borrowing for Senior housing rehabilitation projects. Bonds payable decreased primarily because of the payment of bonds for the Wedgewood property which was refinanced during the year as well as partial payment of bonds that financed the central office building which was sold in June.

		2011	2010
Short-term borrowings	$	12,077	16,077
Notes payable		55,222	62,278
Bonds payable		79,676	98,951
Total debt outstanding	$	146,975	177,306

Notes 6 and 7 to the Authority's basic financial statements provide additional detail regarding the debt changes during the fiscal year.

Federal Funding Support to the Authority

Federal appropriation levels for HUD programs, such as Section 8 Housing Choice Voucher Program and 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 revenue for the Authority. During 2011, the Authority earned $118.5 million in federal dollars for its operating programs and $34.7 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 $322.5 million of capital assets as of December 31, 2011. In the redevelopment of the Authority's family communities as mixed-income communities at New Holly, High Point, Rainier Vista, and Lake City Court and in the rehabilitation of twenty-two of the agency's twenty-four public housing high rises, success has relied on public: private mixed financings. The mixed-financings at these properties have used federal HOPE VI funds, ARRA funds, Public Housing capital 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, and proceeds from sale of land, and bonds to complete 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. While the level of federal support of public housing has ebbed and flowed with different administrations over the decades, the record of federal financial support for low-income housing is unbroken since the Act.

From the mid-1990s to mid-2000s there was continual underfunding of the eligible levels for public housing capital grants and operating subsidies. Then in the period from about 2009 through 2011, we saw increases in the federal proration toward full funding of public housing operations, based on HUD's definition of full funding requirements. Reaching this full funding has occurred over the past two years, resulting in a 2011 public housing operating grant that was 34 percent above the 2008 funding level. This movement reflects the current Administration's stated intention to move to 100 percent proration to meet the full funding standard for public housing.

Meantime, the opposite direction in funding trends has occurred in the Public Housing Capital grant, with a reduction of more than 18 percent between 2008 and 2011. The reductions in the Capital Grant have been explained as an offset to the increases in capital funds to housing authorities over roughly the same period from ARRA funds. These funds have added over $38.0 million over the last two years to augment the Authority's annual public housing capital grant and contribute to mixed financing projects.

Over the same period between 2008 and 2011, funding for the Section 8 MTW Housing Choice Voucher (HCV) program has enjoyed an upward trend in funding. The 2011 funding to the Authority under the MTW HCV program represents an increase of more than 15 percent compared to 2008 funding. While the 2011 MTW HCV funds were 1.1 percent less than in 2010, the Authority has more than made up for that reduction by securing new housing vouchers.

In total, the Authority's 2011 Move to Work (MTW) Block Grant funding for Public Housing Operating and Capital Grants and MTW Housing Choice Vouchers, declined by 2.3 percent from 2010, largely due to the reduction in the Capital Grant. The 2011 MTW funding level, however, exceeded the 2008 funding level by over 14 percent. The value of the Authority's MTW status is especially critical in a time where resources decline, as the agency has the flexibility to stabilize our programs and services to the maximum extent feasible and prudent by the way we allocate our total MTW Block Grant resources.

It is difficult to predict how the emphasis on deficit reduction in Washington will affect federal funding in the future for the traditional low income housing operations, capital, and rental assistance of programs under Section 8 and 9 of the Housing Act of 1937. At this writing, SHA already knows that the agency's MTW funding for 2012 is a modest increase over 2011 funding, although not enough to match inflation in costs and revenue reductions from adverse changes in tenant incomes. The evidence of the past seventy-five years, through economic and political ups and downs, however, suggests that federal support for housing for the nation's lowest income and most vulnerable citizens will survive the current financial challenges of the country. The Authority expects modest decreases in federal revenues for low-income and affordable housing over the next few years as the Administration and Congress resolve a plan to address federal deficit pressures.

Local Housing Market

Since the Seattle Housing Authority is a developer of low income housing, as well as a landlord that operates and maintains the housing, the local housing market affects the Authority's ability to meet goals for creating mixed income communities by partnering with private developers to build for sale and rental units at market rate levels. The long-term prospects for the housing market are strong in Seattle and for Authority properties; thus, our challenge continues to be one of timing. The Authority is nearing completion of our redevelopment commitments in Rainier Vista and High Point and our new development at Lake City Village. As the recovery continues, we expect to complete sale of properties for market rate housing development in these mixed income communities over the next three years.

The Authority will also be positioned by early to mid-2012 to begin the initial phase of redevelopment at the last of the agency's "garden communities," Yesler Terrace. In 2011, the Authority completed master planning, adopted a development plan, and submitted all materials for land use entitlements to the City of Seattle planning agency and began negotiations with the City for their participation in the project. The Authority also submitted and received one of the inaugural six competitive grants under the new Choice Neighborhoods Initiative (CNI) for $10 million. In early 2012, the agency began architectural design work on the first phase of the redevelopment with 118 low-income units of new construction and 18 units in rehabilitation of an existing building in the neighborhood.

The Authority has been invited by HUD to apply for a second CNI grant for $20 million for phase 2 and will submit that proposal in April 2012. In 2012, SHA will also select a development partner for the overall 15-year redevelopment project. In the end, the master plan calls for transforming the existing 561-unit 35-acre Yesler Terrace site into a new mixed income urban neighborhood with upward of 4-5,000 housing units, up to a million square feet of office space, new park and open space, community retail space, a transportation link to key destinations with a new streetcar route through the site, and partnerships for educational and job training and placement for low income residents of the redeveloped Yesler Terrace. There has been not only national, but international interest in the Yesler Project among developers and potential equity partners, so the Authority expects to attract highly qualified and experienced potential development partners when that selection begins in late 2012.

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, 190 Queen Anne Ave North, Seattle, WA 98109.

BASIC FINANCIAL STATEMENTS

Exhibit A-1

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Statement of Net Assets

December 31, 2011

Assets		Primary government	Component units
Current assets:			
Cash and cash equivalents	$	5,770,523	2,436,074
Restricted cash		8,819,394	13,531,107
Investments		43,522,091	4,863
Accounts receivable:			
Tenant rentals and service charges		491,500	427,814
Other		1,048,713	404,942
Due from:			
Other governments		2,294,642	—
Primary government		—	610,529
Component units		3,063,081	—
Inventory and prepaid items		668,988	731,764
Deferred charges		1,168,619	5,098,253
Notes receivable		549,875	—
Notes receivable from component units		101,759	—
Other		13,640	—
Total current assets		67,512,825	23,245,346
Noncurrent assets:			
Investments		1,248,783	—
Cash restricted for long-term purpose		553,102	742,735
Restricted investments		6,713,160	896,512
Due from component units, net of allowance		23,336,343	—
Other		1,483,411	126,747
Capital assets:			
Land		70,371,965	5,099,274
Land improvements		36,224,637	18,037,509
Leasehold improvements		753,508	—
Structures		374,414,441	367,091,247
Equipment		16,277,666	9,412,927
Construction in progress		31,721,093	9,032,225
Less accumulated depreciation		(207,231,215)	(54,822,410)
Capital assets, net		322,532,095	353,850,772
Notes receivable (net of allowance of $479,017)		14,303,517	—
Notes receivable from component units (net of allowance and excess loss on investment of $1,675,000 and $1,505,589)		191,484,816	—
Total noncurrent assets		561,655,227	355,616,766
Total assets	$	629,168,052	378,862,112

Exhibit A-1

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Statement of Net Assets

December 31, 2011

Liabilities and Net Assets		Primary government	Component units
Current liabilities:			
Accounts payable:			
Vendors and contractors	$	3,707,663	2,852,830
Other		2,085,955	86,559
Accrued liabilities		2,875,096	4,817,199
Due to component units		610,529	—
Due to primary government		—	3,063,081
Security deposits		1,554,876	1,064,948
Short-term borrowings		12,077,424	—
Short-term borrowings from primary government		—	101,759
Current portion of long-term debt		15,408,022	10,148,475
Deferred revenue		6,084,890	35,619
Total current liabilities		44,404,455	22,170,470
Noncurrent liabilities:			
Due to primary government		—	26,904,076
Deferred revenue		41,541,931	—
Long term payables and liabilities		346,452	2,019,935
Long-term debt, less current portion:			
Notes payable to primary government		—	194,665,405
Notes payable		42,570,462	20,921,216
Bonds payable		76,918,664	48,205,323
Accrued compensated absences		2,828,916	—
Net OPEB liability		703,000	—
Total noncurrent liabilities		164,909,425	292,715,955
Total liabilities		209,313,880	314,886,425
Net assets:			
Invested in capital assets, net of related debt		224,771,337	79,808,594
Restricted for debt service		8,543,577	12,466,159
Unrestricted (deficit)		186,539,258	(28,299,066)
Total net assets		419,854,172	63,975,687
Total liabilities and net assets	$	629,168,052	378,862,112

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 Assets

Year ended December 31, 2011

		Primary government	Component units
Operating revenues:			
Tenant rentals	$	21,338,005	22,285,813
Housing assistance payment subsidies		95,645,677	—
Operating subsidies and grants		22,814,568	—
Other		21,762,895	802,398
Total operating revenues		161,561,145	23,088,211
Operating expenses:			
Housing operations and administration		43,986,025	7,371,134
Tenant services		3,937,994	—
Utility services		4,998,955	2,740,158
Maintenance		18,824,304	5,751,734
Housing assistance payments		76,942,437	—
Other		1,318,772	2,886,198
Depreciation and amortization		10,676,293	10,996,661
Total operating expenses		160,684,780	29,745,885
Operating income (loss)		876,365	(6,657,674)
Nonoperating revenues (expenses):			
Interest expense		(6,887,452)	(6,660,669)
Interest income		1,536,648	53,218
Change in fair value of investments		68,742	(1,997,746)
Loss on notes receivable		(479,017)	—
Loss on investment in limited partnerships		(1,321)	—
Disposition of assets		(16,774,091)	—
Net nonoperating expenses		(22,536,491)	(8,605,197)
Change in net assets before contributions		(21,660,126)	(15,262,871)
Contributions:			
Capital contributions		34,675,050	—
Partners' contributions		—	3,430,895
Total contributions		34,675,050	3,430,895
Change in net assets		13,014,924	(11,831,976)
Total net assets at beginning of year		406,839,248	75,807,663
Total net assets at end of year	$	419,854,172	63,975,687

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, 2011

		Primary government
Cash flows from operating activities:		
Receipts from residents	$	21,648,824
Receipts from other sources		23,328,251
Operating grants and subsidies received		121,333,900
Advances from affiliates		(958,905)
Payments to vendors		(62,409,529)
Housing assistance payments		(76,942,437)
Payments to employees		(17,046,191)
Net cash provided by operating activities		8,953,913
Cash flows from capital and related financing activities:		
Capital contributions		35,777,154
Acquisition and construction of capital assets		(12,669,132)
Proceeds from dispositions of property and equipment		6,321,586
Proceeds from long-term borrowings		16,888,577
Payments on notes and bonds		(47,220,223)
Interest payments		(7,227,105)
Net cash used in capital and related financing activities		(8,129,143)
Cash flows from investing activities:		
Interest received		1,460,351
Maturity of investment securities		69,434,524
Purchases of investment securities		(53,252,331)
Payment on notes receivable		914,799
Issuance of notes receivable		(13,321,885)
Net cash provided by investing activities		5,235,458
Increase in cash and cash equivalents		6,060,228
Cash and cash equivalents at beginning of year		9,082,791
Cash and cash equivalents at end of year	$	15,143,019
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$	876,365
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization		10,676,293
Changes in assets and liabilities:		
Accounts receivable and other assets		(3,150,102)
Inventory and prepaid items		165,543
Accounts payable and other liabilities		(2,447,878)
Accrued compensated absences		35,652
Deferred revenue and other		2,798,040
Total adjustments		8,077,548
Net cash provided by operating activities	$	8,953,913

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 RCW 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 5,508 units. 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 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 9,275 housing units. The purpose of the program is to provide decent and affordable housing to low-income families and elderly and handicapped persons 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 759 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.

The Seattle Senior Housing Program (SSHP) – operates 994 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 nonsubsidized housing units is provided exclusively from rental income. 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 will be effective January 1, 2012.

Other Housing Programs – operates 915 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 587 nonpublic housing 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. 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 either (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 (c) the component unit is financially dependent on the primary government.

Component units are reported as part of the reporting entity under either the blended or discrete method of presentation. Blending involves merging the component unit data and data with the primary government. The discrete method presents the financial statements of the component unit outside of the basic financial statement totals of the primary government. There are two situations where blending is allowed: (1) when the board of the component unit is substantially the same as that of the primary government, and (2) when the component unit serves the primary government exclusively, or almost exclusively.

The Authority is the 0.01 percent owner and the general partner in 15 real estate limited partnerships as of December 31, 2011. The limited partnership interests 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. Additionally, in some cases, the Authority is legally obligated to fund operating deficits. The Authority also has outstanding loans and net advances to the limited partnerships amounting to approximately $217.4 million at December 31, 2011. The limited partnerships do not serve the primary government exclusively, or almost exclusively, and therefore, are shown as discretely presented component units.

The 15 component units are: the Ravenna School Limited Partnership (RSLP), the Othello Street Limited Partnership (OSLP), Desdemona Limited Partnership (DLP), the Escallonia Limited Partnership (ELP), the High Point North Limited Partnership (HPNLP), the High Point South Limited Partnership (HPSLP), the Ritz Apartments Limited Partnership (RALP), the Alder Crest Limited Partnership (ACLP), the High Rise Rehabilitation Phase I Limited Partnership (HRRILP), the Seattle High Rise Phase II Limited Partnership (SHRIILP), Seattle High Rise Phase III Limited Partnership (SHRIIILP), Douglas Apartments Limited Partnership (DALP), Tamarack Place Limited Partnership (TPLP), Lake City Village Limited Liability Limited Partnership (LCVLLLP) and Rainier Vista Northeast Limited Liability Limited Partnership (RVNLLLP).

The RSLP is a legally separate entity formed in 1998 to take advantage of low-income housing tax credits needed to finance the planned rehabilitation of the Ravenna School Apartments. The 39-unit apartment complex, owned by the Authority under its Senior Housing Program, has been leased to RSLP for a nominal amount under a 99-year operating lease. The Authority is the 0.01% general partner of the RSLP and also serves as developer of the $1.5 million rehabilitation project. In addition, the Authority will continue to serve as property manager of the Ravenna School Apartments. In July 1999, a tax credit investor was formally admitted as a limited partner to the RSLP. The project was completed during fiscal year 2000. The Authority is the 0.01% general partner and is obligated to fund operating deficits by contributing or loaning funds to the partnership.

The OSLP is a separate legal entity created on September 9, 1999 to undertake phase two of the redevelopment activities at the Holly Park community. Development activities are completed and the OSLP will continue to operate and manage the rental units. The Authority participates as the 0.01% managing general partner of the OSLP. During fiscal year 2000, a tax credit investor was admitted to the partnership as a 99.99% limited partner. The Authority has leased the land for phase two of the Holly Park redevelopment project to the OSLP for a nominal amount under a noncancelable operating lease. The Authority is the 0.01% general partner of the OSLP and is obligated to fund an operating deficit up to $250,000.

The DLP is a separate legal entity created on May 10, 2002 to undertake phase three of the redevelopment activities at the Holly Park community. Development activities are completed and the DLP will continue to operate and manage the rental units. The Authority has leased the land for phase three of the Holly Park redevelopment project to the DLP for a nominal amount under a noncancelable operating lease. The Authority is the 0.01% general partner of the DLP and is obligated to fund an operating deficit without limitation as to amount. As of December 31, 2011, the DLP owed the Authority for developer fees in the amount of $2,319,517.

The ELP is a separate legal entity created on May 10, 2002 to undertake phase one of the redevelopment activities at the Rainier Vista community. Development activities are complete and the ELP will continue to operate and manage the rental units. The Authority participates as the 0.01% managing general partner of the ELP. The Authority has leased the land for phase one of the Rainier Vista redevelopment project to the ELP for a nominal amount under a noncancelable operating lease. The Authority is obligated to fund operating or other cash shortfalls up to $500,000, with the obligated amount gradually decreasing to zero over the project’s first three years of operations. As of December 31, 2011, the ELP owed the Authority for developer fees in the amount of $485,418.

