The Housing Authority
of the City of Seattle, Washington

Comprehensive Annual Financial Report

For the year ended
December 31, 2012

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Comprehensive Annual Financial Report

December 31, 2012

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

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

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Principal Officials

Commissioners as of December 31, 2012

Name	Term expires
John Littel, Chair	October 1, 2014
Nora Gibson, Vice Chair	March 20, 2015
Aser Ashkir, Commissioner (Appointed January 14, 2013)	October 1, 2014
Juan Martinez, Commissioner	March 20, 2015
Kollin Min, Commissioner	March 20, 2016
Doug Morrison, Commissioner	March 20, 2014
Deborah Canavan Thiele, Commissioner (Appointed January 14, 2013)	March 20, 2017

Administrative Staff

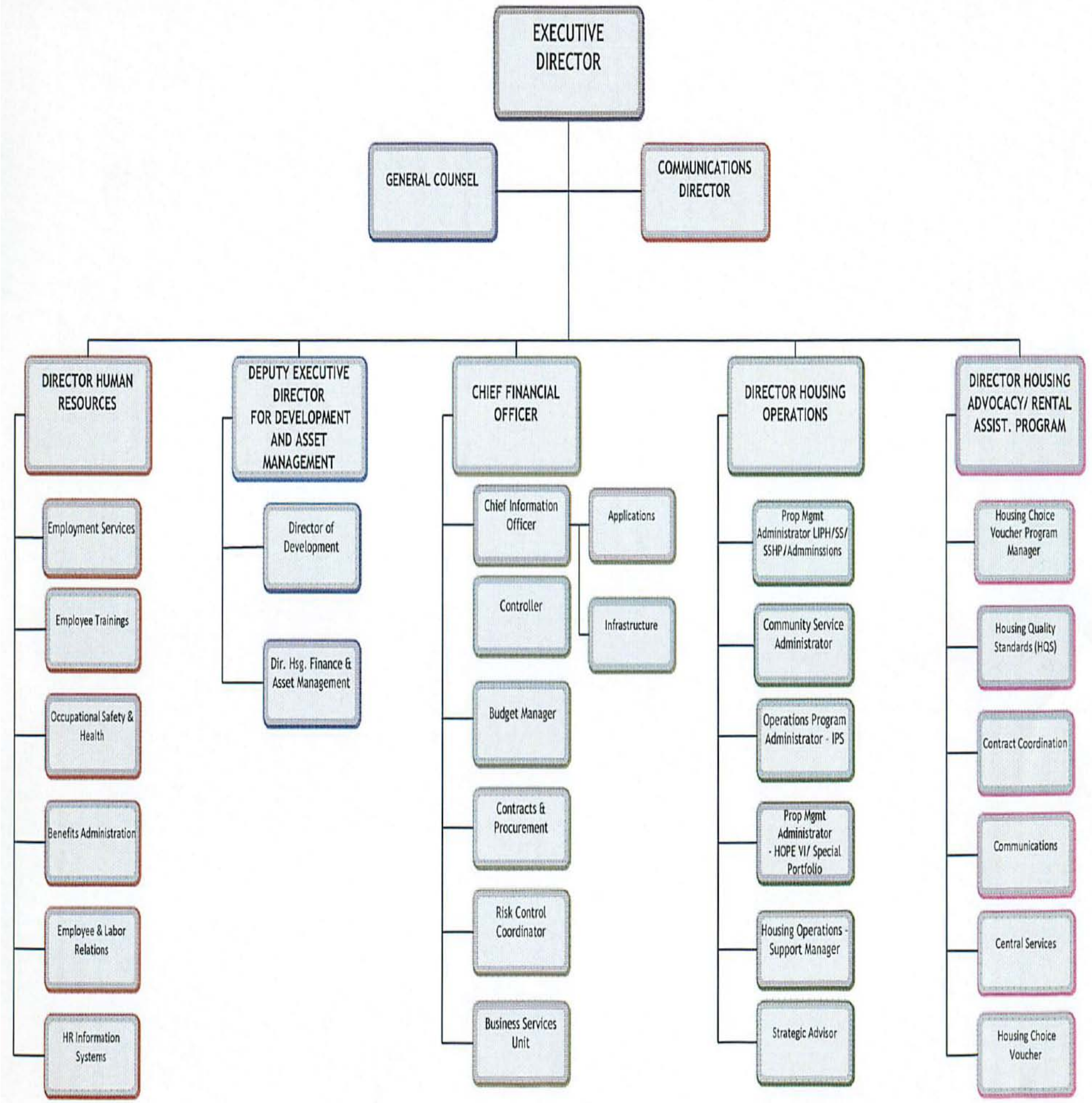
Andrew Lofton, Secretary-Treasurer/Executive Director

Shelly Yapp, Chief Financial Officer

Janet Hayes, Controller

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Organization Chart



May 17, 2013

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

Introduction

We are pleased to present The Housing Authority of the City of Seattle, Washington's (referred to hereafter as "the Seattle Housing Authority", "the Authority" or "SHA"} Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2012. 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 PLLC. The unmodified opinion of the independent auditors is presented on page 1.

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 of Seattle Housing Authority

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

Moving to Work Housing Authority: The Authority is one of 35 housing authorities, of more than 4,000 in the country, designated as a "Moving to Work" (MTW) housing authority. An MTW agency is one that is part of a demonstration created in the 1996 Congressional appropriation for the Department of Housing and Urban Development (HUD). MTW agencies have three statutory objectives:

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

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As an MTW agency, Seattle Housing Authority has flexibility to develop operating policies and procedures that differ from those prescribed in regulations implementing Sections 8 and 9 of the Housing Act of 1937. The Authority also is authorized to combine public housing and housing choice voucher funds into a MTW Block Grant and to allocate those funds to best meet local low income housing needs.

Governing Body and Strategic Guidance: The governing body of the Authority is its Board of Commissioners. The 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 are 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.*

Seattle Housing Authority's 2011-2015 Strategic Plan lays out five broad strategic directions that guide the primary goals and objectives of the Authority over the period:

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, the Board 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.

Housing Profile: The Authority is the developer and the general partner and management agent for 17 Component Units, the owners of which are Low Income Housing Tax Credit limited partnerships or limited liability limited partnerships.

The agency owns and manages or manages more than 8,000 units of housing and administers over 9,600 rental vouchers, providing rental housing or rental assistance to nearly 30,000 low income people in the City of Seattle.

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. The Authority's redevelopment activities continue today and into the future.

Budget Process and Monitoring: The annual budget for the Authority is prepared by the Executive Director with significant involvement of the agency's top executive staff and the support and analysis of the agency's Budget staff. At the front-end of the budget process, the Cabinet with the Executive Director agrees on the financial forecast on which the budget will be prepared and establish the key areas of focus for the coming year from the Strategic Plan. At the end of the budget process, the Cabinet, with the Executive, determines the final actions to balance the proposed budget.

The Board of Commissioners adopts the annual budget for the Authority after the Executive Director has presented both the Annual MTW Plan and the agency's Proposed Budget for public review and comment. The MTW Plan and the Proposed Budget are primary tools for implementing the 2011-2015 Strategic Plan. The annual proposed budget includes four components – the Operating, HAPs (housing Assistance Payments), Capital, and Development budgets. MTW federal funds comprise 70-75 percent of the combined Operating HAPs, and Capital revenues. The operating and capital budgets are developed from the community or program level up in the Authority's project-based budgeting process. The development programs of the Authority, 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 and Choice Neighborhood Initiative funds, and federal, state and local grants.

Once adopted by the Board, the annual budgets are implemented and monitored by all departments of the Authority, with support from the Finance and Administration Department and the Asset Management Department. 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 actions to address variances against budget, as needed, are taken to ensure appropriate budget control.

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Financial Outlook – Effects of Economic Conditions

State and Local Economy – Forecast Highlights1

The economic recovery from the Great Recession (which officially ended in the 4thQ 2009) continues at a moderate and erratic rate. Continuing threats to the U.S. recovery from the weakness in European countries and the slowdown in Asia are joined in 2013 by the fiscal tightening from the "Fiscal Cliff" resolution and by the across the board sequestration federal budget cuts. These are expected to place a drag on the economy and produce slower economic growth, despite other signs of strengthening in the economy. Overall, most economists foresee continued slow growth and a weak labor market.