The HPNLP is a separate legal entity created on October 31, 2003 to undertake phase one of the redevelopment activities at the High Point community. The Authority participates as the 0.01% managing general partner of the HPNLP. The Authority has leased the land for phase one of the High Point redevelopment project to the HPNLP for a nominal amount under a noncancelable operating lease. The Authority is obligated to fund operating or other cash shortfalls of the partnership. The amount the Authority is obligated to fund is unlimited prior to the project’s stabilization date as defined in the limited partnership agreement, and is limited to $1,200,000 after the project’s stabilization date. The amount is further limited to $750,000 after 10 consecutive years of the partnership’s operating subsidy being fully funded. As of December 31, 2011, the HPNLP owed the Authority developer fees in the amount of $1,843,575.

The HPSLP 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 HPSLP. The Authority has leased the land for phase two of the High Point redevelopment project to the HPSLP for a nominal amount under a noncancelable operating lease. The Authority is obligated to fund operating or other cash shortfalls of the partnership. As of December 31, 2011, the HPSLP owed the Authority $2,363,311 for developer fees.

The RALP is a separate legal entity created on August 12, 2004 to undertake rehabilitation of the Ritz Apartments. During fiscal year 2005, the RALP 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 RALP. The partnership agreement does not specify the obligation of the general partner in regards to funding operating shortfalls. As of December 31, 2011, the RALP owed the Authority $170,515 for developer fees.

The ACLP is a separate legal entity created on January 1, 2005 to undertake rehabilitation of the Alder Crest Apartments. The ACLP 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 ACLP. The Authority has leased the building to ACLP. As of December 31, 2011, the ACLP owed the Authority oversight developer fees amounting to $39,748.

The HRRILP 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. The Authority participates as the 0.01% managing partner. As of December 31, 2011, the HRRILP has no outstanding developer fee payable to the Authority.

The SHRIILP 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. The Authority participates as the 0.01% managing partner. As of December 31, 2011, the SHRIILP has no outstanding developer fee payable to the Authority.

The SHRIIILP 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. The Authority participates as the 0.01% managing partner. As of December 31, 2011, the SHRIIILP has no outstanding developer fee payable to the Authority.

The DALP is a separate legal entity created on September 17, 2007 to undertake rehabilitation of the Douglas Apartments, which were purchased by the Authority during the year. The DALP 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 DALP. As of December 31, 2011, the DALP owed the Authority developer fees in the amount of $283,146.

The TPLP 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, the TPLP has admitted a tax credit investor to the partnership. The Authority participates as the 0.01% managing general partner of the TPLP. As of December 31, 2011, TPLP owed the Authority developer fees in the amount of $561,474.

The LCVLLLP 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, the LCVLLLP admitted a tax credit investor to the partnership. The Authority participates as the 0.01% managing general partner of the LCVLLLP. As of December 31, 2011, LCVLLLP owed the Authority developer fees in the amount of $814,169.

The RVNLLLP 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, the RVNLLLP has admitted a tax credit investor to the partnership. The Authority participates as the 0.01% managing general partner of the RVNLLLP. As of December 31, 2011, RVNLLLP owed the Authority developer fees in the amount of $472,000.

All 15 component units have a December 31 year-end. The component units' financial statements are presented as of December 31, 2011 and may be obtained by contacting the Authority.

(c) New Accounting Standards Adopted

One new statement issued by the GASB was effective this year. Statement No. 59, *Financial Instruments Omnibus*, updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. This Statement did not have a material impact on the Authority's financial statements.

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

Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34,* addresses reporting entity issues that have arisen since the issuance of those statements. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA Committee on Accounting Procedures which does not conflict with or contradict other GASB pronouncements. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. Statement No. 66, *Technical Corrections 2012 – an amendment of GASB Statements No. 10 and No. 62,* resolves conflicting guidance that resulted from previously published GASB statements. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. The Authority will evaluate these new standards and determine to what extent they will have an impact 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 assets. All assets and liabilities associated with the operation of the Authority are included in the statement of net assets. 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 revenues and expenses are reported as nonoperating revenues and expenses or as contributions of capital.

The Authority reports deferred revenue on its statement of net assets. Deferred revenues arise when potential revenue has not been earned in the current period. Deferred revenues also arise when resources are received by the Authority before it has a legal claim to them, as when grant moneys 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 deferred revenue is removed from the statement of net assets and revenue is recognized.

Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, all proprietary funds must follow Financial Accounting Standards Board (FASB) standards issued on or before November 30, 1989. However, subsequent to that date, proprietary funds must either choose (1) not to apply all new FASB standards (including amendments of earlier pronouncements), or (2) to continue to follow all new FASB pronouncements (unless they conflict with GASB guidance). The Authority has chosen not to apply new FASB standards subsequent to November 30, 1989.

(f) Cash and Investments

All of the Authority’s investments are reported at fair value. Fair value is determined based on quoted market prices for the investments.

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.

(h) Inventories and Prepaid Items

Inventories are stated at lower of cost or market value and consist of expendable materials and supplies. Inventory items are expensed using the first-in, first-out method. Office supplies are expensed using a moving weighted average cost method. 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 in a subsequent fiscal year.

(i) Deferred Charges

Deferred charges consist of debt issuance costs and 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 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 fair value on the date donated.

Capital assets are generally depreciated on the straight-line method over estimated useful lives as follows:

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

(k) Accounts Payable – Other

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

(l) 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 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 fiscal year-end. See footnote 7(a) for detailed schedule.

(m) Management Fees

The Authority manages two residential rental properties for HUD. For the year ended December 31, 2011, the Bay View Tower project paid the Authority management fees of $49,624, which is equal to 5.2% of net rental revenues received. Market Terrace paid the Authority management fees of $14,628 based on a fee of $1,107 per month. During the year, management fees increased from $1,051 per month to $1,107 per month, retroactive to January 2009. HUD regulates the amount of management fees that can be paid on these properties.

(n) 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 fiscal year 2011.

(o) Deferred Revenue – Operating Leases

The Authority has unearned revenue resulting from operating lease payments received from seven of its discretely presented component units: the RALP, the ACLP, the DALP, the LCVLLLP, the HRRILP, the SHRIILP and the SHRIIILP. The lease payments are recognized over the lease terms and unearned lease payments are shown as deferred revenue.

(p) 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)(l)(A)(v) and 170 (c)(l) of the Internal Revenue Code of 1986, as amended.

(q) Pension Plans

The Authority reports pensions in accordance with GASB Statement No. 27 (GASB 27), *Accounting for Pensions by State and Local Governmental Employers*. GASB 27 requires the Authority to record a net pension obligation (benefit) for the difference between the required and actual employer contributions to its pension plans. The Authority funds all required contributions.

(r) 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 and liabilities, 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.

(Continued)

(s) Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

(2) Deposits and Investments

(a) Deposits

As of December 31, 2011, the Authority's carrying amount of deposits (excluding petty cash and U.S. Post Office deposits) was $15,136,488 and the bank balance was $18,501,100. 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 assets. 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. The FDIC insurance was raised from $100,000 to $250,000 until December 31, 2013. In addition to bank deposits, the Authority has $2,500 held at the U.S. Post Office and $4,031 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 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 report net assets and share prices since that amount approximates fair value.

Since the Authority reports all of its investment at fair value, no additional disclosure is required under GASB Technical Bulletin No. 2003-1, *Disclosure Requirements for Derivatives Not Reported at Fair Value on the Statement of Net Assets.*

The Authority intends to adhere 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. However, the Authority's indirect exposure to any risks arising from derivative instruments utilized by such funds and programs is unknown.

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, 2011, 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 LGIP and the U.S. Treasury money market investments are not categorized because the investments are not evidenced by securities that exist in physical or book entry form.

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).

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	$ 1,730,765	—	—	1,730,765
U.S. government securities	n/a	—	—	3,772,302	3,772,302
U.S. agency securities	AAA	—	1,248,783	—	1,248,783
Certificates of deposit	n/a	—	—	—	—
Yield agreements	n/a	—	—	1,210,093	1,210,093
Private debt obligations	n/a	—	—	—	—
State investment pool	AAA	43,522,091	—	—	43,522,091
Total investments		$ 45,252,856	1,248,783	4,982,395	51,484,034

(c) Component Unit Deposits

As of December 31, 2011, the component units' carrying amount of deposits (excluding petty cash) was $16,709,116 and the bank balance was $16,887,511. 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 assets. 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. The FDIC insurance was raised from $100,000 to $250,000 until December 31, 2013. In addition to bank deposits, the component units have $800 in petty cash funds.

(d) Component Unit Investments

As of December 31, 2011, investments of $901,375 were held in trust and restricted for the development of the component units' redevelopment projects, replacement reserves and for the payment of principal and interest on the component units' bonds.

Custodial Risk

The investments of the component units are guaranteed investment contracts collateralized by U.S. government investment securities. As of December 31, 2011, all investments were insured or registered, and held by the component unit or its agent in the component unit's name, or uninsured and unregistered, with securities held by the counterparty's trust department or agent in the component unit's name. Therefore, the investments are not exposed to custodial risk.

The component units of the Authority are subject to the same concentration of credit risk, credit risk, and interest rate risk as the Authority. The chart below shows the exposure to these risks:

	S&P credit rating	N/A or less than 1 year	More than 10 years	Total
U.S. government money market funds	n/a	$ 324,752	—	324,752
Yield agreements	n/a	—	576,623	576,623
State investment pool	n/a	—	—	—
Total investments		$ 324,752	576,623	901,375

(3) Restricted Assets

(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, 2011 as shown in the schedule below:

		Residential	Commercial	Total
Total security deposits	$	1,180,483	374,393	1,554,876

(b) Bond Trust Funds and Mortgage Reserves

As of December 31, 2011, funds held for bond trust funds and mortgage reserves are shown below:

		Balance
Investments are held in trust for the 'PorchLight bonds and are restricted for the payment of principal and 'interest. The investments consist of notes, mortgages, and contracts 'and bear interest at approximately 5.2%.	$	471,293
Investments for Gamelin/Genesee bonds are restricted for the payment of principal and interest. The investments consist of money market funds and bear no interest.		268,694
Cash is held for replacement reserves on the public housing units of the Othello Limited Partnership. Interest is paid at approximately 0.25% as of December 31, 2011.		204,457
Cash and investments for the Villa Park bonds are restricted for the payment of bond principal and interest. Such investments consist of money market funds and bears interest at approximately 0.01%.		147,209
Investments for the Telemark bonds are restricted for the payment of bond principal and interest. Such investments consist of money market funds and bear interest at approximately 0.01%.		223,535
Investments held for the Market Terrace and Mary Avenue bonds are restricted for the payment of principal and interest and consist of money market funds bear no interest.		219,505
Investments for the Montridge bonds are restricted for the payment of principal and interest. The investments consist of money market funds and bears interest at approximately 0.01%.		131,707
Investments for the Replacement Housing bonds are restricted for the payment of principal and interest. The investments consist of notes, mortgages, and contracts and bear interest at approximately 4.0%.		753,576
Investments for the Longfellow Creek bonds are restricted for the payment of principal and interest. The investments consist of notes, mortgages, and contracts and bear no interest.		244,910

		Balance
Investments for the Wisteria Court bonds are restricted for the payment of principal and interest. The investments consist of GNMA securities and bear interest at approximately 5.12%.	$	3,848,836
Reserves are held in restricted cash accounts for the mortgage on Wedgwood Estates and bear interest at approximately 0.01%.		784,566
Reserves are held in restricted cash accounts for taxes and insurance for Wedgewood Estates and bear no interest.		107,904
Reserves are held in restricted cash accounts for the mortgage on Wisteria Court Apartments and bear interest at approximately 0.17%.		324,547
Reserves are held in restricted cash accounts for taxes and insurance for Wisteria Court Apartments and bear no interest.		33,467
Investments are held for the Yesler Community Center Replacement Housing bonds and are restricted for the payment of principal and interest. The investments consist of treasury obligations and bear no interest.		145,504
Investments are held for the Bayview Tower and Lake City Commons bonds. These funds are restricted for the payment of principal and interest and consist of money market funds bearing interest at approximately 0.01%.		258,391
Restricted cash is held for Bayview Tower and Lake City Commons replacement reserves. The investments consist of money market funds and bear interest at approximately 0.1%.		514,750
Restricted cash is held for the payment of taxes and insurance for Main Street Place II and bear no interest.		6,269
Restricted cash is held for the Beacon operating reserves and replacement. reserves. The funds consist of money market funds and bear interest at approximately 0.1%.		65,403
Reserves are held in restricted cash accounts for the capital replacement and operations of Villa Park and bear interest at approximately 0.1%.		152,819
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 0.1%.		1,039,972
Investments are held for the Holly Park Phase I bonds and are restricted for payment of principal and interest. The funds are invested mainly in highly liquid, short-term U.S. Treasury obligations.		264,106
Reserves are held in restricted cash accounts for the Holly Park Phase I operating reserve and tax credit replacement reserve and bear interest at approximately 0.20%.		1,960,021
Restricted cash is held in money market accounts for debt service on High Rise Rehabilitation projects, bearing no interest.		520

		Balance
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 0.25%.	$	137,890
Restricted cash is held for critical repairs at Wedgewood Estates related to the refinancing of the building. The account bears no interest.		704,622
Total	$	13,014,473

(c) Other Restricted Funds

As of December 31, 2011, restricted cash amounts of $361,254 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.

Investments of $299,284 are held in trust for the Tenant Trust Account program. Eligible public housing households in the Low Rent Program receive 30% of their monthly base rent amount over $494 deposited to a Tenant Trust Account that may be used to enhance their ability to become economically self-sufficient and independent.

Restricted cash amounts of $503,645 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 $67,760 were held as of December 31, 2011.

Restricted cash amounts of $62,665 are held in the Development fund for the Dream Big Scholarship fund, which provides scholarships for residents of the Authority’s communities.

Restricted cash amounts of $221,699 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 $278.

(4) Notes Receivable

(a) Other Than from Component Units

		December 31, 2011	Due within one year
Due from Community Psychiatric Clinic for the purchase of two properties. The notes bear no interest and mature November 30, 2013, with annual payments required.	$	96,445	48,222
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 on January 31, 2050.		1,200,000	—
Two notes due from the Low Income Housing Institute (LIHI), a Washington nonprofit corporation, and the Lakeview Apartments Limited Partnership. The note in the amount of $494,600 bears interest at 3% annually and all interest and principal will be forgiven December 2040, if the project is operated according to the loan regulatory agreement. The note in the amount of $24,872 bears interest at 6% annually and is due January 2016. Principal and interest payments of $5,058 are due annually.		512,126	4,006
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	—

	December 31, 2011	Due within one year
Notes 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 the Retirement Housing Foundation. The note requires annual payments and is payable in full by December 2016. The interest rate is approximately 3.27%.	813,647	123,402
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	—
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.	879,635	24,245

	December 31, 2011	Due within one year
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 HRG 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 the Kateri House Association. The note is secured by a deed of trust on the property and bears interest at 1% per annum. Principal and accrued interest are due when the title is transferred or the property is sold.	83,793	—
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. Principal and interest are due on the maturity date.	1,055,568	—
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 CHHIPS 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	—

(Continued)

	December 31, 2011	Due within one year
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 CHHIPS 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 is secured by a deed of trust on the property and bears no interest. The note matures on August 31, 2054.	210,000	—
Due from PNW Homebuilder's North LLC for land sold at High Point. The note bears no interest if paid by the maturity date of February 13,2012. Payment is expected in $10,000 increments as the lots are sold.	60,000	60,000
Due from PNW Homebuilder's North LLC for land sold at High Point. The note bears no interest if paid by the maturity date of August 10, 2012. Payment is expected in $10,000 increments as the lots are sold.	110,000	110,000
Due from PNW Homebuilder's North LLC for land sold at High Point. The note bears no interest if paid by the maturity date of August 10, 2012. Payment is expected in $10,000 increments as the lots are sold.	180,000	180,000
Allowance for loss	(479,017)	—
Total notes receivable, net	$ 14,853,392	549,875

The Authority has gross notes receivable and an allowance of $6,677,152 for loans made to Neighborhood House, Boys and Girls Club, and Solid Ground 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.