Highlights of economic data from U.S., Washington, and Puget Sound economic forecasts show the mostly positive signs below:

- The housing market continues to strengthen. Existing home sales in January 2013 were 9.1 percent above the year-ago sales rate. The Case-Shiller 20-city price index has shown gains in housing sales for 11 consecutive months through the end of 2012. Housing starts in January 2013 were nearly 24 percent above the January 2012 level.
- Consumer confidence appears to have picked up. This is reflected in increases in the Conference Board's index and the University of Michigan's consumer sentiment survey, and by improvement in durable goods and retail sales.
- Job growth in the U.S. has been slow during the recovery. While the national unemployment rate in January was 7.9 percent, job growth of 247,000 jobs in November was followed by a job gain of only 157,000 new jobs in January and February 2013.
- Federal fiscal tightening as a result of the "fiscal cliff" agreement and sequestration will cause the recovery to proceed haltingly. Personal income growth will be reduced below what it would otherwise be and economic growth (GDP) will be lower. While a return of the recession is not anticipated, economic growth is projected to slow from an annual rate of 3.3 percent to 1.8 percent and with it slower employment growth.
- Washington State and the Puget Sound Region are outpacing the national economy in the recovery by most measures:
  - ✓ Employment growth in the Puget Sound Region is expected to be 2.7 percent in 2012, twice the national pace. The unemployment rate fell to 7.8 percent by the end of 2012 and by March 2013 stood at 6.0 percent.
  - ✓ Construction employment growth has turned positive and is expected to accelerate over the next three years. Meantime, manufacturing employment remains strong.
  - ✓ While seeing continued growth in the number of jobs created in Washington, the growth in work hours and hourly earnings has stalled.

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[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.

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- ✓ Initial claims for unemployment continue a downward trend and are now 45 percent below the peak during the recession, but still 26 percent above levels before the recession.
- ✓ Washington's personal income rose in 2012 by 4.5 percent, the 4th highest among the states and well above the 3.5 percent increase for the U.S. as a whole.
- ✓ Washington employment growth is expected to be positive and increase annually over the period 2013-2017 by 1.8 percent. While this pace remains modest, this is an acceleration and is expected to return Washington to the pre-recession peak by the end of 2014.
- ✓ Seattle area inflation is expected to remain moderate, ranging from 2.8 to 2.2 percent over the period 2013-2017.

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 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.
- The expected acceleration in job growth should provide greater opportunity for work hours and employment to working and work-able residents/participants. On the other hand, those who are working saw their income reduced in 2013 when the payroll tax cut expired.
- 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 federal, State and local government funds. With federal budget reductions as a result of sequestration and the State's budget gap in funding public schools, it is not likely that we will see restoration of programs and income support cut during the recession and through 2011.
- The pick-up in the housing recovery has enhanced land sales to private developers in our mixed income communities of Rainier Vista and High Point and home sales in these communities. Land sale prices are not back to pre-recession levels, but they are increasing. In 2012, all available for sale residential parcels in these communities 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. This market seems to have stabilized, but investor and lender requirements for protections against risk are adding costs and workload.
- We are beginning to see accelerated construction pricing, which is stretching project budgets developed over the past few years.
- 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 financing.

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Financial Outlook – Effects of Federal Funding Actions

Federal Funding – Status and Outlook

Budget Control Act of 2011: With Congress split between a Republican majority in the House of Representatives and a Democratic majority in the Senate, the federal government has spent much of the past two and a half years in brinkmanship over fiscal policy, the debt ceiling, and deficit reduction versus economic stimulus measures. The impasses persist until the last minute to act and have been resolved or deferred just short of government shutdowns and, in 2011, were accompanied by a downgrade of the federal government's credit rating by Standard and Poors. Deficit reduction has won out over use of fiscal policy to stimulate the economy, first with passage of budget reductions of nearly $1.0 trillion, particularly in discretionary programs, in exchange for raising the debt ceiling in 2011. This was followed by the Budget Control Act of 2011 ("the Act") that established reduced spending ceilings for defense and non-defense mandatory and discretionary programs over the period 2012 through 2021. The initial round of federal spending reductions was reflected in the 2012 Budget appropriations adopted by Congress.

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 reductions were to be made via "sequestration", or by imposing reductions to the budget adopted by Congress for 2013.

The Fiscal Cliff: The "fiscal cliff"-- to occur January 1, 2013 -- became the moniker to describe the convergence of a series of events set to occur on that date, unless Congress and the President acted to forestall the automatic measures. The principal elements of the fiscal cliff that were to occur on January 1st were:

- Sequestration would go into place;
- Bush era tax cuts (along with some other prior tax cuts) would expire;
- The temporary Payroll Tax cut would expire;
- The Farm Bill would expire;
- Pay to doctors for Medicare services would be greatly reduced; and
- Emergency Unemployment Benefits extension would expire.

The American Taxpayer Relief Act (ATRA) was enacted and signed on the last day of the year to avert some elements of the fiscal cliff, postpone others, and to allow others to go into place. The ATRA's main provisions in relation to the potential events above were:

- Sequestration for 2013 was reduced from $109.3 to $85.3 billion and deferred two months to March 1, 2013, with enforcement to begin March 27, 2013; this had the effect of reducing the impact of sequestration from a 7.5 percent to a 5.0 percent reduction of nondefense discretionary programs.

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- Bush-era tax cuts for persons making less than $400,000 were made permanent; the tax cuts were allowed to expire for persons making more than $400,000, thus changing the tax rate affecting these people from 36.0 to 39.6 percent.
- The temporary payroll tax (FICA) reduction was allowed to expire at the end of 2012, increasing FICA taxes for wage earners from 4.2 percent back to 6.2 percent.
- The Farm Bill and its subsidies were temporarily extended.
- Payment levels to doctors providing Medicare services were restored.
- Emergency Unemployment Benefits were temporarily extended.

The 2013 Federal Budget and Sequestration: Congress was unable to agree on 2013 Federal Budget appropriations and so in late September 2012, in order to prevent a government shutdown, enacted a six months Continuing Resolutions (CR), whereby funding levels enacted for 2012 were continued for the first six month of 2013. The CR was set to expire March 27, 2013, the same day Sequestration was scheduled to be enforced. Thus, Congress would have to act on either a set of 2013 Federal Budget appropriations or further extend the CR by March 27th.

There was strong bipartisan agreement that sequestration took an indiscriminant meat axe to the budget with automatic across the board cuts. There was also a broad consensus among economists and analysts that sequestration would be a setback to the country's economic recovery. Despite these conclusions, however, no agreement emerged on a plan to achieve deficit reduction through alternative spending cuts and revenue measures. So, sequestration went into effect on March 1st. Once it had taken effect, Congress couldn't find the will to significantly change sequestration and enacted a continuation of the CR for the remainder of the year in late March. This meant that 2012 appropriation levels would be frozen through 2013 **and** would be reduced across the board for nondefense discretionary programs by 5 percent through sequestration.

Outlook for Nondefense Discretionary Funding: As part of the American Taxpayer Relief Act, the federal spending caps were revised for the next ten years (2014-2023) and future sequestration reductions were embedded in the ten year spending limits. This results in an estimated small decrease -- (0.3) to (0.6) percent – in nondefense discretionary targets for 2014, followed by modest inflationary increases (2.2-2.6 percent annually) for the remainder of the ten years. At this time, this represents current law. There will definitely be continuing efforts to reduce the deficit through spending cuts and revenue increases. The primary issues will continue to be how to increase revenues that a majority of Congress will support and how to reduce the cost of mandatory programs – principally Social Security and Medicare.

Seattle Housing Authority's Response to Federal Funding Changes

Importance of Federal Resources for Low Income Housing: Annual HUD funding for ongoing low income housing programs, rental assistance, and capital repair funds represents 70-75 percent of the Authority's annual budgets for housing operations, housing assistance payments, and capital repairs. Accordingly, what happens with the federal budget is of crucial importance to the Seattle Housing Authority.

Seattle Housing Authority has three very important assets to help us deal with changes in federal funding. First, as a "Moving to Work" (MTW) agency we have flexibility in allocating our three streams of MTW federal funds to best meet our local housing needs, and we have the ability to waive certain provisions of the 1937 Housing Act and regulations in order to demonstrate cost effective alternatives. These tools enable us to adapt to federal funding changes with the capacity to moderate the intensity of their impacts on our housing portfolios and rental assistance programs.

Second, we have a long and continuing history of successfully competing for and effectively implementing federal, state, and local capital and service grants. In the past few years as federal funding has declined, we have competed successfully twice for Choice Neighborhood Initiative Implementation grants, which have provided the catalyst for the first two phases of Yesler Terrace redevelopment and a total of 212 replacement units to be completed by 2016. The Authority continually competes successfully for grants providing services supporting resident self-sufficiency and leverages grant funds with local and foundation funds to maximize program effectiveness.

Third, the Authority encourages a culture that seeks continuous improvement and actions that will enhance the efficiency of our operations, while continuing to serve the same number or more residents/rental assistance participants. A couple of examples of our success stand out. We reorganized the ways we serve Housing Choice Voucher participants and changed our operating practices to achieve a more optimal and even distribution of work over the year. These changes are smoothing caseloads over the year and allowing more time for staff to focus on providing supportive services and referrals to address the needs of different participant groups.