(Continued)

(b) Notes Receivable from Component Units

	Balance December 31, 2011	Due within one year
Two notes due from High Rise Rehabilitation Phase I Limited Partnership. 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, 2011, the amount of interest payable to the Authority was $2,824,250.	$ 24,000,000	—
Due from the Desdemona Limited Partnership a operating deficit loan bearing interest at 10% per annum. Interest on the note was $746 as of December 31, 2011.	51,759	51,759
Two notes due from Escallonia Limited Partnership. One note in the amount of $12,732,292 and one note in the amount of $10,614,802. Both notes bear interest at 1% per annum and mature in fiscal year 2058. Interest payments are due annually from available net cash flows. As of December 31, 2011, interest payable to the Authority was $1,727,960.	23,347,094	—
Two notes due from High Point North Limited Partnership in the amounts of $8,500,000 and $16,652,733. The notes bear compounding interest at 1% per annum and mature in fiscal year 2054. Interest payments are due annually from available net cash flows. As of December 31, 2011, interest payable to the Authority was $1,858,741.	25,152,734	—

(Continued)

	Balance December 31, 2011	Due within one year
Due from Ritz Apartments Limited Partnership. The note bears interest at 1% per annum and matures March 30, 2054. Principal and interest payments are due annually from available cash flows. Interest payable to the Authority on December 31, 2011 was $36,337.	$ 265,856	—
Due from Alder Crest Limited Partnership. The note bears simple interest at 5% per annum and matures March, 2057. Interest payable to the Authority on December 31, 2011 was $60,847.	220,000	—
Due from the Othello Street Limited Partnership. Two notes due in the amounts of $4,195,384 and $2,000,000. Both notes bear interest at 1% per annum and interest only payments are due to the Authority from available net cash flows. The notes mature on July 1, 2051. As of December 31, 2011, interest payable to the Authority was $714,175.	6,195,384	—
Two notes due from Desdemona Limited Partnership. One note in the amount of $10,149,991 bears interest at 3% per annum and the other note in the amount of $2,739,144 bears interest at 1% per annum. Both notes require interest-only payments from available net cash flows and both notes mature March 1, 2058. Interest due to the Authority as of December 31, 2011 was $2,788,064.	12,889,135	—
Due from the Ravenna School Limited Partnership. The note bears interest at 1% and is payable on the maturity date of December 31, 2039. As of December 31, 2011, interest due to the Authority was $65,995.	529,727	—
Two notes due from High Point South Limited Partnership in the amounts of $4,606,506 and $8,606,159. The notes bear interest at 1% per annum and mature in 2062. Interest payments are due annually from available net cash flows. As of December 31, 2011, interest payable to the Authority was $308,295.	13,212,665	—

	Balance December 31, 2011	Due within one year
Two notes due from Seattle High Rise Rehab Phase II Limited Partnership in the amounts of $12,000,000 and $16,051,551. The notes bear interest at 4.88% and 4.60%, respectively, during rehabilitation and 3.50% thereafter. Both notes mature December 21, 2046. As of December 31, 2011, interest payable to the Authority was $3,852,847.	$ 28,051,551	—
Two notes due from Seattle High Rise Rehab Phase III Limited Partnership 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, 2011, interest payable to the Authority was $2,417,538.	20,950,000	—
Due from Tamarack Place Limited Partnership. 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, 2011, interest payable to the Authority was $234,000.	10,400,000	—
Two notes due from Rainier Vista Northeast LLLP. One note in the amount of $9,700,000 and one note in the amount of $124,792. Both notes bear interest at 0.25% per annum and mature in 2060. Interest payments are due annually from available cash flows. As of December 31, 2011, interest payable to the Authority was $60,795.	9,824,792	—
Due from Lake City Village LLLP. The amount of the note is up to $16,402,326. The note accrues interest at 0.8% per annum and matures May 2065. As of December 31, 2011, interest payable to the Authority was $269,190.	16,051,467	—
Due from Douglas Apartments Limited Partnership for bond proceeds. The note accrues interest at 4.80% per annum and matures June 2040. As of December 31, 2011, interest payable to the Authority was $7,800.	1,950,000	50,000
Total notes from component units	$ 193,092,164	101,759

The Authority has gross notes receivable and an allowance of $1,675,000 for a loan made to Lake City Village LLLP which is excluded from the table above. The allowance fully covers the loan which is payable to the Authority and dependent on uncertain cash flows. Interest payable as of December 31, 2011 was $119,957.

(5) Capital Assets

The following is a summary of changes in capital assets of the Authority for the year ended December 31, 2011:

		Balance January 1, 2011	Additions and transfers in	Dispositions and transfers out	Balance December 31, 2011
Capital assets, not being depreciated:					
Land	$	70,504,337	—	(132,372)	70,371,965
Construction in progress		64,270,286	12,769,765	(45,318,958)	31,721,093
Total capital assets, not being depreciated		134,774,623	12,769,765	(45,451,330)	102,093,058
Depreciable capital assets:					
Land improvements		26,983,527	9,241,110	—	36,224,637
Structures		365,680,217	13,274,832	(4,540,608)	374,414,441
Leasehold improvements		749,651	3,857	—	753,508
Equipment		17,133,424	827,304	(1,683,062)	16,277,666
		410,546,819	23,347,103	(6,223,670)	427,670,252
Less accumulated depreciation for:					
Land improvements		(742,314)	(913,157)	—	(1,655,471)
Structures		(186,223,982)	(8,469,580)	3,816,402	(190,877,160)
Leasehold improvements		(212,116)	(74,997)	—	(287,113)
Equipment		(15,004,324)	(722,339)	1,315,192	(14,411,471)
Total accumulated depreciation		(202,182,736)	(10,180,073)	5,131,594	(207,231,215)
Total capital assets, being depreciated, net		208,364,083	13,167,030	(1,092,076)	220,439,037
Total capital assets, net	$	343,138,706	25,936,795	(46,543,406)	322,532,095

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 Urban Revitalization Demonstration Grant (URD/HOPE VI). 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. Hope VI 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 Hope VI 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.

The following schedule shows the significant components of the construction in progress as of December 31, 2011:

Modernization funds – capital grants	$	921,811
Modernization funds – URD/HOPE VI grants		28,480,031
Other programs		2,319,251
Total construction in progress	$	31,721,093

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, 2011:

	Balance January 1, 2011	Additions and transfers in	Dispositions and transfers out	Balance December 31, 2011
Capital assets, not being depreciated:				
Land	$ 5,037,542	61,732	—	5,099,274
Construction in progress	16,575,903	29,657,675	(36,820,651)	9,412,927
Total capital assets not being depreciated	21,613,445	29,719,407	(36,820,651)	14,512,201
Depreciable capital assets:				
Land improvements	14,227,668	3,809,841	—	18,037,509
Structures	335,760,522	31,330,725	—	367,091,247
Equipment	6,895,440	2,136,785	—	9,032,225
	356,883,630	37,277,351	—	394,160,981
Less accumulated depreciation for:				
Land improvements	(1,144,257)	(299,751)	—	(1,444,008)
Structures	(41,343,173)	(10,029,527)	—	(51,372,700)
Equipment	(1,750,704)	(254,998)	—	(2,005,702)
Total accumulated depreciation	(44,238,134)	(10,584,276)	—	(54,822,410)
Total capital assets, being depreciated, net	312,645,496	26,693,075	—	339,338,571
Total capital assets, net	$ 334,258,941	56,412,482	(36,820,651)	353,850,772

(6) Short-Term Borrowings

The Authority maintains a $6 million 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 2.74% at December 31, 2011, which is payable monthly. The line of credit matures August 2012 and may be extended by the Executive Director of the Authority annually until August 2016, with the consent of the bank as long as the interest rate formula does not produce rates greater than two percent higher than the previous rate formula. The total amount outstanding at December 31, 2011 was $532,480.

The Authority maintains a $15 million revolving real property line of credit in order to provide a ready means of financing real property acquisitions. Until it matured on June 21, 2010, the interest rate on the line of credit was 65% of the bank's prime rate minus 0.058% with interest payments due monthly. The Authority entered a new agreement with the bank effective June 22, 2010. Under the terms of the new agreement, the line of credit was split into series A in the amount of $9.25 million and series B in the amount of $5.75 million. Series A bears interest at 65.01% of the bank's prime rate plus 0.96% and is for a term of one year. The line may be extended annually by the Executive Director until June 22, 2015 with consent of the bank. The rate on December 31, 2011 was 2.74%. Series B has a three year term and may be extended for an additional three year term by the Executive Director until June 22, 2016 with consent of the bank. Series B bears interest at 65.01% of the bank's prime rate plus 1.0% or 2.74% as of December 31, 2011. As of December 31, 2011, the Authority had drawn $5,484,035 which was all on the series A portion of the line.

The Authority has also established a $7 million 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 Key Bank's prime rate minus 0.9% or 2.35% as of December 31, 2011, which is payable monthly. The line matures on December 3, 2012, and is renewable annually through 2015. The total amount outstanding at December 31, 2011 was $6,060,909.

The following is a summary of changes in the Authority's short-term borrowings for the year ended December 31, 2011:

	Balance January 1, 2011	Additions	Retirements	Balance December 31, 2011
Operating line of credit for High Point redevelopment.	$ 966,006	—	966,006	—
Real estate line of credit for purchase of 12-plex at 5983 Rainier Ave S.	1,252,856	—	813,000	439,856
Real estate line of credit for purchase of 5-plex at 924 MLK Jr Way South.	651,650	—	325,000	326,650
Real estate line of credit for purchase of two triplexes on Delridge Way SW.	901,380	—	450,000	451,380
Real estate line of credit payable for 7343 MLK Jr Way S.	1,083,625	—	—	1,083,625
Real estate line of credit payable for various properties including Highpoint substation, 109 12th Ave, 5656 32nd Ave SW, and 3200 SW Juneau.	957,591	—	—	957,591
Real estate line of credit payable for the purchase of land at 38th & S Willow.	250,358	—	—	250,358
Operating line of credit payable for purchase of the Salvation Army Building.	532,482	—	—	532,482
Taxable line of credit for purchase of properties in the Development fund, including 6919 MLK Jr Way S, 103 12th Ave S, 6058 35th Ave SW, and 6927 MLK Jr Way S.	2,843,038	—	—	2,843,038
Real estate line of credit for purchase of 6-plex at 3809 Willow.	580,274	—	—	580,274
Real estate line of credit for purchase of Lee Apartments.	1,058,400	—	—	1,058,400
Taxable line of credit payable for purchase of 6558 35th Ave SW.	988,574	—	—	988,574
Operating line of credit payable for 918 MLK Jr Way S and 111 12th Ave S.	345,001	—	345,001	—

		Balance January 1, 2011	Additions	Retirements	Balance December 31, 2011
Real estate line of credit for purchase of the Baldwin Apartments.	$	1,436,892	—	1,100,993	335,899
Taxable line of credit for purchase of Apartments at 6927 MLK Jr Way S.		1,129,297	—	—	1,129,297
Taxable line of credit for construction of commercial space at Tamarack.		1,100,000	—	—	1,100,000
Total short-term borrowings	$	16,077,424	—	4,000,000	12,077,424

(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, 2011:

		Balance January 1, 2011	Additions	Retirements	Balance December 31, 2011	Due within one year
Loan payable to the City of Seattle for the Epstein Building remodel financed by HUD Community Development Block Grant funds. The loan will be fully forgiven on December 31, 2017 if the property is kept for low-income use.	$	200,000	—	—	200,000	—

	Balance January 1, 2011	Additions	Retirements	Balance December 31, 2011	Due within one year
Notes payable issued in 1998 to the City of Seattle's General Fund, Urban Renewal, and Capital Facilities Fund for New Holly 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.	$ 2,417,263	—	—	2,417,263	—
Note payable to the City of Seattle's Housing Development fund for New Holly 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	—
Notes payable issued in 2001 to the City of Seattle's Cumulative Reserve Fund and HOME Program for New Holly 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	—

	Balance January 1, 2011	Additions	Retirements	Balance December 31, 2011	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.	$ 872,077	—	38,144	833,933	—
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 Prudential. Term is 35 years, with final maturity August 1, 2036. The interest rate is 5.72%, with monthly payments of $94,774. The loan is guaranteed with FHA Insurance.	15,286,580	—	15,286,580	—	—

	Balance January 1, 2011	Additions	Retirements	Balance December 31, 2011	Due within one year
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.	$ —	16,734,300	72,075	16,662,225	221,466
Mortgage loan for Wisteria Court payable to Prudential. Term is 35 years, with final maturity August 1, 2038. The interest rate is 5.51%, with monthly payments of $21,114. The loan is guaranteed with FHA Insurance.	3,602,796	—	56,265	3,546,531	59,445
Mortgage loan payable to CS Capital for the purchase of Main Street Properties bearing interest at a rate of 6%, with maturity date of November 1, 2012. The mortgage is secured by a deed of trust on the property.	1,746,285	—	37,292	1,708,993	1,708,993
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	—

	Balance January 1, 2011	Additions	Retirements	Balance December 31, 2011	Due within one year
Mortgage loan payable to CW Capital for the purchase of Main Street Properties, bearing interest at a rate of 6%, with maturity date of November 1, 2012. The mortgage is secured by a deed of trust on the property.	$ 215,833	—	4,608	211,225	211,225
Note payable to Bank of America for construction of infrastructure at High Point and Rainier Vista. The note requires annual payments and matures in 2013. Interest is tied to the LIBOR rate.	25,375,000	—	8,450,000	16,925,000	8,450,000
Note payable to City of Seattle, Office of Housing for future development at Othello Station, 7301 MLK Jr Way S. Loan will be forgiven if development agreements have been finalized on or before the maturity date of December 2012. The interest rate is 3% per annum and payable on the maturity date.	2,000,000	—	—	2,000,000	2,000,000
Note payable to State Office of Community Trade and Economic Development for New Holly Phase I. The note is secured by a lien on the property and matures December 31, 2040.	1,700,000	—	—	1,700,000	—
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.	751,882	98,118	—	850,000	—
Loans payable to Seattle Office of Community Trade and Economic Development for rehab at Willis House and Reunion House. Forgivable on maturity date December 2049.	871,520	7,753	—	879,273	—

	Balance January 1, 2011	Additions	Retirements	Balance December 31, 2011	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.	$ —	832	—	832	—
Loan payable to Seattle Office of Housing for the rehab of Olmsted Manor. The loan which is payable at maturity, August 2061.	—	47,574	—	47,574	—
Other notes payable	623,759	—	—	623,759	—
Total notes payable	62,277,978	16,888,577	23,944,964	55,221,591	12,651,129
Bonds payable for the Wakefield Building and the PorchLight Building at rates of 2.85% to 6.10% final due date of May 1, 2032. Extraordinary mandatory redemption occurred in July 2011, when the Wakefield building was sold. The bonds are secured by a deed of trust on the PorchLight building.	7,235,000	—	1,720,000	5,515,000	140,000
Bonds payable for the Wallingford property in annual payments of $64,716, including interest at 7%; final due date is January 11, 2015. The bonds are secured by a pledge of the general revenues of the Authority.	229,265	—	50,259	179,006	53,893

	Balance January 1, 2011	Additions	Retirements	Balance December 31, 2011	Due within one year
Bonds payable tax-exempt series A and taxable series B for the Gamelin and Genesse commercial condo units. Annual payments are approximately $300,000 and interest rates are 5.7% and 7.5%. Final due dates are October 31, 2035 and October 31, 2020. Bonds are secured by a pledge of the general revenues of the Authority.	$ 3,560,000	—	70,000	3,490,000	78,000
Bonds payable for the High Rise Rehabilitation project, Phase I. The bonds mature on November 1, 2025. The bonds are secured by a deed of trust and the interest rate was 4.10% as of December 31, 2011.	9,845,000	—	465,000	9,380,000	485,000
Bonds payable for the High Rise Rehabilitation project, Phase II. The bonds mature November 1, 2026 and are secured by a deed of trust. The interest rate was 4.0% as of December 31, 2011.	13,866,551	—	575,000	13,291,551	600,000
Bonds payable for the High Rise Rehabilitation project, Phase III. The bonds mature November 1, 2027 and are secured by a deed of trust. The interest rate was 5.15% on December 31, 2011.	10,845,000	—	345,000	10,500,000	360,000

	Balance January 1, 2011	Additions	Retirements	Balance December 31, 2011	Due within one year
Bonds payable for the Villa Park Apartments in annual payments of $25,000 to $1,065,000 plus interest at rates of 4.5% to 6.5%; final due date November 1, 2026. The bonds are secured by a pledge of general revenues of the Authority, and a deed of trust on the Villa Park Apartments.	$ 1,450,000	—	55,000	1,395,000	60,000
Bonds payable for Telemark Apartments, Stone Ave Townhomes and 532 N 104th St Townhomes. Annual payments are $25,000 to $420,000 plus interest at rates of 3.500% to 6.125%; final due date is June 1, 2031. The bonds are secured by a deed of trust on the property.	2,605,000	—	50,000	2,555,000	55,000
Fixed rate bonds payable for Wedgewood Estates. Annual payments are $160,000 to $1,110,000 plus interest at rates of 3.25% to 5.60% with final due date of August 20, 2036. The bonds were repaid in 2011 with the refinancing of the loan.	15,290,000	—	15,290,000	—	—
Fixed rate bonds payable for Market Terrace and Mary Avenue townhomes. Annual payments are $45,000 to $415,000 plus interest at rates of 2.35% to 5.80%, with final due date of August 31, 2032. The bonds are secured by a deed of trust on the properties.	2,740,000	—	60,000	2,680,000	65,000

	Balance January 1, 2011	Additions	Retirements	Balance December 31, 2011	Due within one year
Fixed rate bonds payable for Montridge Arms Apartments. Annual payments are $25,000 to $125,000 plus interest at rates of 2.5% to 6.0%, with final due date of February 1, 2032. The bonds are secured by a deed of trust on the property.	$ 1,590,000	—	35,000	1,555,000	40,000
Fixed rate bonds payable for Longfellow Creek Apartments. Annual payments are $15,000 to $235,000 plus interest at rates of 1.90% to 5.35% with final due date of October 1, 2033. The bonds are secured by a pledge of the general revenue of the Authority and certain revenues and receipts available from the property.	3,245,000	—	80,000	3,165,000	80,000
Fixed rate bonds payable for HOPE VI replacement housing properties of Roxbury Apartments, Lam Bow, and various other units purchased from Decker properties in the amount of $10,000,000. Annual payments are $125,000 to $695,000 plus interest rates at 6.125% with final due date of December 1, 2032. The bonds are secured by a pledge of the general revenue of the Authority and certain revenues and receipts available from the property.	8,770,000	—	200,000	8,570,000	210,000

	Balance January 1, 2011	Additions	Retirements	Balance December 31, 2011	Due within one year
Fixed rate bonds payable for Wisteria Court Apartments. Annual payments are $45,000 to $245,000 plus interest at rates of 1.2% to 5.3%, with final due date of October 20, 2038. The bond proceeds are invested in GNMA certificates to secure the bond repayment.	$ 3,580,000	—	55,000	3,525,000	60,000
Fixed rate bonds payable for Main Street Apartments and Yesler Court, bearing interest at rates of 2.15% to 5.85%, with final due date of March 31, 2034. The bonds are secured by a pledge of the project revenues.	1,855,000	—	25,000	1,830,000	30,000
Fixed rate bonds payable for the refinance of Bayview and Lake City Commons bearing interest at rates of 2.15% to 5.80%, with final due date of August 1, 2034. The bonds are secured by deeds of trust on the properties.	3,340,000	—	75,000	3,265,000	75,000
Variable rate bonds subject to remarketing for Wedgewood Estates mature August, 2036. The interest rate is reset every Wednesday with remarketing agent and was 0.29% on December 31, 2011. The bonds are secured by a letter of credit with Key Bank.	2,415,000	—	—	2,415,000	180,000
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 0.24% on December 31, 2011. The bonds are secured by a letter of credit with Key Bank.	1,950,000	—	—	1,950,000	50,000

(Continued)

	Balance January 1, 2011	Additions	Retirements	Balance December 31, 2011	Due within one year
Fixed rate bonds for New Holly phase I acquired from Holly Park Limited partnership. Interest rates are 4.7-5.9% payable twice a year. The bonds mature January 1, 2030.	$ 4,540,000	—	125,000	4,415,000	135,000
Total bonds payable	98,950,816	—	19,275,259	79,675,557	2,756,893
Accrued compensated absences	3,231,984	2,662,476	2,626,825	3,267,635	438,719
Total long-term obligations	$ 164,460,778	19,551,053	45,847,048	138,164,783	15,846,741

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, 2011:

			Total	
	Bonds	Notes	Principal	Interest
2012	$ 6,872,677	14,130,048	15,408,022	5,594,703
2013	6,861,149	9,916,304	11,642,670	5,134,783
2014	6,890,729	1,281,108	3,340,230	4,831,607
2015	6,835,502	1,281,107	3,438,608	4,678,001
2016	6,840,259	1,281,107	3,611,871	4,509,495
2017 – 2021	34,309,080	6,605,540	21,210,983	19,703,637
2022 – 2026	33,150,346	6,405,537	25,723,818	13,832,065
2027 – 2031	20,047,095	6,635,539	19,221,842	7,460,792
2032 – 2036	6,562,185	8,465,216	11,618,156	3,409,245
2037 – 2041	966,896	13,964,311	13,407,755	1,523,452
2042 – 2046	—	4,560,344	4,111,655	448,689
2047 – 2051	—	979,612	933,872	45,740
2052 – 2056	—	44,920	—	44,920
2057 – 2061	—	926,326	898,406	27,920
2062 – 2066	—	—	—	—
2067 – 2071	—	329,260	329,260	—
Total requirements	$ 129,335,918	76,806,279	134,897,148	71,245,049

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, 2011, all bond issues met debt coverage ratio requirements. Failure to meet debt coverage ratio requirements does not constitute an event of default under related bond documents.

(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.

As of December 31, 2011, there were 54 series of these special revenue bonds outstanding. The aggregate principal amount payable for the series issued after September 30, 1996 was $325,062,739. The aggregate principal amount payable for the 11 series issued prior to October 1, 1996 could not be determined; their original issue amount totaled $42,029,554.

(c) Component Unit Debt

The Ravenna School Limited Partnership has outstanding debt in the amount of $529,727 payable to the Authority at December 31, 2011. Two notes for $131,115 and $398,612 are payable by December 31, 2039 and bear interest at 1% per year.

The Othello Street Limited Partnership (OSLP) has bonds outstanding at December 31, 2011 of $2,130,000. The bonds were issued by the Authority on behalf of the component unit and are backed by an irrevocable letter of credit issued by Key Bank and secured by a deed of trust on OSLP's leasehold interest in the Holly Park redevelopment project. The bonds are further secured by a pledge of the Authority's unobligated general revenue. The bonds bear interest at 7.0% per year and mature on January 1, 2032.

As of December 31, 2011, OSLP has other long-term debt totaling $8,195,384. Of this, $6,195,384 represents the general partner loans made by the Authority and is secured by liens on OSLP's property. These loans accrue interest at the annual rate of 1%, and interest-only payments on the outstanding principal balances are due to the general partner from available net cash flows. As of December 31, 2011, no interest payments had been made to the Authority. The remaining $2,000,000 represents a loan from the Washington State Office of Assistance Program. Payments of principal and interest are deferred for 30 years until December 31, 2032, with interest accruing at 1% per annum during the deferral period. Beginning December 31, 2032, all unpaid principal and accrued interest will be paid over 20 years, with annual payments of $149,383.

The Desdemona Limited Partnership (DLP) has fixed rate bonds outstanding at December 31, 2011 of $7,230,000. The bonds were issued by the Authority on behalf of the component unit and are backed by an irrevocable letter of credit issued by Key Bank and secured by a deed of trust on DLP's leasehold interest in the Holly Park redevelopment project. The bonds are further secured by a pledge of the Authority's unobligated general revenue. At December 31, 2011, the interest rate on the bonds ranged from 6.0% to 6.25%, based on the maturity schedule in the First Supplemental Trust Indenture. The bonds mature on December 1, 2035.

As of December 31, 2011, DLP has other long-term debt totaling $17,007,565 secured by liens on DLP's property. Of this, $12,889,135 represents the general partner loans made by the Authority and is secured by liens on DLP's property. These loans accrue interest at the annual rate of 1%, and interest-only payments on the outstanding principal balances are due to the general partner from available net cash flows. As of December 31, 2011, no interest payments had been made to the Authority. DLP also has a loan from the State of Washington Department of Community, Trade, and Economic Development, Office of Community Development in the amount of $2,000,000. Payments of principal and interest are deferred for 10 years until December 1, 2015, with interest accruing at 1% per annum during the deferral period. Beginning December 1, 2015, all unpaid principal and accrued interest will be paid over 20 years, with annual 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. The DLP also owes the City for a loan in the amount of $2,066,671. The loan accrues interest at 1% annually and matures on August 7, 2053. Payments of principal and interest begin June 30, 2006 from available net cash flows. The remaining amount of $51,759 represents an operating deficit loan payable to the Authority.

The Escallonia Limited Partnership (ELP) has bonds outstanding at December 31, 2011 totaling $4,750,000. The bonds were issued by the Authority on behalf of the component unit and are backed by an irrevocable letter of credit issued by Key Bank and secured by a deed of trust on ELP's leasehold interest in the Rainier Vista 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 4.13% under the interest rate swap agreement on the variable rate bonds. The bonds mature on December 1, 2036.

As of December 31, 2011, ELP has other long-term debt totaling $23,347,094 of general partner loans made by the Authority and secured by liens on ELP's property. These loans accrue non-compounding interest at the annual rate of 1% and mature in fiscal year 2058. Interest-only payments on the loans are due to the general partner from available net cash flows. As of December 31, 2011, no interest payments had been made to the Authority.

The High Point North Limited Partnership (HPNLP) has fixed rate bonds outstanding at December 31, 2011 totaling $9,662,476. The bonds were issued by the Authority on behalf of the component unit and are backed by an irrevocable letter of credit issued by Bank of America and secured by a deed of trust on HPNLP'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. At December 31, 2011, interest was 5.295%. The bonds mature on June 1, 2036.

As of December 31, 2011, HPNLP has other long-term debt totaling $27,152,734. Of this, $25,152,734 represents the general partner loans made by the Authority and is secured by liens on HPNLP'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, 2011, 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% a 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.

The High Point South Limited Partnership (HPSLP) has bonds outstanding at December 31, 2011 totaling $16,025,000. The bonds were issued by the Authority on behalf of the component unit and are backed by an irrevocable letter of credit issued by Key Bank and secured by a deed of trust on HPSLP'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, 2011, HPSLP has other long-term debt totaling $15,212,665. Of this, $13,212,665 represents the general partner loans made by the Authority and is secured by liens on HPSLP's property. These loans accrue non-compounding interest at the 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, 2011, 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% a 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.

The Ritz Apartments Limited Partnership (RALP) has total loans outstanding totaling $1,856,496 as of December 31, 2011. The construction loan of $1,030,640 bears interest at 5.496%, requires monthly payments, and is due September 1, 2036.

As of December 31, 2011, RALP 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.

The Alder Crest Limited Partnership (ACLP) has outstanding long-term obligations in the amount of $2,381,316 as of December 31, 2011. Of this amount, $992,283 represents a loan payable to the City that bears interest at 1% per annum and matures March 31, 2057. ACLP also has a loan payable to the City in the amount of $111,124. The loan bears interest at 2% per annum and matures March 31, 2057. The loan is secured by a third deed of trust on the property. ALP has a loan payable to the State in the amount of $1,057,909. Of this amount, $507,909 requires quarterly payments. The entire amount bears no interest and is payable in full March 31, 2057. In addition, ACLP also has other borrowings outstanding in the amount of $220,000 from the Authority which bears interest at 5% per annum and is secured by a fourth deed of trust on the property and matures March 31, 2057.

The High Rise Rehabilitation Phase I Limited Partnership (HRRILP) has long-term obligations totaling $24,000,000 as of December 31, 2011. Of this, $12,000,000 represents a promissory note from the general partner made by the Authority and secured by a deed of trust encumbering HRRILP's interest in the project. During the rehabilitation phase of the project, interest-only payments are due quarterly beginning April 1, 2006, with interest accruing at a rate of 4.82%. After the rehabilitation stage, 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. The HRRILP 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, 2011. During the rehabilitation phase of the project, interest only payments are due quarterly beginning April 1, 2006, with interest accruing at a rate of 4.82%. After the rehabilitation stage, 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.

The Seattle High Rise Limited Partnership Phase II (SHRIILP) has long-term obligations totaling $28,051,551 as of December 31, 2011. Of this, $12,000,000 represents a promissory note from the general partner made by the Authority and secured by a deed of trust encumbering SHRIILP's interest in the project. During the rehabilitation phase of the project, interest-only payments are due quarterly beginning April 1, 2007, with interest accruing at a rate of 4.88%. After the rehabilitation stage, 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. The SHRIILP 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, 2011. During the rehabilitation phase of the project, interest-only payments are due quarterly beginning April 1, 2007, with interest accruing at a rate of 4.6%. After the rehabilitation stage, 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.

The Seattle High Rise Limited Partnership Phase III (SHRIIILP) has long-term obligations totaling $20,950,000 as of December 31, 2011. 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 SHRIIILP's interest in the project. During the rehabilitation phase of the project, interest-only payments are due quarterly beginning April 1, 2008, with interest accruing at a rate of 4.13%. After the rehabilitation stage, 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. The SHRIIILP 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, 2011. During the rehabilitation phase of the project, interest-only payments are due quarterly beginning April 1, 2008, with interest accruing at a rate of 5.04%. After the rehabilitation stage, principal and interest shall be paid from available cash flows at an annual interest rate of 5.04%. The loan matures on December 19, 2047.

The Douglas Apartments Limited Partnership (DALP) has outstanding long-term obligations in the amount of $8,100,000 as of December 31, 2011. 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 DALP has a long-term note payable to the Authority in the amount of $1,950,000 which bears interest at 4.8% annually and matures June 1, 2040. The DALP 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, 2011, Tamarack Place Limited Partnership (TPLP) has outstanding long-term obligations in the amount of $11,395,431. Of this amount, $995,431 represents a fixed rate construction loan payable to Washington Community Reinvestment Association (WCRA). As of December 31, 2011, the rate was 6.5%. In addition, the TPLP 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, 2011 Lake City Village LLLP (LCVLLLP) has outstanding long-term obligations in the amount of $27,093,864. Of this amount, $9,367,397 represents a variable rate construction loan payable to Key Bank. As of December 31, 2011, the rate was 3.25%. In addition, the LCVLLLP has a note payable to the Authority in the amount of $16,051,467. The loan bears interest at 0.8% per annum and is secured by a leasehold dead of trust on the project. LCVLLLP also has a lease payable to the Authority in the amount $1,675,000, which is payable from available cash flows.

As of December 31, 2011, Rainier Vista Northeast Limited Liability Limited Partnership (RVNLLLP) has outstanding long-term obligations in the amount of $18,970,875. Of this amount, $9,146,083 represents a variable rate bonds payable to Chase Bank. As of December 31, 2011, the rate was 2.02%. In addition, the RVNLLLP has two loans payable to the Authority. Loan one bears interest at 0.25% per annum and is secured by a leasehold deed of trust on the project. As of December 31, 2011, $9,700,000 was outstanding. Loan two bears interest at 0.25% per annum and is also secured by a leasehold deed of trust on the project. As of December 31, 2011, $124,792 was outstanding.