In Housing Operation, we implemented changes designed to better align responsibility and authority for budget decisions at the property level and we concentrated attention on reducing the cost of unit turnovers. In each of the last two years, these changes have paid dividends in operating cost savings. In both departments, these changes are being monitored and modified as we gain experience, and, so far, our progress is promising. These and many other budget and operations decisions we have made are changing the way we do business to gain efficiencies and maintain service, even as resources are more constrained.

Impacts of Federal Budget on Seattle Housing Authority: The reductions in federal funds for public housing operations, public housing capital, and housing choice vouchers – the three federal sources that comprise the MTW Block Grant and represent 70-75 percent of our sources for operations, capital repairs, and rental assistance – have produced forecasted revenue shortfalls relative to status quo program costs of $10.3 million for 2012, $4.5 million for 2013, and a projected $1.5 million for 2014.

In the Calendar Year (CY) 2012 and CY 2013 Seattle Housing Authority Annual Budgets, the Authority planned for federal funding reductions based on spending cuts embedded in the Budget Control Act of 2011, enacted in the 2012 Budget, and forecast for the 2013 federal budget. Thus, we adopted reductions to close the projected $10.3 million and $4.5 million, respectively, in 2012 and 2013. These reductions included the elimination of 106 full-time equivalent positions or 18 percent of the agency's staffing capacity. At the same time, the Authority has continued to serve at least the same number of residents and voucher participants.

While service levels are in some areas were necessarily reduced, many of the reductions came from planned changes in the methods of doing business to capture efficiencies. These changes, for example, involved better and more extensive use of technology to streamline operations; changes in workflow to optimize caseloads in the voucher program; reorganization of functions to better align budget responsibility and authority and quantified standards for such things as the average cost of turnovers. These changes have not been easy and continue to be refined with the advice and

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involvement of affected staff and feedback from customers. The commitment to continuous improvement, however, is increasingly a shared value and core strength of the agency.

In spite of the funding challenges described above, the Seattle Housing has been able to advance several key aims of our Strategic Plan. Here are examples of 2012 accomplishments:

- Increased service to low-income people;
- Secured $30 million in federal funds to be the catalyst to for the first and second phases of Yesler Terrace redevelopment;
- Completed construction and lease-up of the rental housing at Rainier Vista Northeast, thereby completing Rainier Vista rental housing plans.
- Completed the building envelope rehabilitation and window replacement in two Seattle Senior Housing Program (SSHP) Buildings – Blakeley Manor and Bitter Lake Manor.
- Secured Public Housing Capital Grant funds for the Senior Housing Program to address long-term portfolio capital needs;
- Refined and extended the Preventive Maintenance program to each property to extend the life of assets and preserve valuable warranties.
- Provided 70 project-based vouchers to nonprofits undertaking development of new low income housing units with Housing Levy funds.
- Added over 830 new vouchers awarded in late 2011 through early 2012: 100 Family Unification Program, 37 additional Veteran Assistance (VASH) and up to 697 Tenant Protection vouchers - to expand housing opportunities for qualified low income participants.
- Reorganized Community Police Teams to provide more efficient and flexible service on a geographic rather than a property basis.
- 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 continues its emphasis on deficit reduction, 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 or raise new revenues 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.

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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 that representation of the Authority's assets and liabilities are accurately reflected on the agency's 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, 2012 resulted in two A-133 findings of significant deficiencies: one related to the need for annual review of debarment status of vendors; the other pertaining to failure of non-profit sub-recipients under contract to the Authority in the Mod Rehab Program to submit annual performance reports and to inadequate controls by SHA to ensure the reports were made in a timely manner. There were no significant deficiencies found by KPMG in the Housing Authority's Financial Statements.

On the first A-133 finding, the auditors noted that while SHA routinely reviews debarment/suspension listings for all new contractors/vendors prior to contract award, the agency has not routinely reviewed vendors with multi-year contracts to ensure that they have not been debarred subsequent to initial contract award or conducted annual reviews of non-contract vendors with transactions in excess of $25,000. The auditors recommended a change in SHA practices to ensure all contractors/vendors are reviewed as to debarment status annually. SHA concurred in the recommendation and a revised policy and monitoring procedures for multi-year contracts has been established and implemented and a review will be performed annually of Purchasing Card vendors with transactions in excess of $25,000.

On the second A-133 finding, this is a repeat Reporting finding from 2011. The Authority thought we had corrected the problem last year by reminding one specific non-profit provider of the reporting responsibilities and securing their compliance with submission of the 2011 report. The Authority has repeated the reporting requirement responsibility to the sub-recipients out of compliance and will increase monitoring oversight to ensure the reports are submitted to the Authority and HUD by the due dates.

Budgeting Control and Program Accountability

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

An integral part of budget control is to review needs for and impacts of budget revisions following adoption of the annual budget by the Board. These reviews occur at least quarterly and where adjustments are justified, the adopted budget is revised. There are also quarterly reviews of all Housing Portfolios by the 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 Authority's financial management.

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

The Financial Policy Oversight Committee is charged with overseeing the financial conditions and financial management decisions of the Authority and ensuring that current or implied financial commitments/conditions receive the full scrutiny of the Authority's top managers and expert line staff. This committee has enhanced agency-wide consideration of and decisions on credit and debt management; development opportunities, project selection, and financing plans and policies; 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 and is scheduled for Board review and revisions in May 2013.

Component Units:

The Authority has seventeen discretely-presented component units as of December 31, 2012. Two new limited-liability limited partnerships were created in 2012. 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 2012, the Authority's component units represented over 47 percent of all rental housing units operated directly by the Authority.

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In 2012 the two new partnerships are the 1105 E. Fir Limited Liability Limited Partnership and the Leschi Limited Liability Limited Partnership.

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 annual 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.

We also continue to forge new and strengthen existing 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 City's streetcar 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. The streetcar extension is expected to open in 2014.

Long-Term Planning for Redevelopment

At the end of 2012, the Authority had completed redevelopment of all low income rental housing in 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 had secured City approval of critical land use entitlements and development agreements for 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,
- In 2010 and 2011, 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 Authority enjoyed a very positive year in 2012 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 2012. 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 much of 2011 and 2012. Development of market rate properties and sale of homes in both High Point and Rainier Vista begun to pick-up in 2011 and hit full stride in 2012. We foresee of the market rate housing at both communities will be fully built out and sold over the next two to four years.

Yesler Terrace Redevelopment -- SHA's most significant Long Term Initiative

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 2012. In May 2012 the Board approved the Redevelopment Plan to guide development on the site over the next 10-20 years. This Development Plan provides for:

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

(Continued)

- Up to 5,100 parking spaces to serve residential, retail, and office uses.

Yesler Terrace's redevelopment is the major initiative of the Seattle Housing Authority that will extend over the next 15-20 years. Yesler Terrace is the most urban and unique of the family communities and redevelopment planning has already been ongoing for six years. Redevelopment to be implemented with the involvement of the Housing Authority, non-profit housing providers, a co-development partner, and individual market housing and office developers, as well as legions of community organizations, educational institutions, public agencies, and service providers. These partners will be instrumental in helping the community reach its aspirations for educational advancement and opportunity and for meaningful long-term employment prospects.

The year 2012 was one of major "critical path" milestones to propel the Yesler Terrace redevelopment project from the predevelopment to implementation phases. Here are highlights of the critical steps forward:

- Receipt of a second Choice Neighborhoods grant award, in the amount of $19,730,000, from the Federal Department of Housing and Urban Development. This brings the Housing Authority's total grant award from HUD to $30,000,000 to support the redevelopment of Yesler Terrace.
- Receipt of $750,000 in funding from the JPMorgan Chase Foundation to support Yesler redevelopment efforts, in particular the Hillclimb between Little Saigon and Yesler Terrace.
- City Council approval of a comprehensive package of legislation that enables implementation of Yesler Terrace redevelopment to begin. The legislation includes:
  - ✓ Zoning Changes: A new Master Planned Communities zone will allow height and density similar to that of adjacent downtown neighborhoods.
  - ✓ Design guidelines: Design guidelines for the project will ensure high quality design and livability.
  - ✓ Street Vacation: This approval allows for adjustments in the current street right-of-way that will result in better circulation to and through the neighborhood.
  - ✓ Cooperative Agreement: This Agreement outlines commitments from the City of Seattle for funding to support the project and housing affordability requirements for the life of the project.
- Development of an Infrastructure Master Plan that identifies all improvements necessary to transform the physical infrastructure at the site.
- Undertaking of a robust competitive process for selecting a potential Development Partner. This process extended over a planning schedule of a year. A Request for Qualifications and intensive review and engagement process occurred over a nine month period. The result was of the process was the selection of a firm with whom the Authority would engage in an exclusive negotiating period, which is expected to conclude in mid-2013.
- The Authority selected Phase I contractors to deliver the first replacement projects in 2014 -- 1105 Fir St. and the Baldwin Apartments. The Authority also bid and selected contractors to carry-out the work of rehabilitating the historic Steam Plant with a Community Facilities Grant from HUD and matching funds from SHA.

(Continued)

- Finally, the Authority engaged a private developer for the first affordable housing and market rate development at 12th and Yesler.

STRATEGIC PLAN INITIATIVES TO ADVANCE LONG-TERM GOALS

The Authority uses its Five Year Strategic Plan as the foundation of establishing work plans and resource allocations, particularly on the margin, in the annual budget process. Below are the highlights of the initiatives and accomplishments planned for 2013 to advance the eight priority objectives from the 2011-2015 Strategic Plan.

REDEVELOPING YESLER TERRACE

- Begin construction on the 1105 E. Fir Street Apartments; this rental housing includes 83 replacement units and 20 tax credit units, completion in 2014.
- Coordinate development activities with the private developer of a market rate property at 12th and Yesler, a mixed use project to be completed in 2014 that includes ground level retail.
- Undertake rehabilitation of the Baldwin Apartments to provide 15 replacement housing rental units; completion in early 2014.
- Complete the renovation of the historic Steam Plant to house an early childhood and new job training center, including a permanent home for Head Start.
- Work with the City and the community to plan and design the 10th Avenue Hillclimb connecting Yesler Terrace with Little Saigon, with construction expected to be initiated in mid-2014.
- Begin work with the City and community to implement the Horiuchi Park P-Patch, located just north of the 1105 Fir Street Apartments on the east side of Boren Avenue.
- Implement the initial stages of relocation plans under the leadership of the Housing Operations Division:
  - ✓ Complete resident interviews, education, and counseling regarding the initial relocation process and continue planning to implement relocation over a number of years. The interview and support counseling in 2012 and 2013 is expected to address the needs of 200-250 Yesler Terrace households.
  - ✓ Begin initial moves of Yesler residents in mid to late 2013 in order to undertake Phase II housing and infrastructure work.
- Undertake a host of Master Plan and Development Plan implementation activities during 2013:
  - ✓ Complete the Final Plat for the entire site and 100% Street Improvement Plan for the southwest sector of Yesler Terrace.
  - ✓ Work with the selected Development Partner to refine project sequencing and identify funding sources and financing for construction of infrastructure and pedestrian amenities.
  - ✓ Work with the Parks Department in the design of the neighborhood park and schedule its construction and completion in relation to other construction work.

(Continued)

- ✓ With the Phase II Choice Neighborhoods Initiative grant, undertake initial design of Phase 2 housing and procure contractors for infrastructure and housing projects to take place in 2014.

- Complete the Community Workforce Agreement with Labor to cooperatively undertake all publicly funded housing at YT and ensure construction training, apprenticeships, and job opportunities for low income residents, women and minorities, and women and minority businesses.

PRESERVING EXISTING HOUSING

- Begin design work for an occupied rehabilitation of Leschi House, a 34 unit senior building, and construction of a new wing with 35 additional units serving seniors; built to the Evergreen Sustainable Development Standard; complete construction in 2014.
- Review opportunities and properties for a second phase of repositioning the Scattered Site portfolio. Identify properties for disposition and a plan for replacement to be initiated in 2014.
- Complete rehabilitation or replacement of elevators in two Senior Housing buildings as part of a portfolio-wide program to address all the senior housing buildings with one elevator which is reaching its useful life.
- Complete rehab of six Scattered Site units to make them compliant with USAF, pursuant to SHA's compliance agreement with HUD.
- Expand the SHA Preventive Maintenance model to additional portfolios and properties. This model is a cost effective approach to extend the life of assets and preserves valuable warranties.

EXPANDING CHOICE AND OPPORTUNITY FOR VOUCHER PARTICIPANTS

- Increase support for mobility efforts with expanded long-term linkages to service providers throughout the City; seek their assistance, advice, and support for our mobility efforts.
- Provide more targeted information to participants and the waiting list about housing choice and the benefits of living in a high opportunity area - including school outcomes, crime rates, job/transit/services proximity.
- Increase our housing counseling services to reach more voucher participants. Through individualized housing counseling assistance and "Ready to Rent" classes, assist voucher participants in making informed decisions about housing selection.
- Increase the supply of affordable units in medium and high opportunity areas through targeted and increased landlord recruitment and retention and monitor changes in rental supply dispersion across the city.
- Explore housing choices and child welfare outcomes by working in partnership with the MacArthur Foundation and the Urban Institute on a multi-year study.

(Continued)

Supporting Education Opportunities for Youth

- Help residents and participants access services and programs funded through the City of Seattle's Family and Education Levy.
- Partner with the College Success Foundation to market College Bound and other scholarship opportunities to HCV participants, individuals on the HCV wait list, and public housing families.
- Continue to work with partners to support SHA youth academic success through youth tutoring, computer labs, and access to educational information and support.
- Continue to implement the Yesler education initiative with our partners- Seattle University, Seattle Public Schools, College Success Foundation and Neighborhood House -to provide a continuum of educational support for at-risk youth under the Choice Neighborhoods grant.

Advancing Educational Access and Employment Opportunities

- Expand opportunities for workforce training and job placement through partners, such as Port Jobs, the Workforce Development Council, Seattle Vocational Institute and private sector employers, including those in construction, healthcare and higher education.
- Pursue a partnership with nearby area hospitals to train Yesler residents for jobs in the healthcare industry, as part of the Phase II Choice Neighborhoods Initiative grant.
- Continue to develop partnerships with public and non-profit agencies providing financial benefits and services, including Social Security Administration, Department of Social and Health Services, Employment Security and organizations offering credit counseling and financial literacy classes.
- Implement a new financial matching program to support savings opportunities for residents working toward moving from subsidized housing.

Increasing Efficiency and Cost Effectiveness of our Services and Operations

- Implement Yardi Voyager starting in fall of 2012 and capture significant administrative efficiencies by consolidating different software systems into one property management software. Improve workflows for reporting, inspections, work orders and other key property management functions.
- Implement a pilot site-focused-services project for the high-rise properties in the Low Income Public Housing (LIPH) portfolio. Resident Managers along with Maintenance Mechanics will be the core of the site-focused services pilot.
- Implement a reorganization of Housing Choice Vouchers staffing through electronic optimization of caseloads and differentiation of caseload demands for different client groups. This is expected to result in smoother client workloads and enhance services to different client groups.
- Expand implementation of e-payables for electronic payments to the Authority's vendors and contractors. The goal is to move a majority of larger vendors/contractors to e-payables during 2013 to reduce banking and mailing costs.

(Continued)

- Expand direct deposits of Housing Assistance Payments to landlords by requiring landlord conversion to direct deposit or stored value cards and provide pay advices electronically. These actions reduce banking and mailing costs.
- Use MTW authority to improve efficiency, productivity, customer service and to obtain cost savings and/or increased revenues. Some proposed policy changes include: triennial reviews for more households, $200 income change threshold for interim reviews, establishing common minimum rents between public housing and the voucher program; undertake a comprehensive rent reform examination.

STRENGTHENING OUR FINANCIAL CONDITION AND CREDITWORTHINESS FOR THE LONG RUN

- Maintain the Authority's Operating Cash Reserve at a minimum of one month and a maximum of six months of operating plus average debt service expenditures, or approximately $12-13 million in 2013. The Authority's unassigned and undesignated cash reserve – the "Operating Reserve" is expected to be at two months of expenses thru 2013.
- Prepare a proposed policy, through the Financial Policy Oversight Committee, to establish a Development Reserve, pursuant to recommendations from our financial advisors for prudent management of risks, and propose to the Board "Committed Cash" reserves for their adoption as obligations of the agency.
- Refinance bond-financed properties to help make needed capital repairs, and/or build capital reserves, and improve cash-flow by reducing bond payments.
- Establish an on-going system for assessing/projecting exit strategies for tax credit limited partnerships that will be at or near the year in which the partnership has used all of its tax advantages and may exit:
- Work with Standard and Poors in their annual surveillance credit report and review of the Authority's credit rating with the aim of maintaining the agency's rating of A+.

PARTNERING WITH OUR UNIONS AND EMPLOYEES TO MEET FINANCIAL CHALLENGES TOGETHER

- Through the active programs of the Safety Officer and the Safety Committee, reduce accidents to enhance worker safety, thereby also reducing lost time, and reducing Workers' Compensation costs.
- Develop safety and wellness programs that reduce employee work-related injuries and illnesses.
- Negotiate contract extensions with the Office & Professional Employees International Union (OPEIU), Teamsters and the Trades for 2013 through 2015. Work with the unions to ensure the contracts are consistent with SHA's financial capacity and efforts to create efficiencies in operations and costs containment.

Awards and Recognition

Over the period 2010 through 2012, the Housing Authority of the City of Seattle received distinctions and recognitions, including:

- For the fifteenth 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

(Continued)

ending December 31, 2011 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.