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

	Balance January 1, 2011	Additions/ transfers	Retirements	Balance December 31, 2011	Due within one year
Loans payable to primary government from Ravenna School Limited Partnership	$ 529,727	—	—	529,727	—
Loans payable to primary government from Othello Street Limited Partnership	6,195,384	—	—	6,195,384	—
Loan payable to Washington State Office of Assistance Program from Othello Street Limited Partnership	2,000,000	—	—	2,000,000	—
Loans payable to primary government from Desdemona Limited Partnership	12,889,135	—	—	12,889,135	—
Loan payable to Washington State Housing Trust fund from Desdemona Limited Partnership	2,000,000	—	—	2,000,000	—
Operating deficit loan payable from Desdemona Limited Partnership to primary government	111,532	—	59,773	51,759	51,759
Loan payable to City of Seattle HOME fund from Desdemona Limited Partnership	2,066,671	—	—	2,066,671	—
Loans payable to primary government from Escallonia Limited Partnership	23,347,094	—	—	23,347,094	—
Loans payable to primary government from High Point North Limited Partnership	25,152,734	—	—	25,152,734	—

	Balance January 1, 2011	Additions/ transfers	Retirements	Balance December 31, 2011	Due within one year
Loan payable to Washington State Housing Trust fund from High Point North Limited Partnership	$ 2,000,000	—	—	2,000,000	—
Loans payable to primary government from High Point South Limited Partnership	13,212,665	—	—	13,212,665	—
Loan payable to Washington State Housing Trust fund from High Point South Limited Partnership	2,000,000	—	—	2,000,000	—
Loans payable to primary government from the Ritz Apartments Limited Partnership	265,856	—	—	265,856	—
Loans payable to the City of Seattle from the Ritz Apartments Limited Partnership	560,000	—	—	560,000	—
Loans payable to Washington Mutual from the Ritz Apartments Limited Partnership	1,049,701	—	19,061	1,030,640	20,135
Loan payable to City of Seattle from Alder Crest Limited Partnership	992,283	—	—	992,283	—
Loan payable to City of Seattle from Alder Crest Limited Partnership	111,124	—	—	111,124	—
Loan payable to primary government from Alder Crest Limited Partnership	220,000	—	—	220,000	—
Loan payable to Washington State Housing Trust fund from Alder Crest Limited Partnership	1,069,134	—	11,225	1,057,909	11,224
Loans payable to primary government from High Rise Rehabilitation Phase I Limited Partnership	24,000,000	—	—	24,000,000	—
Loans payable to primary government from Seattle High Rise Rehabilitation Phase II Limited Partnership	28,051,551	—	—	28,051,551	—
Loans payable to primary government from Seattle High Rise Rehabilitation Phase III Limited Partnership	20,950,000	—	—	20,950,000	—

(Continued)

	Balance January 1, 2011	Additions/ transfers	Retirements	Balance December 31, 2011	Due within one year
Loan payable to City of Seattle from Douglas Apartments Limited Partnership	$ 3,650,000	—	—	3,650,000	—
Loan payable to primary government from Douglas Apartments Limited Partnership	1,950,000	—	—	1,950,000	50,000
Loan payable to the Department of Commerce from Douglas Apartments	2,500,000	—	—	2,500,000	—
Loans payable to primary government from Tamarack Place Limited Partnership	10,400,000	—	—	10,400,000	—
Loan payable to WCRA from Tamarck Place Limited Partnership	—	1,000,000	4,569	995,431	11,483
Loan payable to primary government from Rainier Vista North east LLLP	3,704,856	6,119,936	—	9,824,792	—
Loan payable to Key Bank for construction at Lake City Village LLLP	163,503	9,203,894	—	9,367,397	9,367,397
Lease payable to primary government from Lake City Village LLLP	9,449,518	6,601,949	—	16,051,467	—
Lease payable to primary government from Lake City Village LLLP	1,675,000	—	—	1,675,000	—
Total notes payable	202,267,468	22,925,779	94,628	225,098,619	9,511,998
Bonds payable – Othello Street Limited Partnership	2,175,000	—	45,000	2,130,000	50,000
Bonds payable – Desdemona Limited Partnership	7,370,000	—	140,000	7,230,000	145,000
Bonds payable – Escallonia Limited Partnership	4,850,000	—	100,000	4,750,000	105,000

	Balance January 1, 2011	Additions/ transfers	Retirements	Balance December 31, 2011	Due within one year
Bonds payable – High Point North Limited Partnership	$ 9,851,340	—	188,864	9,662,476	198,236
Bonds payable – High Point South Limited Partnership	16,265,000	—	240,000	16,025,000	240,000
Bonds payable – Tamarack Place Limited Partnership	10,499,954	250,721	10,750,675	—	—
Bonds payable – Rainier Vista Northeast LLLP	1,561,666	7,584,417	—	9,146,083	—
Total bonds payable	52,572,960	7,835,138	11,464,539	48,943,559	738,236
Total long-term obligations	$ 254,840,428	30,760,917	11,559,167	274,042,178	10,250,234

Debt service requirements of long-term obligations of the component units as of December 31, 2011 are as follows:

	Bonds	Notes	Total Principal	Total Interest
2012	$ 2,845,712	14,045,698	10,250,234	6,641,176
2013	11,806,650	4,328,891	9,979,820	6,155,721
2014	2,675,677	4,335,445	902,096	6,109,026
2015	2,692,889	4,347,720	961,191	6,079,418
2016	21,521,674	4,381,252	19,846,067	6,056,859
2017 – 2021	7,422,039	21,779,525	3,451,872	25,749,692
2022 – 2026	7,425,886	24,280,425	5,084,148	26,622,163
2027 – 2031	7,400,578	23,519,913	6,983,953	23,936,538
2032 – 2036	5,691,514	24,461,187	7,791,217	22,361,484
2037 – 2041	—	24,605,609	3,023,534	21,582,075
2042 – 2046	—	74,077,645	53,615,137	20,462,508
2047 – 2051	—	47,774,999	38,449,764	9,325,235
2052 – 2056	—	35,648,086	28,467,473	7,180,613
2057 – 2061	—	58,613,886	54,296,540	4,317,346
2062 – 2066	—	32,854,148	30,939,132	1,915,016
Total requirements	$ 69,482,619	399,054,429	274,042,178	194,494,870

(8) Deferred Revenue – Operating Leases

The Authority leased the building and land of the Ritz Apartments to the Ritz Apartments Limited Partnership (RALP) 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 RALP 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 and building and improvements with a cost of $1,395,225 and accumulated depreciation at December 31, 2011 of $284,771.

The Authority leased the building and land of the Alder Crest Apartments to the Alder Crest Limited Partnership (ACLP) beginning in December 2005. The lease matures December 31, 2080. The lease includes a purchase option in which ACLP 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 and building and improvements with a cost of $1,405,230 and accumulated depreciation at December 31, 2011 of $263,529.

The High Rise Rehabilitation Phase I Limited Partnership (HRRILP) 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 $11,434,751 and all payments have been received. The lease matures December 31, 2104. Assets held for lease included land of $982,235 and building and improvements with a cost of $17,052,143 and accumulated depreciation at December 31, 2011 of $16,237,792.

The Seattle High Rise Phase II Limited Partnership (SHRIILP) 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 $11,062,522 and all payments have been received. The lease matures December 31, 2105. Assets held for lease included land of $943,485 and building and improvements with a cost of $17,538,116 and accumulated depreciation at December 31, 2011 of $16,023,189.

The Seattle High Rise Phase III Limited Partnership (SHRIIILP) 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 $10,510,573 and the last required payment was received during the year. The lease matures December 31, 2106. Assets held for lease included land of $1,088,829 and building and improvements with a cost of $18,442,567 and accumulated depreciation at December 31, 2011 of $16,420,186.

The Authority leased the building and land of the Douglas Apartments to the Douglas Apartments Limited Partnership (DALP) beginning in December 2008. The lease matures December 31, 2083. The lease includes a purchase option in which DALP 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 and building and improvements with a cost of $2,856,708 and accumulated depreciation at December 31, 2011 of $350,876.

The Lake City Village LLLP has leased land and improvements to the Authority beginning May, 2010 for the purpose of constructing an 86 unit affordable apartment building in northeast Seattle. The initial lease amount was $1,075,000, the remaining $1,675,000 is in the form of a note payable 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 include land with a cost of $951,658.

Unearned lease payments are shown as deferred revenue. The LCVLLP has payments due to the Authority in the amount of $1,675,000. The following schedule shows related unearned rental revenue as of December 31, 2011.

	Original lease amount	Deferred revenue
Ritz Apartments	$ 1,600,000	1,443,557
High Rise Rehabilitation, Phase I	11,434,750	10,742,034
Alder Crest Apartments	1,935,000	1,780,200
High Rise Rehabilitation, Phase II	12,171,533	11,553,175
High Rise Rehabilitation, Phase III	11,446,098	10,979,625
Douglas Apartments	3,650,000	3,503,999
Lake City Village LLLP	2,750,000	1,055,255
Total	$ 44,987,381	41,057,845

(9) 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.

(a) 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 three tiers (Plans). Participants who joined the system by September 30, 1977 are enrolled in Plan I, while those joining thereafter are enrolled in Plan II. Plan III applies to all employees joining after September 1, 2002 and employees in Plan II were allowed to transfer to Plan III during the period from September 1, 2002 to May 31, 2003. Retirement benefits are financed from employee and employer contributions and investment earnings. Retirement benefits in both Plan I and Plan II are vested after completion of 5 years of eligible service. Plan III members are vested after 10 years for new employees and 5 years for employees transferring from Plan II to Plan III.

Plan I members are eligible for retirement after 30 years of service, or at the age of 60 with 5 years of service, or at the age of 55 with 25 years of service. The annual retirement benefit is 2% of the final average salary per year of service, capped at 60%. Final average salary is based on the 24 consecutive highest-paid months.

Plan II members may retire at the age of 65 with 5 years of service, or at 55 with 20 years of service. The annual retirement benefit is 2% of the final average salary per year of service. Final average salary is based on the 60 consecutive highest-paid creditable months. Plan II retirements prior to age 65 are actuarially reduced. There is no cap on years of service credit and a cost-of-living allowance is granted, capped at 3% annually.

Plan III members may retire at the age of 65 with at least 10 years of service, or 5 years of service including one year of service after reaching age 55, or 5 years of service under Plan II. The annual retirement benefit is 1% of the final average salary per year of service. Final average salary is based on the 60 consecutive highest-paid creditable months. Plan III retirements prior to age 65 are actuarially reduced. There is no cap on years of service credit and a cost-of-living allowance is granted, capped at 3% annually. There is also a defined contribution component of this plan, and the amount varies between 5% and 15% depending on the option chosen by the employee.

The Authority's payroll covered under PERS was $32,342,984 for the year ended December 31, 2011. Total payroll for the year ended December 31, 2011 was $32,626,433.

(b) Contributions

Each biennium, the legislature establishes Plan I and Plan III employer contribution rates and Plan II employer and employee contribution rates. Employee contribution rates for Plan I are established by legislative statute and do not vary from year to year. Employer rates for Plan I are not necessarily adequate to fully fund the system. The employer and employee contribution rates for Plan II and for Plan III are developed by the Office of the State Actuary to fully fund the system. 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 were changed twice during the year. Effective July 1, 2011, employer rates for were increased from 5.31% to 7.07% for all plans. And, effective September 1, 2011 employer rates were increased to 7.25% for all plans. Contribution rates for employees in Plan II increased from 3.9% to 4.59% as of July 1, 2011 and to 4.64% as of September 1, 2011.

The Authority's employer and employee rates and required contributions for employees covered by PERS as of December 31, 2011 were:

	PERS Plan I required	PERS Plan II required	PERS Plan III required
Employer	7.25%	7.25%	7.25%
Employee	6.00	4.64	varies
	13.25%	11.89%	varies

	PERS Plan I required	PERS Plan II required	PERS Plan III required
Employer	$ 42,991	1,656,450	320,092
Employee	41,219	1,129,115	349,441
	$ 84,210	2,785,565	669,533

The Authority's actuarially determined employer contribution requirement represents approximately 0.377% of the total for all employees covered by PERS.

The following is a three-year summary of the Authority's employee and employer contributions for payroll covered under PERS:

	Total covered payroll	Required employee contributions	Actual contributions as a percentage of required contributions	Employer contributions	Actual contributions as a percentage of required contributions	Employee contributions as a percentage of covered payroll	Employer contributions as a percentage of covered payroll
2011	$ 32,342,984	1,519,775	100%	$ 2,019,533	100%	4.70%	6.24%
2010	29,767,777	1,317,238	100	1,580,714	100	4.43	5.31
2009	31,407,187	1,570,403	100	2,129,320	100	5.00	6.78

Six-year historical trend information showing PERS' progress in accumulating sufficient assets to pay benefits when due is presented in the PERS December 31, 2010 combined actuarial valuation report. Such report can be obtained from the Washington State Department of Retirement Systems at 402 Legion Way, Olympia, WA 98504.

(10) 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.

(11) Other Post Employment Benefits (OPEB)

(a) Plan Description and Funding Policy

The Authority participates in the City Health Care Blended Premium Subsidy, a cost-sharing multiple-employer postemployment healthcare plan administered by the City. 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. The Authority employees are included with the City of Seattle for this plan. The Authority provides implicit subsidy of the post-retirement health insurance costs and funds the subsidy on a pay as you go basis. The postemployment benefit provisions are established and may be amended by City Ordinances.

(b) OPEB Obligation

The actuarial valuation is updated biannually. The most recent actuarial valuation was as of January 1, 2010.

(c) Funded Status and Funding Progress

As of December 31, 2011, based on the actuarial valuation dates for each of the plans, the unfunded actuarial accrued liability (UAAL) was equal to the actuarial accrued liability (AAL) due to the Authority's pay-as-you-go policy. Following is the funded status (in thousands) for the plans as of December 31, 2011:

Actuarial valuation date		January 1, 2010
Actuarial value of assets (a)	$	—
Entry age normal AAL (b)		2,879,000
UAAL (b-a)	$	2,879,000
Funded ratio (a/b)		
Covered payroll	$	29,767,777
UAAL as a percentage of covered payroll ((b-a)/c)		10%

(d) Actuarial Methods and Assumptions

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. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of any assets.

In the January 1, 2010 actuarial valuation, the entry age normal method was used and the actuarial assumptions included a discount rate of 4.39%. The medical inflation trend rate for the City of Seattle traditional and preventative plans was 10% initially and decreasing by 0.5% each year for 10 years until it reaches an ultimate rate of 5.0%. The medical inflation trend rate for the Group Health standard and deductible plans was 9.5% initially and decreasing by 0.5% each year for 9 years until it reaches an ultimate rate of 5.0%. Unfunded actuarial accrued liability is being amortized as a level amount over past and future service. The remaining amortization period at January 1, 2010 was 30 years.

(12) 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. 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 and directors and officers 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. Based on the results of HARRG’s latest annual independent actuarial study performed in accordance with GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, the level of reserve maintained by HARRG has been determined to be adequate to cover estimated claim liabilities.

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).

(13) Contingencies

In connection with various federal and State grant programs, the Authority is obligated to administer related programs and spend the grant moneys 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 moneys. 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, 2011, the Authority and its component units have outstanding construction contracts and other commitments totaling approximately $5.0 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.

The possibility exists that HUD contributions may decrease in the future. In the event such contributions were significantly reduced, the Authority would need to seek other funding sources to maintain operations at current levels.

(14) Pollution Remediation

During the year, the Authority had three pollution remediation projects in process as follows:

- 6058 25^{th} Ave SW near High Point - Work on this site started in 2010 and completed in 2011 in preparation for sale. There was ground contamination on the site as a result of an automotive garage business that previously occupied the property. The project was completed during January 2011 and the total cost was $880,579 and the Authority received a grant from the Environmental Protection Agency in the amount of $642,152.