- Seattle Housing Authority received an entity credit rating of A+ under Standard and Poors' new international rating criteria for housing authorities/social housing in the U.S. and Europe.
- A High Performing Housing Authority designation: 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 through 2018; pending HUD's revisions of its Public Housing Assessment System or designation of an alternate evaluation tool, Seattle Housing retains its high performer designation.
- On September 4, 2012, the Seattle City Council unanimously adopted an extensive legislative package to implement the redevelopment of Yesler Terrace.
- The Cooperative Agreement between the City of Seattle and the Authority reflects an expectation for City financial contributions of $30 million over the life of the project and commits up to $10.92 million of City funding for development of housing and parks for Phases 1 and 2.
- In December 2012, the U.S. Department of Housing and Urban Development granted $19.7 million from its Choice Neighborhoods Initiative (CNI) to Seattle Housing Authority, bringing CNI support for the project to $30.0 million.
- The Yesler Development Project received $750,000 from the JPMorgan Chase Foundation to help fund the 10th Avenue Hillclimb between Little Saigon and Yesler Terrace and a feasibility analysis of the Friends of Little Saigon development proposal.
- 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 Authority 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" to Seattle Housing Authority was made by the Seattle Section 3 Advisory Committee was 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;

(Continued)

- 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 most recent redevelopment projects have also received the following awards:

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

  HighPoint
  - ✓ Received a KaBoom grant for playground and outdoor exercise equipment at Bataan Park.

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. A special thanks to Janet Hayes, Seattle Housing Authority's Controller, whose talents, dedication, and commitment to accurate and thorough financial reporting and whose oversight of strong internal controls are largely responsible for more than a decade of Awards of Excellence in Financial Reporting from the Government Finance Officers Association and consistently unqualified opinions on SHA's Financial Statements by our independent auditors. We wish to thank, as well, the management and staff of KPMG LLP and Francis & Company PLLC who provided the necessary 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 of Commissioners for their tireless support and guidance.

Respectfully submitted,

Andrew J. Lofton
Executive Director

cc: SHA Cabinet members

Certificate of Achievement for Excellence in Financial Reporting

Presented to

The Housing Authority of the City of Seattle Washington

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2011

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.

President

Executive Director

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THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Financial Section

Section II

KPMG

KPMG LLP
Suite 2900
1918 Eighth Avenue
Seattle, WA 98101

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities (primarily 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, 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units of the Authority, which represent 100% of the assets, net position, 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 from material misstatement.

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

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

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, 2012, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 4 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The cost certificates for projects WA00100009009T, WA00100001709R, WA00100003909G, WA19P001501-08, and WA19P001501-09 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The cost certificates are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the cost certificates 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2013 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

KPMG LLP

Seattle, Washington
May 17, 2013

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, 2012, which have been prepared in accordance with U.S. generally accepted accounting principles (GAAP). GAAP requires the inclusion of three basic financial statements: the statement of net position (balance sheet); the statement of revenues, expenses, and changes in net position; and the statement of cash flows. In addition, GAAP requires the inclusion of this management's discussion and analysis (MD&A) section as required supplementary information.

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

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, 2012, with comparative data for the year ended December 31, 2011. 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, 2012 by $421.7 million (net position). Of this amount, $213.1 million represents unrestricted net position which includes 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 position increased by $1.9 million or less than 1%.
- The Authority's current ratio that measures liquidity has increased during the year from 1.52% to 1.73%. This increase was primarily a result of reclassifying $4.2 million of capital assets at High Point and Rainier Vista to the held for sale category and an increase of $5.1 million in cash and cash equivalents, restricted cash, investments, and restricted investments. Also, the Authority is holding $5.5 million of proceeds from the sale of the Porchlight building in restricted investments which will be used to pay off the related bonds in 2013.
- Long-term notes receivable increased from $205.8 million to $211.8 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 2011 to 2012 was a result of additions to loans made to Rainier Vista Northeast LLLP.

- The Authority's total debt decreased from $147.0 million to $139.5 million during the current reporting period. There most significant reason for the reduction was the payment in the amount of $8.0 million on the infrastructure note with Bank of America. The percentage of total debt to net capital assets increased from 45.6% at December 31, 2011 to 47.9% at December 31, 2012. Although total debt decreased, capital assets also decreased as a result of sales, transfers to the city and reclassification of assets held for sale.

Financial Analysis

Statement of Net Position

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

Total assets of the Authority at December 31, 2012 and 2011 amounted to $620.9 million and $629.2 million, respectively. The significant components of current assets are short term investments, receivables from component units, and restricted cash. The noncurrent assets are long term investments, capital assets, receivables from component units, and notes receivable. Capital assets include land, land improvements, leasehold improvements, structures, construction in progress, and equipment. All capital assets except for land and construction in progress are shown net of accumulated depreciation. The principal changes in assets from December 31, 2011 to December 31, 2012 were decreases in capital assets.

Total liabilities of the Authority are $199.1 million and $209.3 million at December 31, 2012 and 2011, 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 deferred revenue, there were increases in short-term borrowings and the current portion of long-term debt 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 $10.4 million as a result of decreases in long-term borrowings.

Net position represents the Authority's equity, a portion of which is restricted for certain uses. Net position is divided into three major categories. The first category, net investment in capital assets represents the Authority's equity in land, structures, construction in progress, and equipment, net of related capital debt outstanding. The next net position category is restricted for debt service; this shows the amounts reserved to service the debts until they mature. The last category is unrestricted net position; these funds are available to use for any lawful and prudent purpose of the Authority. Unrestricted net position increased by 14.2% during the year from

 (Continued)

$186.5 million to $213.1 million. This was primarily the result of increases in notes receivable from the component units and decreases in investments in capital assets net of related debt.

Condensed Statement of Net Position

(In thousands)

		December 31	
		2012	**2011**
Assets:			
Current assets, net	$	77,373	67,513
Noncurrent investments and cash		9,691	8,515
Capital assets, net		291,056	322,532
Notes receivable, long term, net		211,839	205,788
Other noncurrent receivables and other		30,913	24,820
Total assets	$	620,872	629,168
Liabilities:			
Current liabilities	$	44,613	44,405
Noncurrent liabilities		154,513	164,909
Total liabilities		199,126	209,314
Net position:			
Invested in capital assets, net of related debt		199,274	224,771
Restricted for debt service		9,406	8,544
Unrestricted		213,066	186,539
Total net position		421,746	419,854
Total liabilities and net position	$	620,872	629,168

Statement of Revenues, Expenses, and Changes in Net Position

The purpose of the statement of revenues, expenses, and changes in net position is to present the revenues earned by the Authority, both operating and nonoperating, 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 position, which follows this section, reflects the year ended December 31, 2012 compared to the year ended December 31, 2011. Overall, operating revenues increased by approximately 1.3% or $2.1 million from 2011 to 2012 and operating expenses decreased by approximately 2.0% or approximately $3.1 million for the year; net nonoperating expenses decreased by 22.3% or approximately $5.0 million; and capital contributions decreased approximately 61.8% or $21.4 million as a result of a decrease in economic stimulus funding from HUD under the American Recovery and Reinvestment Act (ARRA) because nearly all the projects under the grant were completed in 2011. Net position increased in 2012 by approximately $1.9 million. Explanations of principal reasons for these changes follows.

For operating revenues, tenant rentals decreased by $.6 million. Although there were fewer vacancies during the year, tenant revenues have generally decreased due to the economic downturn and reductions in state and federal income support program funding. The decrease of $3.7 million in other revenues was primarily due to a decrease in local government grants of $1.9 million and a decrease in revenue from Impact Property Services, the Authority's skilled trades and maintenance group that provides services to the Authority's housing properties, limited partnership and other external properties.

Operating expenses decreased, approximately 2.0%, primarily due to lower maintenance costs. Fewer unit turnovers, staff reductions, and other cost saving measures in our maintenance areas were the primary reasons for the lower maintenance costs.

Net nonoperating expenses decreased by approximately $5.0 million during the year. The decrease was mainly a result of higher asset dispositions in the prior year. In 2012, dispositions were comprised of $10.3 million related to transferring infrastructure costs to the City of Seattle (City) related to the Hope VI redevelopment projects including Rainier Vista, New Holly and High Point with the largest portion related to redevelopment at Rainier Vista and approximately $2.0 million related to the sales of the Porchlight building, Coach House and Keystone properties.

Capital contributions for the year ended December 31, 2012 were made up of $.4 million from Hope VI redevelopment grants and $12.9 million from HUD capital grants. Of the capital grants, $.5 million was from ARRA funding. The net result is that the Authority added $1.9 million to net position for the year ended December 31, 2012.

 (Continued)

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Management's Discussion and Analysis

December 31, 2012

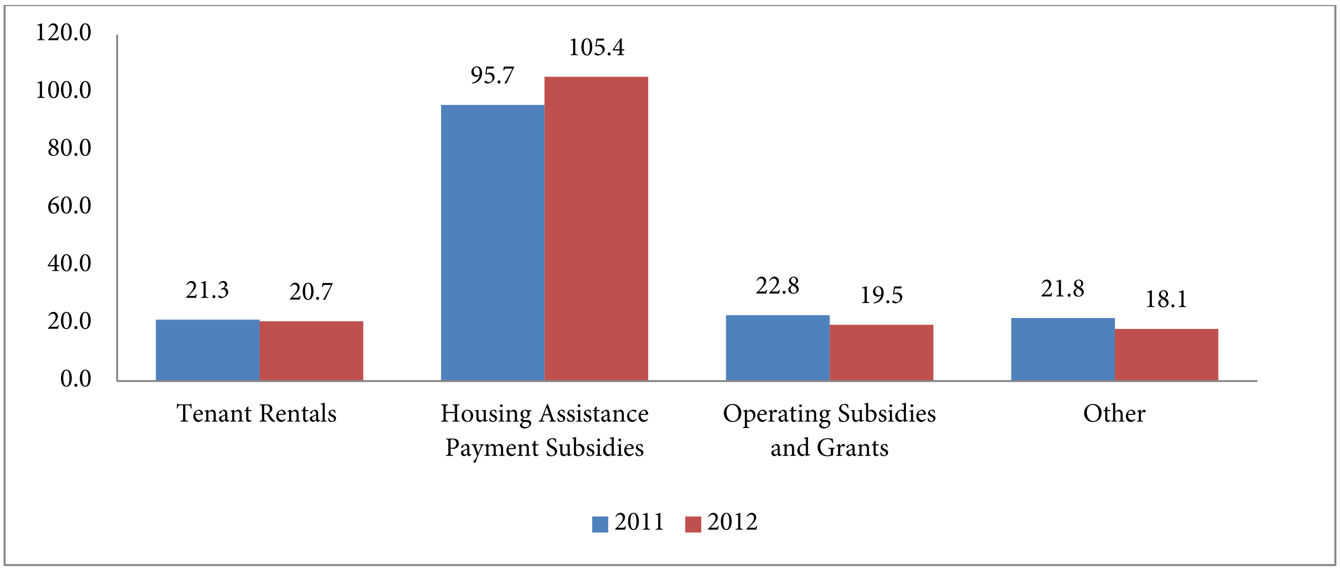
Statement of Revenues, Expenses, and Changes in Net Position

(In thousands)

		Year ended December 31	
		2012	**2011**
Operating revenues:			
Tenant rentals	$	20,690	21,338
Housing assistance payment subsidies		105,422	95,646
Operating subsidies and grants		19,523	22,814
Other		18,081	21,763
Total operating revenues		163,716	161,561
Operating expenses:			
Housing operations and administration		41,664	43,986
Tenant services		3,603	3,938
Utility services		5,394	4,999
Maintenance		15,082	18,824
Housing assistance payments		79,478	76,943
Other		2,022	1,319
Depreciation and amortization		10,328	10,676
Total operating expenses		157,571	160,685
Operating income (loss)		6,145	876
Nonoperating revenues (expenses):			
Interest expense		(5,722)	(6,888)
Interest income		1,397	1,537
Change in fair value of investments		(75)	69
Loss on notes receivable written off		—	(479)
Loss on investment in limited partnerships		(760)	(1)
Disposition of assets		(12,343)	(16,774)
Net nonoperating expenses		(17,503)	(22,536)
Change in net position before capital contributions		(11,358)	(21,660)
Capital contributions		13,250	34,675
Change in net position		1,892	13,015
Net position, beginning of year		419,854	406,839
Net position, end of year	$	421,746	419,854

Operating revenues are shown in detail in the chart below.

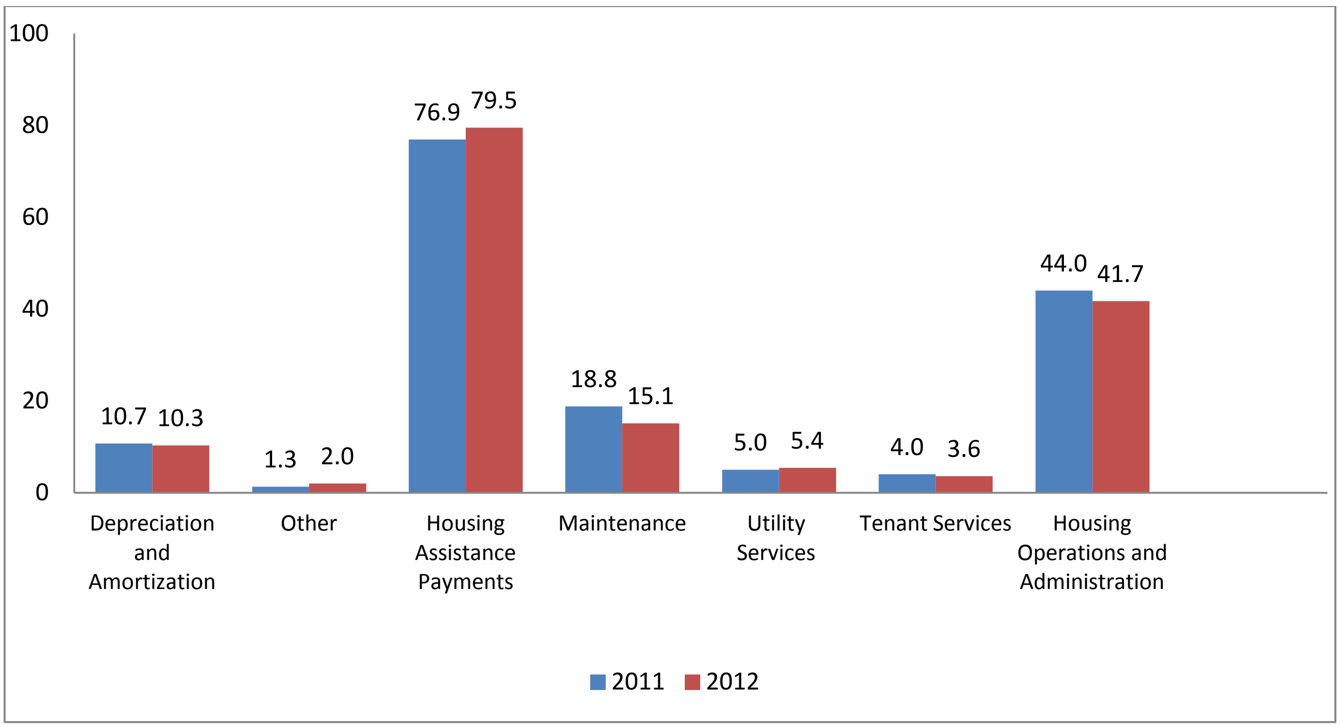
Operating Revenues – 2011 and 2012



Dollars (in millions)

Operating expenses are shown in detail in the chart below:

Operating Expenses – 2011 and 2012



Dollars (in millions)

Capital Asset and Debt Administration

The Authority reduced capital assets during the year ended December 31, 2012 by $31.5 million. Although there were increases in construction in progress related to development projects, there were also reductions of approximately $45.9 million. The major decreases in construction in progress were a result of transfers of land improvements amounting to $17.6 million; transfers of infrastructure to the City related to the Rainier Vista redevelopment project of $8.4 million; soft cost expenses of $3.6 million; as well as other transfers to structures and sales of property held for sale. In addition, $10.2 million of land improvements for the Rainier Vista and Highpoint developments were classified as held for sale. The decrease in structures was due primarily to the sale of the Porchlight Building in August as well as the sale of Keystone and Coach House buildings.

(Continued)

The table below shows the Authority's capital assets, net of accumulated depreciation, at December 31, 2012 and December 31, 2011 (in thousands).

		2012	2011
Land	$	65,386	70,372
Land improvements		40,933	34,569
Structures		175,804	183,538
Leasehold improvements		531	466
Equipment		1,795	1,866
Construction in progress		6,608	31,721
Total capital assets, net	$	291,057	322,532

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 2011 to 2012 by $7.4 million. The Authority increased short-term borrowings by $.8 million. The decrease of $5.6 million in notes payable reflects a decrease of $8.0 million in the Authority's infrastructure note, offset by additional borrowing for Senior housing rehabilitation projects.

		2012	2011
Short-term borrowings	$	12,828	12,077
Notes payable		49,565	55,222
Bonds payable		77,128	79,676
Total debt outstanding	$	139,521	146,975

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 2012, the Authority earned $124.9 million in federal dollars for its operating programs and $13.3 million for its capital projects. In addition, federal financial support from HUD has been an important source of seed money and leverage funding for acquiring or developing a majority of the Authority's $291.1 million of capital assets as of December 31, 2012. 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.