- 4561 MLK Jr Way S – Work on this site was initiated in preparation for sale of the property and involves the removal of 5 underground storage tanks and is expected to cost approximately $750,000. The Authority received a grant from the Environmental Protection Agency that is expected to cover the cost of this cleanup work.

- 7345 MLK Jr Way S - Work on this site of a former towing company was initiated in preparation for sale of the property and involves soil contamination. The Authority received funds from Chevron to cover the majority of the clean up costs at this site.

Another pollution remediation liability that has not yet been recognized because it is not reasonably estimable:

Property location	Description
7301 MLK Jr Way S	Former service station site. Authority is planning to sell this property, and Chevron has agreed to pay for cleanup costs, but the Authority may be liable for any costs not covered by Chevron.

(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. Total pledged revenues as of December 31, 2011 are as follows:

Description of debt	Purpose of debt	Year issued	Total future revenues pledged	Proportion of annual debt service pledged to 2011 general revenue	Term of commitment
Obligations of the Authority:					
Project revenues are primary repayment source:					
Fixed rate bonds	Purchase of Villa Park Townhomes	1996	$ 2,222,464	0.14%	2026
Fixed rate bonds	Purchase of Telemark Apartments, Stone Ave N and N 104th St. properties	2001	4,560,479	0.19	2031
Fixed rate bonds	Purchase of Montridge Arms Apartments	2002	2,725,996	0.12	2032
Fixed rate bonds	Purchase of Market Terrace Apartments and Mary Avenue Townhomes	2002	4,790,650	0.20	2032
Fixed rate bonds	Purchase of various properties acquired to replace units demolished related to Hope VI redevelopments	2002	15,459,704	0.67%	2032
Fixed rate bonds	Purchase of Longfellow Creek Apartments	2003	5,431,770	0.22	2033
Fixed rate bonds	Purchase of Yesler Court and Main Street Place Apartments	2004	3,465,563	0.12	2034
Fixed rate bonds	Refinancing of Bayview Tower and construction at Lake City Commons	2004	5,937,556	0.24	2034
Fixed rate bonds	Purchase of condominium units at Gamelin and Gennesse mixed use buildings	2005	5,041,380	0.13	2035
Fixed rate bonds	Purchase of condominium units at Gamelin and Gennesse mixed use buildings	2005	1,459,300	0.14	2020
Fixed rate bonds	Construction of housing units at New Holly redevelopment, phase I	1998	7,314,272	0.36	2030

Description of debt	Purpose of debt	Year issued		Total future revenues pledged	Proportion of annual debt service pledged to 2011 general revenue	Term of commitment
Property sales are primary repayment source:						
Variable rate note	Construction of infrastructure Rainier Vista and High Point redevelopments	2009	$	16,903,458	8.04%	2013
General revenues are primary repayment source:						
Fixed rate bonds	Purchase of medical office for redevelopment at Wallingford site	2000	$	202,819	0.06	2015
Variable rate bonds	Purchase Wedgewood Estates Apartment complex	2001		2,935,600	0.25	2036
Variable rate bonds	Rehabilitation of Douglas Apartments	2009		3,235,385	0.06	2040
Fixed rate bonds	Purchase of Porchlight Office building	2002		9,729,029	0.43	2032
Operating line of credit, $6 million	Short-term financing for general operations of the Authority	2002		532,480	0.01	2012
Real estate line of credit, $15 million	Purchase real estate for affordable housing	2003		5,484,035	0.14	2012
Taxable line of credit, $7 million	Purchase commercial properties	2004		6,060,909	0.13	2012
Obligations of the Authority for component units:						
Project revenues are primary repayment source:						
Fixed rate bonds	Construction of housing units at NewHolly redevelopment, Phase II	2000	$	4,052,900	0.18%	2032
Fixed rate bonds	Construction of housing units at Rainier Vista redevelopment, Phase I	2003		5,660,370	0.28	2036
Fixed rate bonds	Construction of housing units at NewHolly redevelopment, Phase III	2003		14,039,038	0.54	2035
Fixed rate bonds	Construction of housing units at High Point redevelopment, Phase I	2004		17,279,718	0.65	2036
Fixed rate bonds	Construction of housing units at High Point redevelopment, Phase II	2007		19,113,281	0.80	2039
Equity investments are primary repayment source:						
Variable rate bonds	Construction of housing units at Rainier Vista redevelopment, Phase III	2010		9,337,312	0.16	2039

(16) Discretely Presented Component Units Condensed Financial Information

The following tables reflect the condensed balance sheet and statement of revenues, expenses, and changes in net assets as of and for the year ended December 31, 2011:

		Condensed balance sheet				
		Ravenna School Limited Partnership	Othello Street Limited Partnership	Desdemona Limited Partnership	Escallonia Limited Partnership	Tamarack Place Limited Partnership
Total assets	$	1,087,688	13,023,457	36,321,475	32,868,213	14,529,234
Current receivables from primary government		95,448	181,713	90,373	54,214	40,619
Capital assets, net		799,818	11,372,795	33,899,667	31,237,156	13,937,125
Total liabilities		839,050	11,634,701	30,575,595	31,947,039	12,312,304
Current payables due to primary government		—	21,704	663,942	283,577	67,950
Long-term payables to primary government		819,716	7,040,511	17,994,237	25,672,972	11,162,695
Bonds and other long-term liabilities outstanding		—	4,311,665	11,461,282	5,658,844	983,948
Net assets invested in capital assets		270,091	1,047,411	9,662,102	3,140,062	2,541,694
Net assets restricted for debt service		173,643	624,161	842,920	892,795	355,305
Unrestricted net assets		(195,096)	(282,816)	(4,759,142)	(3,111,683)	(680,069)
Total net assets		248,638	1,388,756	5,745,880	921,174	2,216,930

	Condensed balance sheet				
	High Point North Limited Partnership	High Point South Limited Partnership	Ritz Apts Limited Partnership	Alder Crest Limited Partnership	Douglas Apts Limited Partnership
Total assets	$ 54,984,024	58,642,561	2,514,784	6,218,625	10,645,855
Current receivables from primary government	101,640	46,522	—	—	—
Capital assets, net	51,138,420	55,673,960	2,352,199	5,850,679	9,971,802
Total liabilities	41,224,508	39,123,422	2,318,267	2,632,546	8,636,428
Current payables due to primary government	424,903	587,659	52,788	7,814	59,326
Long-term payables due to primary government	28,820,810	15,760,245	517,172	377,137	2,183,146
Bonds and other long-term liabilities outstanding	11,587,583	17,830,452	1,648,440	2,150,092	6,368,085
Net assets invested in capital assets	14,323,210	24,436,295	495,703	3,469,363	1,871,802
Net assets restricted for debt service	1,696,058	1,081,559	85,103	228,510	270,069
Unrestricted net assets	(2,259,752)	(5,998,715)	(384,289)	(111,794)	(132,444)
Total net assets	13,759,516	19,519,139	196,517	3,586,079	2,009,427

	Condensed balance sheet					
	High Rise Rehab Phase I Limited Partnership	Seattle High Rise Rehab Phase II Limited Partnership	Seattle High Rise Rehab Phase III Limited Partnership	Rainier Vista NE LL Limited Partnership	Lake City Village LL Limited Partnership	Total
Total assets	$ 31,730,248	37,270,827	28,858,234	20,654,569	29,512,318	378,862,112
Current receivables from primary government	—	—	—	—	—	610,529
Capital assets, net	28,318,670	34,161,305	26,418,801	20,471,300	28,247,075	353,850,722
Total liabilities	27,647,972	32,279,481	23,941,780	20,187,785	29,585,547	314,886,425
Current payables due to primary government	512,738	60,904	330,477	15,542	75,516	3,164,580
Long-term payables due to primary government	26,824,250	31,904,398	23,367,535	10,347,820	18,765,445	221,558,089
Bonds and other long-term liabilities outstanding	—	—	—	9,146,083	—	71,146,474
Net assets invested in capital assets	4,318,670	6,109,754	5,468,801	1,500,425	1,153,211	79,808,594
Net assets restricted for debt service	2,388,525	2,272,357	1,432,863	74,231	88,220	12,506,319
Unrestricted net assets	(2,624,919)	(3,390,765)	(1,985,210)	(1,107,872)	(1,314,660)	(28,339,226)
Total net assets	4,082,276	4,991,346	4,916,454	466,784	(73,229)	63,975,687

(Continued)

Statement of revenues, expenses, and changes in net assets

	Ravenna School Limited Partnership	Othello Street Limited Partnership	Desdemona Limited Partnership	Escallonia Limited Partnership	Tamarack Limited Partnership
Operating revenues	$ 257,773	801,271	1,790,284	1,424,755	655,918
Operating expenses	310,743	951,047	2,259,077	2,171,501	1,075,018
Depreciation/amortization	54,033	427,612	1,158,966	1,114,853	544,368
Operating loss	(52,970)	(149,776)	(468,793)	(746,746)	(419,100)
Nonoperating expenses	(10,155)	(233,846)	(791,979)	(913,929)	(278,822)
Change in net assets before contributions	(63,125)	(383,622)	(1,260,772)	(1,660,675)	(697,922)
Partners' contributions	—	—	—	—	2,837,765
Beginning net assets	311,763	1,772,378	7,006,652	2,581,849	77,087
Ending net assets	248,638	1,388,756	5,745,880	921,174	2,216,930

	High Point North Limited Partnership	High Point South Limited Partnership	Ritz Apts Limited Partnership	Alder Crest Limited Partnership	Douglas Apts Limited Partnership
Operating revenues	$ 2,850,752	2,888,039	196,446	242,848	355,663
Operating expenses	3,763,306	3,569,572	199,090	465,296	459,635
Depreciation/amortization	1,912,687	2,034,694	109,668	254,978	251,535
Operating loss	(912,554)	(681,533)	(2,644)	(222,448)	(103,972)
Nonoperating expenses	(786,899)	(2,616,230)	(65,360)	(21,566)	(166,600)
Change in net assets before contributions	(1,699,453)	(3,297,763)	(68,004)	(244,014)	(270,572)
Partners' contributions	—	—	—	—	475,650
Beginning net assets	15,458,969	22,816,902	264,521	3,830,093	1,804,349
Ending net assets	13,759,516	19,519,139	196,517	3,586,079	2,009,427

Statement of revenues, expenses, and changes in net assets

	High Rise Rehab Phase I Limited Partnership	Seattle High Rise Rehab Phase II Limited Partnership	Seattle High Rise Rehab Phase III Limited Partnership	Rainier Vista LL Limited Partnership	Lake City Village LL Limited Partnership	Total
Operating revenues	$ 4,059,753	4,040,820	3,405,220	28,947	89,722	23,088,211
Operating expenses	4,778,513	5,041,272	4,052,805	204,333	444,677	29,745,885
Depreciation/amortization	854,168	1,126,080	761,634	138,760	252,625	10,996,661
Operating loss	(718,760)	(1,000,452)	(647,585)	(175,386)	(354,955)	(6,657,674)
Nonoperating expenses	(656,837)	(977,570)	(887,691)	(61,373)	(136,340)	(8,605,197)
Change in net assets before contributions	(1,375,597)	(1,978,022)	(1,535,276)	(236,759)	(491,295)	(15,262,871)
Partners' contributions	—	—	—	—	117,480	3,430,895
Beginning net assets	5,457,873	6,969,368	6,451,730	703,543	300,586	75,807,663
Ending net assets	4,082,276	4,991,346	4,916,454	466,784	(73,229)	63,975,687

(17) Lease Commitment

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

2012	$	1,061,217
2013		1,404,295
2014		1,404,295
2015		1,404,295
2016		1,404,295
Thereafter		9,154,856
Total	$	15,833,253

(18) Subsequent Events

The Authority has evaluated the subsequent events from the balance sheet date through May 25, 2012, the date at which the financial statements were issued, and determined there are no other items to disclose.

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COST CERTIFICATES

Actual Modernization Cost Certificate

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

OMB Approval No. 2577-0157 (exp. 12/31/2011)

Comprehensive Improvement Assistance Program (CIAP)
Comprehensive Grant Program (CGP)

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.

HA Name:	Modernization Project Number:
SEATTLE HOUSING AUTHORITY	WA19P001501-06

The HA 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. Original Funds Approved	$	10,962,700.00
B. Funds Disbursed	$	10,962,700.00
C. Funds Expended (Actual Modernization Cost)	$	10,962,700.00
D. Amount to be Recaptured (A–C)	$	0.00
E. Excess of Funds Disbursed (B-C)	$	0.00

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 HA 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; and
5. That the time in which such liens could be filed has expired.

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)

Signature of Executive Director & Date:

X Thomas M Tierney 05/19/2011

For HUD Use Only

The Cost Certificate is approved for audit:

Approved for Audit (Director, Office of Public Housing / ONAP Administrator) — Date: 6/7/11

X

The audited costs agree with the costs shown above:

Verified: (Designated HUD Official) — Date:

X

Approved: (Director, Office of Public Housing / ONAP Administrator) — 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. 12/31/2011)

Comprehensive Improvement Assistance Program (CIAP)
Comprehensive Grant Program (CGP)

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HA Name:	Modernization Project Number:
SEATTLE HOUSING AUTHORITY	WA19P001501-07

The HA 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. Original Funds Approved	$	11,155,192.00
B. Funds Disbursed	$	11,155,192.00
C. Funds Expended (Actual Modernization Cost)	$	11,155,192.00
D. Amount to be Recaptured (A–C)	$	0.00
E. Excess of Funds Disbursed (B-C)	$	0.00

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 HA 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; and
5. That the time in which such liens could be filed has expired.

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)

Signature of Executive Director & Date:

X Thomas M Tierney 10/27/2011

For HUD Use Only

The Cost Certificate is approved for audit:

Approved for Audit (Director, Office of Public Housing / ONAP Administrator) Date:

X for Kathleen T Zeul 11-17-11

The audited costs agree with the costs shown above:

Verified: (Designated HUD Official) Date:

X

Approved: (Director, Office of Public Housing / ONAP Administrator) 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. 12/31/2011)

Comprehensive Improvement Assistance Program (CIAP)
Comprehensive Grant Program (CGP)

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.

HA Name:	Modernization Project Number:
SEATTLE HOUSING AUTHORITY	WA19R001501-09

The HA 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. Original Funds Approved	$	1,163,627.00
B. Funds Disbursed	$	1,163,627.00
C. Funds Expended (Actual Modernization Cost)	$	1,163,627.00
D. Amount to be Recaptured (A–C)	$	0.00
E. Excess of Funds Disbursed (B-C)	$	0.00

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 HA 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; and
5. That the time in which such liens could be filed has expired.

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)

Signature of Executive Director & Date:

X Thomas M Tierney 05/19/2011

For HUD Use Only

The Cost Certificate is approved for audit:

Approved for Audit (Director, Office of Public Housing / ONAP Administrator) — Date: 6/7/11

X

The audited costs agree with the costs shown above:

Verified: (Designated HUD Official) — Date:

X

Approved: (Director, Office of Public Housing / ONAP Administrator) — 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. 12/31/2011)

Comprehensive Improvement Assistance Program (CIAP)
Comprehensive Grant Program (CGP)

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.

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HA Name:	Modernization Project Number:
SEATTLE HOUSING AUTHORITY	WA19R001502-09

The HA 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. Original Funds Approved	$	287,657.00
B. Funds Disbursed	$	287,657.00
C. Funds Expended (Actual Modernization Cost)	$	287,657.00
D. Amount to be Recaptured (A–C)	$	0.00
E. Excess of Funds Disbursed (B-C)	$	0.00

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 HA 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; and
5. That the time in which such liens could be filed has expired.

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)

Signature of Executive Director & Date:

X Thomas M Tierney 05/19/2011

For HUD Use Only

The Cost Certificate is approved for audit:
Approved for Audit (Director, Office of Public Housing / ONAP Administrator) Date: 8/7/11

X

The audited costs agree with the costs shown above:
Verified: (Designated HUD Official) Date:

X

Approved: (Director, Office of Public Housing / ONAP Administrator) 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. 12/31/2011)

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HA Name:	Modernization Project Number:
SEATTLE HOUSING AUTHORITY	WA19R001503-09

The HA 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. Original Funds Approved	$	564,876.00
B. Funds Disbursed	$	564,876.00
C. Funds Expended (Actual Modernization Cost)	$	564,876.00
D. Amount to be Recaptured (A–C)	$	0.00
E. Excess of Funds Disbursed (B-C)	$	0.00

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 HA 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; and
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Approved: (Director, Office of Public Housing / ONAP Administrator) Date:

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form **HUD-53001** (10/96)
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U.S. Department of Housing and Urban Development
Office of Public and Indian Housing

OMB Approval No. 2577-0157 (exp. 12/31/2011)

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HA Name:	Modernization Project Number:
SEATTLE HOUSING AUTHORITY	WA19R001504-09

The HA 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. Original Funds Approved	$	767,595.00
B. Funds Disbursed	$	767,595.00
C. Funds Expended (Actual Modernization Cost)	$	767,595.00
D. Amount to be Recaptured (A–C)	$	0.00
E. Excess of Funds Disbursed (B-C)	$	0.00

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 HA 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; and
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Signature of Executive Director & Date:

X Thomas M Tierney 05/19/2011

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Approved for Audit (Director, Office of Public Housing / ONAP Administrator) — Date: 6/7/11

X

The audited costs agree with the costs shown above:

Verified: (Designated HUD Official) — Date:

X

Approved: (Director, Office of Public Housing / ONAP Administrator) — 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. 12/31/2011)

Comprehensive Improvement Assistance Program (CIAP)
Comprehensive Grant Program (CGP)

12 FEB -9 PM 3:29

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HA Name:	Modernization Project Number:
SEATTLE HOUSING AUTHORITY	WA19S001501-09

The HA 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. Original Funds Approved	$	17,069,888.00
B. Funds Disbursed	$	17,069,888.00
C. Funds Expended (Actual Modernization Cost)	$	17,069,888.00
D. Amount to be Recaptured (A–C)	$	0.00
E. Excess of Funds Disbursed (B-C)	$	0.00

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 HA have been fully paid;
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Signature of Executive Director & Date:

X Andrew Lofton 2/9/12

For HUD Use Only

The Cost Certificate is approved for audit:

Approved for Audit (Director, Office of Public Housing / ONAP Administrator)	Date:
X for Kathleen Zeul	2/16/12

The audited costs agree with the costs shown above:

Verified: (Designated HUD Official)	Date:
X	
Approved: (Director, Office of Public Housing / ONAP Administrator)	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. 12/31/2011)

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HA Name:	Modernization Project Number:
SEATTLE HOUSING AUTHORITY	WA19R001501-10

The HA 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. Original Funds Approved	$	1,946,628.00
B. Funds Disbursed	$	1,946,628.00
C. Funds Expended (Actual Modernization Cost)	$	1,946,628.00
D. Amount to be Recaptured (A–C)	$	0.00
E. Excess of Funds Disbursed (B-C)	$	0.00

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 HA 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; and
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Signature of Executive Director & Date:

X Thomas M Tierney 05/19/2011

For HUD Use Only

The Cost Certificate is approved for audit:
Approved for Audit (Director, Office of Public Housing / ONAP Administrator)
X
Date: 6/7/11

The audited costs agree with the costs shown above:
Verified: (Designated HUD Official)
X
Date:

Approved: (Director, Office of Public Housing / ONAP Administrator)
X
Date:

form **HUD-53001** (10/96)
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Office of Public and Indian Housing

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HA Name:	Modernization Project Number:
SEATTLE HOUSING AUTHORITY	WA19R001502-10

The HA 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. Original Funds Approved	$	1,131,739.00
B. Funds Disbursed	$	1,131,739.00
C. Funds Expended (Actual Modernization Cost)	$	1,131,739.00
D. Amount to be Recaptured (A–C)	$	0.00
E. Excess of Funds Disbursed (B-C)	$	0.00

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 HA 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; and
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Signature of Executive Director & Date:

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X

Approved: (Director, Office of Public Housing / ONAP Administrator) Date:

X

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

Table 1

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Financial Trends

Net Assets by Component – Primary Government

Last Ten Fiscal Years (Unaudited)

Fiscal year ended September 30 (a)		Invested in capital assets, net of related debt	Restricted	Unrestricted	Total
2002	$	163,706,699	8,830,581	75,744,949	248,282,229
2003		177,298,605	5,192,219	76,931,411	259,422,235
2004		204,283,445	7,788,390	71,066,202	283,138,037
2005		223,381,297	5,194,324	101,203,466	329,779,087
2006		174,593,252	5,448,150	144,625,694	324,667,096
2007 (a)		211,875,842	9,725,557	132,651,693	354,253,092
2008 (a)		222,001,336	5,326,536	142,674,746	370,002,618
2009 (a)		227,083,324	5,550,146	151,794,210	384,427,680
2010 (a)		229,826,301	6,486,917	170,526,030	406,839,248
2011 (a)		224,771,337	8,543,577	186,539,258	419,854,172

Notes: (a) Beginning in fiscal year 2007, the Authority's fiscal year-end date changed to December 31 from September 30.

Table 2

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Financial Trends

Changes in Net Assets – Primary Government

Last Ten Fiscal Years (Unaudited)

	2002	2003	2004	2005	2006	2007 (a)	2008 (a)	2009 (a)	2010 (a)	2011 (a)
Operating revenues:										
Tenant rentals	$ 17,198,871	18,776,018	19,990,759	20,697,641	19,888,907	23,958,442	18,548,105	18,963,514	19,853,164	21,338,005
Housing assistance payment subsidies	67,010,540	71,278,909	75,725,763	80,263,996	77,907,735	107,528,715	84,099,962	87,253,047	96,202,546	95,645,677
Operating subsidies and grants (b)	17,954,601	17,701,294	17,347,758	16,668,848	16,038,328	19,109,472	17,523,075	18,006,286	21,258,217	22,814,568
Other	6,079,556	5,622,755	13,619,504	49,240,885	21,232,065	35,381,503	22,594,560	19,212,557	19,480,446	21,762,895
Total operating revenues	108,243,568	113,378,976	126,683,784	166,871,370	135,067,035	185,978,132	142,765,702	143,435,404	156,794,373	161,561,145
Operating expenses:										
Housing operations and administration	28,309,341	28,035,895	26,024,065	29,152,797	30,248,810	46,408,207	41,515,711	38,998,671	42,453,709	43,986,025
Tenant services	2,975,192	2,877,693	2,242,826	2,436,512	2,750,585	3,171,644	1,307,592	1,644,363	3,729,452	3,937,994
Utility services	5,781,141	5,254,899	5,177,870	4,922,362	4,827,108	5,252,632	4,092,002	4,540,982	4,718,662	4,998,955
Maintenance	15,054,315	16,275,910	18,133,133	17,281,723	16,388,539	21,461,247	17,053,995	18,159,325	20,082,664	18,824,304
Housing assistance payments	53,824,569	65,156,211	71,889,208	68,212,519	62,296,993	80,300,757	64,270,568	71,064,302	73,550,131	76,942,437
Other	3,909,637	8,436,704	1,712,092	3,413,099	6,031,825	2,585,630	2,767,976	2,115,315	4,209,600	1,318,772
Depreciation and amortization	9,809,050	10,199,726	11,166,605	11,656,022	11,929,183	15,155,490	10,299,572	9,281,594	10,059,962	10,676,293
Total operating expenses	119,663,245	136,237,038	136,345,799	137,075,034	134,473,043	174,335,607	141,307,416	145,804,552	158,804,180	160,684,780
Operating income (loss)	(11,419,677)	(22,858,062)	(9,662,015)	29,796,336	593,992	11,642,525	1,458,286	(2,369,148)	(2,009,807)	876,365
Nonoperating revenues (expenses):										
Interest expense	(3,330,981)	(4,002,391)	(4,811,281)	(5,510,982)	(7,849,402)	(10,755,826)	(8,532,367)	(7,956,814)	(7,479,432)	(6,887,452)
Interest income	3,295,317	2,079,480	1,450,061	3,190,698	5,625,496	7,637,844	6,547,470	5,337,931	5,257,848	1,536,648
Change in fair value of investments	—	—	972,676	(718,763)	(273,517)	140,142	(332,725)	430,908	44,842	68,742
Loss on notes receivable	—	—	—	—	—	—	—	—	—	(479,017)
Loss on investment in limited partnerships	—	—	—	—	—	—	(1,505,687)	(1,480)	(67,624)	(1,321)
Disposition of assets	—	(9,272,216)	(5,070,867)	(1,932,491)	(13,426,642)	(6,673,827)	(1,735,402)	(4,472,397)	(19,878,330)	(16,774,091)
Net nonoperating expenses	(35,664)	(11,195,127)	(7,459,411)	(4,971,538)	(15,924,065)	(9,651,667)	(5,558,711)	(6,661,852)	(22,122,696)	(22,536,491)
Change in net assets before contributions	(11,455,341)	(34,053,189)	(17,121,426)	24,824,798	(15,330,073)	1,990,858	(4,100,425)	(9,031,000)	(24,132,503)	(21,660,126)
Capital contributions	23,843,896	45,193,125	40,837,228	21,816,252	10,218,082	27,595,138	19,849,951	23,456,062	46,544,071	34,675,050
Increase (decrease) in net assets	12,388,555	11,139,936	23,715,802	46,641,050	(5,111,991)	29,585,996	15,749,526	14,425,062	22,411,568	13,014,924
Net assets at beginning of year	235,893,744	248,282,299	259,422,235	283,138,037	329,779,087	324,667,096	354,253,092	370,002,618	384,427,680	406,839,248
Net assets at end of year	$ 248,282,299	259,422,235	283,138,037	329,779,087	324,667,096	354,253,092	370,002,618	384,427,680	406,839,248	419,854,172

Notes: (a) Fiscal years 2002 through 2006 represent a year-end date of September 30. Beginning in 2007, the fiscal year-end date is December 31, and in 2007, the statement of revenues, expenses, and changes in net assets reflects a fifteen-month period.

(b) Effective for 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.

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 (a)	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total	Amount	Total
2002	$ 17,198,871	15.9%	$ 67,010,540	61.9%	$ 17,954,601	16.6%	$ 6,079,556	5.6%	$ 108,243,568	100.0%
2003	18,776,018	16.6	71,278,909	62.8	17,701,294	15.6	5,622,755	5.0	113,378,976	100.0
2004	19,990,759	15.8	75,725,763	59.7	17,347,758	13.7	13,619,504	10.8	126,683,784	100.0
2005	20,697,641	12.4	80,263,996	48.1	16,668,848	10.0	49,240,885	29.5	166,871,370	100.0
2006	19,888,907	14.7	77,907,735	57.7	16,038,328	11.9	21,232,065	15.7	135,067,035	100.0
2007	23,958,442	12.9	107,528,715	57.8	19,109,472	10.3	35,381,503	19.0	185,978,132	100.0
2008	18,548,105	13.0	84,099,962	58.9	17,523,075	12.3	22,594,560	15.8	142,765,702	100.0
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	12.7	95,645,677	56.8	22,814,568	13.5	21,762,895	17.0	161,561,145	100.0

Notes: (a) Fiscal years 2002 through 2006 represent a year-end date of September 30. Beginning in 2007, the fiscal year-end date is December 31, and in 2007, the statement of revenues, expenses, and changes in net assets reflects a fifteen-month period.

Table 4

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Revenue Capacity

Nonoperating Revenues by Source – Primary Government

Last Ten Fiscal Years (Unaudited)

Year (a)	Interest income Amount	Interest income Percent of total	Change in fair value of investments Amount	Change in fair value of investments Percent of total	Total Amount	Total Total
2002	$ 3,295,317	15.5%	$ —	—%	$ 3,295,317	100.0%
2003	2,079,480	10.5	—	—	2,079,480	100.0
2004	1,450,061	59.9	972,676	40.0	2,422,737	100.0
2005	3,190,698	129.1	(718,763)	(29.1)	2,471,935	100.0
2006	5,625,496	105.1	(273,517)	(5.1)	5,351,979	100.0
2007	7,637,844	98.2	140,142	1.8	7,777,986	100.0
2008	6,547,470	105.3	(332,725)	(5.3)	6,214,745	100.0
2009	5,337,931	92.8	430,908	7.2	5,768,839	100.0
2010	5,257,848	99.2	44,842	0.8	5,302,690	100.0
2011	1,536,648	95.7	68,742	4.3	1,605,390	100.0

Notes: (a) Fiscal years 2002 through 2006 represent a year-end date of September 30. Beginning in 2007, the fiscal year-end date is December 31, and in 2007, the statement of revenues, expenses, and changes in net assets reflects a fifteen-month period.

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 (b)	Ratio of debt service to general expenses
Villa Park 1996 Bonds:					
2002	$ 30,000	116,103	146,103	1,667,735	0.1
2003	30,000	114,873	144,873	178,085	0.8
2004	35,000	113,147	148,147	179,791	0.8
2005	35,000	110,406	145,406	190,861	0.8
2006	40,000	106,550	146,550	337,199	0.4
2007 (a)	50,000	133,255	183,255	282,354	0.6
2008	45,000	102,534	147,534	252,675	0.6
2009	50,000	99,612	149,612	239,185	0.6
2010	50,000	96,691	146,691	251,264	0.6
2011	55,000	92,919	147,919	280,945	0.5
Wakefield 2000 Bonds for Wallingford:					
2002	26,353	38,363	64,716	12,811	5.1
2003	28,236	36,480	64,716	7,490	8.6
2004	30,299	34,417	64,716	16,021	4.0
2005	32,491	32,225	64,716	23,470	2.8
2006	34,840	22,636	57,476	18,115	3.2
2007 (a)	47,093	33,620	80,713	15,327	5.3
2008	40,749	24,278	65,027	6,070	10.7
2009	43,711	20,971	64,682	710	91.1
2010	46,871	17,845	64,716	825	78.4
2011	50,259	14,456	64,715	—	100.0
Telemark 2001 Bonds:					
2002	25,000	173,479	198,479	119,772	1.7
2003	30,000	172,896	202,896	89,037	2.3
2004	30,000	171,756	201,756	128,387	1.6
2005	35,000	170,556	205,556	222,399	0.9
2006	35,000	168,544	203,544	111,717	1.8
2007 (a)	50,000	208,287	258,287	112,065	2.3
2008	40,000	164,536	204,536	112,669	1.8
2009	45,000	162,431	207,431	161,058	1.3
2010	50,000	160,035	210,035	161,343	1.3
2011	50,000	156,910	206,910	120,290	1.7
Wedgewood 2001 Variable Rate Bonds:					
2002	130,000	59,814	189,814	1,241,767	0.2
2003	130,000	44,802	174,802	979,865	0.2
2004	135,000	39,831	174,831	897,686	0.2
2005	140,000	74,056	214,056	963,775	0.2
2006	150,000	105,939	255,939	943,339	0.3
2007 (a)	187,500	151,700	339,200	922,274	0.4
2008	160,000	69,529	229,529	808,109	0.3
2009	165,000	40,280	205,280	812,350	0.3
2010	170,000	12,862	182,862	1,900,927	0.1
2011	—	13,320	13,320	1,029,342	—
PorchLight 2002 Bonds: (c)					
2003	100,000	479,398	579,398	773,846	0.7
2004	130,000	477,972	607,972	854,780	0.7
2005	130,000	471,191	601,191	823,119	0.7
2006	135,000	350,194	485,194	729,875	0.7
2007 (a)	175,000	576,430	751,430	730,729	1.0
2008	145,000	455,540	600,540	902,813	0.7
2009	155,000	440,037	595,037	798,750	0.7
2010	160,000	441,565	601,565	646,107	0.9
2011 (c)	1,720,000	374,890	2,094,890	672,441	3.1