In 2011, Congress began a shift in focus from stimulating the economy in order to spur recovery from the Great Recession to concern over the level of the federal deficit and national debt. As a result, the Budget Control Act of 2011 implemented a budget reduction plan to cut federal spending on discretionary nondefense programs by $1.0 trillion for 2012-2021. This resulted in significant reductions to federal funds for the 2012 Housing and Urban Development Budget for Public Housing Operating and Capital fund allocations and static funding for the Housing Choice Voucher (HCV) program, except for honoring conversion of tenant protection vouchers to HCV after a year. The Budget Control Act also set the stage for continuing deficit reduction measures by providing for processes to achieve an additional $1.2 trillion in deficit reduction over ten years, either through a proposed plan by a bipartisan Congressional Committee – the "Super Committee" – or failing that, by automatic across the board spending reductions shared equally by defense and nondefense agencies and between discretionary and mandatory spending for those agencies.

Congressional actions, with the acquiescence of the President, set the stage for significant long-term reductions in federal support for a whole spectrum of discretionary programs from space exploration to air traffic control, to health and human services, to farm support, to environmental protection, to transportation and housing and urban development. The Authority has responded by implementing changes designed to reduce costs with the least adverse effects on service and while maintaining housing for existing residents and voucher participants, and when possible serving more low income people.

So, for the 2012 CY Budget for the Authority, the agency implemented several measures to reduce staffing by changing business practices to realize efficiencies while minimizing reductions in service. And we have continued that planning during 2012 to add reorganization and business practice changes to help us reduce staffing costs further through cost savings changes in our practices. As a result, the Authority reduced staffing positions in the 2012 and 2013 budgets that cut our staff positions by nearly 18% or by 106 full-time equivalent positions over those two years. As a result of the actions the agency has taken in 2012 and 2013 budgets, the Authority is positioned to weather 2013 without further capacity reductions.

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 of the housing market strengthens, we expect to complete sale of properties for market rate housing development in these mixed income communities over the next three years.

The Authority has begun implementing the first phase of redevelopment at the last of the agency's "garden communities," Yesler Terrace. In 2012, 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 secured City authorizations for the land use and zoning approvals needed for the project master plan. The Authority also secured a HUD commitment for one of the inaugural six competitive grants under the new Choice Neighborhoods Initiative (CNI) program in 2011 and a second CNI grant in 2012 for phase two of the redevelopment, totaling federal support of approximately $27 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. Construction work on phase one projects will begin in 2013 and design will start on phase two projects in 2013.

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.

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BASIC FINANCIAL STATEMENTS

Exhibit A-1

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Statement of Net Position

December 31, 2012

Assets		Primary government	Component units
Current assets:			
Cash and cash equivalents	$	7,286,569	3,169,405
Restricted cash		8,787,203	15,803,996
Investments		41,563,517	—
Accounts receivable:			
Tenant rentals and service charges		697,976	623,958
Other		933,551	57,911
Due from:			
Other governments		1,191,851	—
Primary government		—	370,331
Component units		4,487,464	—
Inventory and prepaid items		556,957	813,708
Restricted investments		5,537,200	—
Deferred charges		931,801	4,890,041
Notes receivable		204,887	—
Notes receivable from component units		983,897	—
Assets held for sale		4,189,732	—
Other		20,478	—
Total current assets		77,373,083	25,729,350
Noncurrent assets:			
Investments		3,004,153	—
Cash restricted for long-term purpose		585,001	—
Restricted investments		6,102,219	899,621
Due from component units, net of allowance		22,922,547	—
Assets held for sale		6,478,559	—
Other		1,511,015	35,244
Capital assets:			
Land		65,386,393	5,099,274
Land improvements		43,597,675	20,544,250
Leasehold improvements		897,974	—
Structures		372,495,735	377,660,978
Equipment		16,242,205	8,494,533
Construction in progress		6,607,896	1,776,305
Less accumulated depreciation		(214,171,394)	(66,435,943)
Capital assets, net		291,056,484	347,139,397
Notes receivable (net of allowance of $519,553)		14,058,094	—
Notes receivable from component units (net of allowance and excess loss on investment of $1,675,000 and $2,265,645)		197,781,274	—
Total noncurrent assets		543,499,346	348,074,262
Total assets	$	620,872,429	373,803,612

(Continued)

Exhibit A-1

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Statement of Net Position

December 31, 2012

Liabilities and Net Position		Primary government	Component units
Current liabilities:			
Accounts payable:			
Vendors and contractors	$	3,309,263	1,322,235
Other		1,536,280	171,881
Accrued liabilities		2,924,893	5,788,410
Due to component units		370,331	—
Due to primary government		—	4,487,464
Security deposits		1,631,995	1,225,639
Short-term borrowings		12,827,698	—
Short-term borrowings from primary government		—	983,897
Current portion of long-term debt		17,661,958	10,725,426
Unearned revenue		4,350,686	107,977
Total current liabilities		44,613,104	24,812,929
Noncurrent liabilities:			
Due to primary government		—	29,711,067
Unearned revenue		41,218,923	—
Long term payables and liabilities		317,192	1,361,798
Long-term debt, less current portion:			
Notes payable to primary government		—	201,721,919
Notes payable		40,207,785	23,527,747
Bonds payable		68,823,875	38,299,373
Accrued compensated absences		2,781,902	—
Net OPEB liability		1,163,000	—
Total noncurrent liabilities		154,512,677	294,621,904
Total liabilities		199,125,781	319,434,833
Net position:			
Net investment in capital assets		199,273,982	71,134,874
Restricted for debt service		9,406,113	14,578,357
Unrestricted (deficit)		213,066,553	(31,344,452)
Total net position		421,746,648	54,368,779
Total liabilities and net position	$	620,872,429	373,803,612

See accompanying notes to basic financial statements.

Exhibit A-2

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Statement of Revenues, Expenses, and Changes in Net Position

Year ended December 31, 2012

	Primary government	Component units
Operating revenues:		
Tenant rentals	$ 20,690,177	22,973,639
Housing assistance payment subsidies	105,422,182	—
Operating subsidies and grants	19,522,792	—
Other	18,081,083	1,166,388
Total operating revenues	163,716,234	24,140,027
Operating expenses:		
Housing operations and administration	41,664,544	8,516,233
Tenant services	3,602,554	—
Utility services	5,393,684	3,000,934
Maintenance	15,081,988	5,327,065
Housing assistance payments	79,478,249	—
Other	2,021,796	3,001,647
Depreciation and amortization	10,327,767	11,981,958
Total operating expenses	157,570,582	31,827,837
Operating income (loss)	6,145,652	(7,687,810)
Nonoperating revenues (expenses):		
Interest expense	(5,721,825)	(7,281,627)
Interest income	1,397,221	62,265
Change in fair value of investments	(74,996)	57,396
Loss on investment in limited partnerships	(760,305)	—
Disposition of assets	(12,343,242)	—
Net nonoperating expenses	(17,503,147)	(7,161,966)
Change in net position before contributions	(11,357,495)	(14,849,776)
Contributions:		
Capital contributions	13,249,971	—
Partners' contributions	—	5,242,868
Total contributions	13,249,971	5,242,868
Change in net position	1,892,476	(9,606,908)
Total net position at beginning of year	419,854,172	63,975,687
Total net position at end of year	$ 421,746,648	54,368,779

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, 2012

	Primary government
Cash flows from operating activities:	
Receipts from residents	$ 20,973,772
Receipts from other sources	18,300,338
Operating grants and subsidies received	123,077,254
Payments to vendors	(52,439,617)
Housing assistance payments	(79,478,249)
Payments to employees	(15,708,522)
Net cash provided by operating activities	14,724,976
Cash flows from capital and related financing activities:	
Capital contributions	14,359,523
Acquisition and construction of capital assets	(22,556,145)
Proceeds from dispositions of property and equipment	19,995,277
Proceeds from short-term borrowings	1,850,274
Proceeds from long-term borrowings	6,658,218
Payments on notes and bonds	(15,961,748)
Interest payments	(5,721,825)
Net cash used in capital and related financing activities	(1,376,426)
Cash flows from investing activities:	
Interest received	313,742
Maturity of investment securities	45,149,924
Purchases of investment securities	(49,947,975)
Receipt on notes receivable	871,924
Issuance of notes receivable	(8,220,411)
Net cash used in investing activities	(11,832,796)
Increase in cash and cash equivalents	1,515,754
Cash and cash equivalents at beginning of year	15,143,019
Cash and cash equivalents at end of year	$ 16,658,773
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 6,145,652
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	10,327,767
Changes in assets and liabilities:	
Accounts receivable and other assets	107,239
Inventory and prepaid items	112,031
Accounts payable and other liabilities	(228,600)
Accrued compensated absences	(141,901)
Deferred revenue and other	(1,597,212)
Total adjustments	8,579,324
Net cash provided by operating activities	$ 14,724,976
Supplemental disclosure of noncash activities:	
Disposition of assets	$ (12,343,242)
Transfer of assets held for sale from capital assets	10,668,291

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 6,335 units which includes 894 units of senior housing under (see below). The purpose of the program is to provide decent and affordable housing to low-income families at reduced rents. The properties are owned, maintained, and managed by the Authority. The properties are acquired, developed, and modernized under HUD's Capital Funds Program and through HUD Hope VI Urban Revitalization grants. Financing for the properties is obtained through bond issues and grants. Funding of the program is provided by federal annual contributions and operating subsidies and tenant rentals (determined as a percentage of family income, adjusted for family composition).