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 (b)	Ratio of debt service to general expenses
Mary Avenue 2002 Bonds:					
2002	$ —	12,185	12,185	58,510	0.2
2003	45,000	164,663	209,663	146,551	1.4
2004	45,000	169,719	214,719	141,603	1.5
2005	45,000	168,292	213,292	149,021	1.4
2006	50,000	166,827	216,827	152,883	1.4
2007 (a)	62,500	165,847	228,347	231,906	1.0
2008	55,000	175,305	230,305	178,955	1.3
2009	55,000	160,255	215,255	196,758	1.1
2010	60,000	157,763	217,763	270,925	0.8
2011	60,000	155,055	215,055	183,154	1.2
Montridge Arms 2002 Bonds:					
2003	25,000	103,690	128,690	97,468	1.3
2004	25,000	102,965	127,965	105,846	1.2
2005	30,000	101,782	131,782	110,403	1.2
2006	30,000	100,430	130,430	112,855	1.2
2007 (a)	37,500	123,911	161,411	117,360	1.4
2008	30,000	97,615	127,615	133,722	1.0
2009	35,000	95,869	130,869	114,649	1.1
2010	35,000	94,158	129,158	60,775	2.1
2011	35,000	92,411	127,411	132,118	1.0
Longfellow Creek 2003 Bonds:					
2004	—	143,739	143,739	496,191	0.3
2005	15,000	180,645	195,645	476,275	0.4
2006	65,000	179,215	244,215	255,770	1.0
2007 (a)	87,500	221,437	308,937	428,712	0.7
2008	70,000	175,085	245,085	282,268	0.9
2009	75,000	172,891	247,891	343,526	0.7
2010	75,000	170,379	245,379	335,457	0.7
2011	80,000	167,670	247,670	420,657	0.6
HOPE VI Replacement Housing Bonds:					
2004	125,000	608,672	733,672	674,351	1.1
2005	130,000	598,208	728,208	454,761	1.6
2006	140,000	589,735	729,735	508,423	1.4
2007 (a)	188,750	690,082	878,832	603,954	1.5
2008	165,000	569,624	734,624	724,984	1.0
2009	175,000	558,625	733,625	664,970	1.1
2010	190,000	548,800	738,800	667,486	1.1
2011	200,000	535,172	735,172	687,160	1.1
Bayview/Lake City Commons 2004 Bonds:					
2005	60,000	192,915	252,915	460,249	0.5
2006	65,000	195,575	260,575	497,517	0.5
2007 (a)	81,250	222,891	304,141	680,237	0.4
2008	65,000	192,216	257,216	544,688	0.5
2009	70,000	189,021	259,021	693,499	0.4
2010	70,000	186,428	256,428	683,532	0.4
2011	75,000	183,606	258,606	697,836	0.4
Yesler Community Replacement Bonds:					
2005	15,000	109,504	124,504	68,783	1.8
2006	15,000	109,144	124,144	64,738	1.9
2007 (a)	18,750	135,850	154,600	88,859	1.7
2008	20,000	107,832	127,832	76,361	1.7
2009	20,000	109,307	129,307	97,884	1.3
2010	25,000	106,362	131,362	76,764	1.7
2011	25,000	105,327	130,327	74,775	1.7

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		Total	General	Ratio of debt service to general
		Principal	Interest	debt service	expense (b)	expenses
Gamelin/Genesse Bonds:						
2007 (a)	$	30,000	288,150	318,150	37,079	8.6
2008		17,000	229,901	246,901	58,525	4.2
2009		21,000	229,052	250,052	43,951	5.7
2010		62,000	228,955	290,955	17,837	16.3
2011		70,000	219,218	289,218	10,204	28.3

Notes: (a) Fiscal years 2002 through 2006 represent a year-end date of September 30. Beginning in 2007, the fiscal year-end date is December 31, and in 2007, the statement of revenues, expenses, and changes in net assets reflects a fifteen-month period.

(b) General expense includes operating expenses except for depreciation and amortization.

(c) In 2011, there was a extraordinary mandatory redemption for the portion of the bonds that financed the Wakefield building.

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)

Fiscal year ended September 30 (a)		Bonds payable	Notes payable	Short-term borrowings	Total debt	Capital assets, net	Ratio of total debt to capital assets
2001	$	32,093,074	33,244,519	2,577,527	67,915,120	386,381,956	17.58
2002		40,718,092	35,163,081	2,179,574	78,060,747	241,767,416	32.29
2003		57,620,244	41,966,362	3,609,826	103,196,432	280,495,038	36.79
2004		62,439,614	35,539,012	20,132,303	118,110,929	300,731,249	39.27
2005		60,277,566	34,244,424	17,071,307	111,593,297	314,126,900	35.52
2006		85,476,724	33,750,623	31,154,788	150,382,135	304,561,566	49.38
2007		130,867,182	33,016,355	45,212,312	209,095,849	329,120,245	63.53
2008		123,459,433	32,485,160	48,603,302	204,547,895	337,110,417	60.68
2009		108,984,688	60,573,959	16,321,253	185,879,900	337,089,410	55.14
2010		98,950,816	62,277,978	16,077,424	177,306,218	343,138,706	51.67
2011		79,675,557	55,221,591	12,077,424	146,974,572	322,532,095	45.57

Note: (a) The Authority changed its fiscal year-end date from September 30 to December 31 beginning in fiscal year 2007.

Table 7

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Demographics and Economic Statistics

Tenant Demographics – Population Statistics

Last Ten Fiscal Years (Unaudited)

	Public housing program				
Calendar year (a)	Adults	Elderly	Minors	Total number of tenants	Nonelderly handicapped/ disabled
2002	5,008	1,520	3,301	9,829	2,002
2003	4,754	1,615	2,517	8,886	1,997
2004	4,824	1,625	2,548	8,997	1,930
2005	4,944	1,657	2,755	9,356	1,953
2006	4,731	1,662	2,648	9,041	1,793
2007	4,598	1,727	2,587	8,912	1,709
2008	4,730	1,685	2,814	9,229	1,739
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

	Section 8 program (b)				
Calendar year (a)	Adults	Elderly	Minors	Total number of tenants	Nonelderly handicapped/ disabled
2002	6,089	1,250	5,300	12,639	2,202
2003	7,362	1,446	5,838	14,646	2,665
2004	7,631	1,501	5,933	15,065	2,718
2005	7,149	1,421	5,636	14,206	2,615
2006	7,209	1,857	5,102	14,168	2,727
2007	7,426	1,801	5,311	14,538	2,863
2008	7,616	1,970	5,258	14,844	3,044
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

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 (a)	Adults	Senior and local housing programs (c) Elderly	Minors	Total number of tenants	Nonelderly handicapped/ disabled
2002	276	761	—	1,037	147
2003	572	867	186	1,625	266
2004	596	899	222	1,717	240
2005	640	903	746	2,289	196
2006	661	904	278	1,843	192
2007	723	913	345	1,981	186
2008	711	906	310	1,927	170
2009	924	1,023	424	2,371	126
2010	926	1,001	424	2,351	117
2011	994	1,039	426	2,459	86

Calendar year (a)	Adults	Agencywide totals Elderly	Minors	Total number of tenants	Nonelderly handicapped/ disabled
2002	11,373	3,531	8,601	23,505	4,351
2003	12,688	3,928	8,541	25,157	4,928
2004	13,051	4,025	8,703	25,779	4,888
2005	12,733	3,981	9,137	25,851	4,764
2006	12,601	4,423	8,028	25,052	4,712
2007	12,747	4,441	8,243	25,431	4,758
2008	13,057	4,561	8,382	26,000	4,953
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

Notes: (a) 2001 data is presented on a fiscal year basis rather than calendar year.

(b) Includes port-ins and excludes port-outs and participants living in the Authority's Senior Housing program.

(c) Effective 2009, Senior and Local Housing Programs includes tenants from privately managed properties.

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 (a)	Seattle population (a)	Per capital income King County (b)	Per capita income King region (b)	Public school enrollment (c)	King County average annual unemployment rate (d)
2002	1,774,300	570,802	44,135	40,735	46,901	6.5
2003	1,779,300	571,900	45,334	41,778	46,699	6.8
2004	1,788,300	572,600	49,118	45,122	46,420	4.6
2005	1,808,300	573,000	48,116	45,242	46,239	4.8
2006	1,835,300	578,700	52,655	48,522	45,634	4.2
2007	1,861,300	586,200	57,710	53,061	45,276	4.5
2008	1,884,200	592,800	58,141	53,999	45,572	5.7
2009	1,909,300	602,000	56,904	53,369	45,944	8.5
2010	1,931,249	608,660	N/A	N/A	47,008	8.4
2011	1,942,600	612,100	N/A	N/A	48,496	7.1

Notes:

(a) As of April 1, source: Washington State Office of Financial Management, 2011 Population Trends for Washington State estimates only.

(b) Source: U.S. Bureau of Economic Analysis, 2009 is most current available.

(c) Seattle Public Schools

(d) Preliminary source: Washington State Employment Security Department.

Table 9

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Demographics and Economic Statistics

Principal Industries

Last Ten Fiscal Years (Unaudited)

Industry	2011 Number of employees	2011 Rank	2010 Number of employees	2010 Rank	2009 Number of employees	2009 Rank
Retail trade	109,700	1	106,000	1	113,900	1
Professional and technical	99,700	2	93,400	2	91,900	2
Local government	88,800	3	89,200	3	88,200	3
Food services and drinking places	77,900	4	73,600	5	72,100	5
Manufacturing durable goods	77,500	5	75,200	4	75,400	4
Administrative and waste services	63,300	6	61,000	6	58,400	6
Wholesale trade	60,700	7	58,500	7	58,300	7
State government	55,200	8	54,900	8	56,900	8
Software publishers	50,400	9	49,600	9	49,100	9
Ambulatory health care services	49,000	10	47,300	10	45,800	10
Finance and insurance	43,600	11	42,300	11	44,600	12
Transportation and warehousing	41,700	12	42,200	12	44,900	11

Industry	2008 Number of employees	2008 Rank	2007 Number of employees	2007 Rank	2006 Number of employees	2006 Rank
Retail trade	116,900	1	119,800	1	120,900	1
Professional and technical	100,600	2	94,700	2	88,600	2
Local government	89,500	3	87,300	3	86,000	4
Manufacturing durable goods	83,700	4	86,900	4	87,200	3
Food services and drinking places	77,700	5	77,100	5	75,900	5
Administrative and waste services	72,500	6	73,900	6	75,000	6
Wholesale trade	63,400	7	64,200	7	64,700	7
State government	57,100	8	55,300	8	55,400	8
Software publishers	51,200	9	46,100	11	44,700	11
Ambulatory health care services	44,800	12	42,800	13	42,700	13
Finance and insurance	49,000	10	50,600	9	51,400	9
Transportation and warehousing	46,600	11	48,700	10	47,900	10

Industry	2005 Number of employees	2005 Rank	2004 Number of employees	2004 Rank	2003 Number of employees	2003 Rank
Retail trade	123,000	1	121,600	1	121,500	1
Professional and technical	84,700	3	79,700	3	78,800	3
Local government	85,800	2	85,700	2	87,800	2
Manufacturing durable goods	83,800	4	77,900	4	77,200	4
Food services and drinking places	74,100	5	70,200	5	69,600	5
Administrative and waste services	71,300	6	65,900	6	61,800	7
Wholesale trade	63,900	7	63,500	7	62,300	6
State government	55,000	8	55,100	8	54,800	8
Software publishers	40,800	12	38,300	12	36,900	12
Ambulatory health care services	43,100	11	41,600	11	39,600	11
Finance and insurance	53,000	9	52,700	9	53,700	9
Transportation and warehousing	46,000	10	47,500	10	46,700	10

Industry	2002 Number of employees	2002 Rank	2001 Number of employees	2001 Rank
Retail trade	120,500	1	123,200	1
Professional and technical	79,200	4	84,600	4
Local government	86,700	2	86,000	3
Manufacturing durable goods	86,200	3	98,200	2
Food services and drinking places	68,500	5	68,200	5
Administrative and waste services	60,000	7	59,800	7
Wholesale trade	61,700	6	64,500	6
State government	53,800	8	54,000	9
Software publishers	35,500	12	35,400	12
Ambulatory health care services	38,500	11	37,400	11
Finance and insurance	53,000	9	54,200	8
Transportation and warehousing	47,100	10	48,600	10

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.

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Operating Information

Number of Units by Program

Last Ten Fiscal Years (Unaudited)

Fiscal year	Public housing	Section 8	Senior housing	Other housing programs	Hope IV nonpublic units	Total
2002	5,981	8,116	994	471	178	15,740
2003	5,380	8,464	994	810	178	15,826
2004	5,481	8,758	993	870	190	16,292
2005	5,441	9,199	993	875	290	16,798
2006	5,432	9,199	993	902	423	16,949
2007	5,250	9,202	993	1,008	423	16,876
2008	5,263	9,260	993	971	539	17,026
2009	5,261	9,425	993	910	629	17,218
2010	5,436	9,612	994	915	541	17,498
2011	6,302	10,164	100	915	587	18,068

Households Served and Waiting List Data

Last Ten Fiscal Years (Unaudited)

Fiscal year	Total households served (a)	Total households on waiting lists (b)
2002	10,889	11,516
2003	11,677	13,819
2004	12,027	8,546
2005	11,861	11,074
2006	11,869	12,284
2007	12,077	3,850
2008	12,359	6,879
2009	12,912	7,751
2010	13,220	8,179
2011	13,765	7,523

Notes:

(a) Excludes Mod rehab, outgoing portable vouchers, nonpublic housing tax credits, and local programs, but includes incoming portable vouchers.

(b) For years 1999 – 2003, waiting list figures include duplicates if applicant applied for more than one program. 2004 – current reflects unique households. Excludes HOPE VI communities.

Table 11

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Operating Information

Property Characteristics and Dwelling Unit Composition

December 31, 2011 (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	350	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
New Holly	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	218	Various
Ross Manor	1420 Western Avenue	100	1984
Roxhill Court Apartments*	9940 27th Ave SW	13	1980
Scattered Sites	Various	715	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	561	1941
	Total units – public housing	5,508	

*Nonpublic housing units are listed under "Other housing program" section.

Table 11

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Operating Information

Property Characteristics and Dwelling Unit Composition

December 31, 2011 (Unaudited)

Section 8

Name of development	Address	Number of units	Year built or acquired
Housing Choice Vouchers	Various	9,275	—
Moderate Rehabilitation	Various	759	—
Bay View Tower	2614 4th Ave	100	1979
Market Terrace	1115 NW Market St.	30	1980
	Total number of Section 8 units	10,164	

Senior housing

Name of development	Address	Number of units	Year built or acquired
Leschi House	1011 S. Weller	34	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
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	994	

Table 11

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Operating Information

Property Characteristics and Dwelling Unit Composition

December 31, 2011 (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
Beacon House	1545 12th Ave S	6	1993
Coach House	1056 N 35th Street	8	1997
Daybreak	1515 2nd Ave N.	3	1978
Delridge Triplexes	8136 and 8144 Delridge Way SW	6	1993
Fir Street Townhomes	Various	7	Various
Heritage House	1533 Western Avenue	62	1990
Keystone House	3515 Woodland Park N.	32	1988
Lake City Commons	12745 30th Ave NE	15	2002
Lam Bow Apartments	6935 Delridge Way SW	51	1970
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	11	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
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
Spruce Street Townhomes	Various	10	1997
South Shore Court	4811 S Henderson	44	1962
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	915	
HOPE VI nonpublic housing units:			
High Point		250	
Lake City Village		35	
NewHolly		220	
Rainier Vista		82	
	Total HOPE VI Nonpublic housing	587	
	Total units – All programs (a)	18,068	

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.

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
2001	17	33	376	58	48	11	13	556
2002	10	35	374	63	49	10	10	551
2003	10	35	355	57	48	10	10	525
2004	12	37	347	53	47	10	10	516
2005	11	35	342	51	43	11	8	501
2006	13	37	333	56	44	14	7	504
2007	15	36	352	51	43	17	8	522
2008	16	31	362	60	42	18	10	539
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