The Seattle Senior Housing Program (SSHP) – operates 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 took effect January 1, 2012.

The Section 8 Program – consists of several Section 8 housing programs including the Section 8 Housing Choice Voucher program, the Section 8 New Construction and Substantial

Rehabilitation program, and the Moderate Rehabilitation program. The Housing Choice Voucher program provides rental housing assistance subsidies in support of 9,668 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.

Other Housing Programs – operates 876 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 596 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% owner and the general partner in 17 real estate limited partnerships as of December 31, 2012. 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 $226 million at December 31, 2012. The limited partnerships do not serve the primary government exclusively, or almost exclusively, and therefore, are shown as discretely presented component units.

The 17 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), Rainier Vista Northeast Limited Liability Limited Partnership (RVNLLLP), Leschi House LLLP (LHLLLP) and 1105 E Fir LLLP (EFLLLP).

The RSLP is a separate legal 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, 2012, 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. As of December 31, 2012, 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, 2012, the HPNLP owed the Authority developer fees in the amount of $1,843,575.

(Continued)

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, 2012, the HPSLP owed the Authority $2,323,068 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, 2012, 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, 2012, 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, 2012, 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, 2012, 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, 2012, 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, 2012, 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 as a 99.99% limited partner. The Authority participates as the 0.01% managing general partner of the TPLP. As of December 31, 2012, TPLP owed the Authority developer fees in the amount of $315,378.

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 as a 99.99% limited partner. The Authority participates as the 0.01% managing general partner of the LCVLLLP. As of December 31, 2012, LCVLLLP owed the Authority developer fees in the amount of $834,446.

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 as a 99.99% limited partner. The Authority participates as the 0.01% managing general partner of the RVNLLLP. As of December 31, 2012, RVNLLLP owed the Authority developer fees in the amount of $240,000.

The LHLLLP is a separate legal entity created on October 8, 2012 to undertake the redevelopment of Leschi House, a property in the Senior Housing portfolio. The LHLLLP has not yet admitted a tax credit investor to the partnership. The Authority plans to participate as the 0.01% managing general partner of the LHLLLP.

The EFLLLP is a separate legal entity created on October 23, 2012 to undertake the first phase of the redevelopment of Yesler Terrace. The EFLLLP has not yet admitted a tax credit investor to the partnership. The Authority plans to participate as the 0.01% managing general partner of the EFLLLP.

All 17 component units have a December 31 year-end. The component units' financial statements are presented as of December 31, 2012 and may be obtained by contacting the Authority.

(c) New Accounting Standards Adopted

Governmental Accounting Standards Board (GASB) 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. GASB 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. As of January 1, 2012, the Authority adopted the above GASB standards, which did not have a significant impact to its financial statements.

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

GASB 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. GASB 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. GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The requirements of this Statement are effective for periods beginning after December 15, 2012. GASB Statement No. 68, *Financial Reporting for Pensions – an amendment of GASB No. 27*, improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod, equity and creating additional transparency. The requirements of this Statement are effective for periods beginning after June 15, 2014. 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 position. All assets, deferred inflows, liabilities and deferred outflows associated with the operation of the Authority are included in the statement of net position. The principal operating revenues of the Authority are rental revenues received from residents and subsidies received from HUD for qualified residents for housing assistance payments in the Section 8 program and for operations in the public housing program. Grants and similar items are recognized as operating revenue when all eligibility requirements have been met. Gains from sale of capital assets used in the core operations of the Authority are included in operating revenues – other. Operating expenses for the Authority include the costs of operating housing units, administrative expenses, depreciation and loss from sale of capital assets. All other revenues and expenses not meeting the definition of revenues and expenses are reported as nonoperating revenues and expenses or as contributions of capital.

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

(f) Cash and Investments

Cash and cash equivalents are comprised of cash on hand, demand deposits and short term investments with a term of less than one year. All of the Authority’s investments are reported at fair value. 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. The Authority will hold an allowance when collectability of the related receivable in uncertain.

(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.

(Continued)

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, 2012, 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 $13,284 based on a fee of $1,107 per month.

(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 2012.

(o) Unearned 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 unearned 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.

(2) Deposits and Investments

(a) Deposits

As of December 31, 2012, the Authority's carrying amount of deposits (excluding petty cash and U.S. Post Office deposits) was $16,651,492 and the bank balance was $17,396,690. The bank deposits are held with financial institutions and are entirely insured or collateralized and are classified as cash and cash equivalents in the statement of net position. All deposits in excess of the FDIC insurance limit of $250,000 are covered by the Public Deposit Protection Commission of the State of Washington, which is a multiple financial institution collateral pool, established under Chapter 39.58 of the Revised Code of Washington. 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 $4,781 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 are comprised of 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 position 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 Position*.

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, 2012, 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.

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.

(Continued)

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	$ 7,267,146	—	—	7,267,146
U.S. agency securities	AAA	—	3,004,153	3,633,473	6,637,626
Repurchase agreements	n/a	—	—	738,800	738,800
State investment pool	AAA	41,563,517	—	—	41,563,517
Total investments		$ 48,830,663	3,004,153	4,372,273	56,207,089

Investments are presented in the following financial statement captions in statement of net position as investments, current and long-term and restricted investments, current and long-term.

(c) Component Unit Deposits

As of December 31, 2012, the component units' carrying amount of deposits (excluding petty cash) was $18,973,401 and the bank balance was $18,859,367. The bank balances held with financial institutions are entirely insured or collateralized and are classified as cash and cash equivalents in the statement of net position. All deposits in excess of the FDIC insurance limit of $250,000 are covered by the Public Deposit Protection Commission of the State of Washington, which is a multiple financial institution collateral pool, established under Chapter 39.58 of the Revised Code of Washington. The FDIC insurance was raised from $100,000 to $250,000 until December 31, 2013. In addition to bank deposits, the component units have $1,000 in petty cash funds.

(d) Component Unit Investments

As of December 31, 2012, investments of $899,621 were held in trust and restricted for the development of the component units' redevelopment projects, replacement reserves and operating reserves.

Custodial Risk

The investments of the component units are guaranteed investment contracts collateralized by U.S. government investment securities. As of December 31, 2012, 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	$	322,998	—	322,998
Repurchase agreements	n/a		—	576,623	576,623
Total investments		$	322,998	576,623	899,621

(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, 2012 as shown in the schedule below:

		Residential	Commercial	Total
Total security deposits	$	1,202,165	429,830	1,631,995

(b) Bond Trust Funds and Mortgage Reserves

As of December 31, 2012, funds held for bond trust funds and mortgage reserves are shown below:

		Balance
Cash and investments are held in trust for the redemption of the PorchLight bonds that will be retired in May, 2013. The investments consist of US treasury government securities and bear interest at approximately 0.0014%.	$	5,537,203
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, 2012.		201,327
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%.		147,205
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.		219,500
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%.		131,702
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%.		753,575
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
Cash is held for Tamarack commercial property for operating reserves as required by the loan agreement		30,064
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 5.06%.		3,709,203
Reserves are held in restricted cash accounts for the mortgage on Wedgwood Estates and bear interest at approximately 0.01%.		936,016
Reserves are held in restricted cash accounts for taxes and insurance for Wedgewood Estates and bear no interest.		124,927

		Balance
Reserves are held in restricted cash accounts for the mortgage on Wisteria Court Apartments and bear interest at approximately 0.17%.	$	225,796
Reserves are held in restricted cash accounts for taxes and insurance for Wisteria Court Apartments and bear no interest.		28,575
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 0.011%.		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 0.25%.		550,541
Restricted cash is held for the Beacon operating reserves and replacement. reserves. The funds consist of money market funds and bear interest at approximately 0.01%.		87,671
Reserves are held in restricted cash accounts for the capital replacement and operations of Villa Park and bear interest at approximately 0.1%.		161,802
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, Yesler Court and New Holly Phase I, bearing interest at approximately 0.1%.		1,083,557
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.		265,225
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 0.25%.		2,178,655
Restricted cash is held in money market accounts for debt service on High Rise Rehabilitation projects, bearing no interest.		520
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%.		138,222
Restricted cash is held for critical repairs at Wedgewood Estates related to the refinancing of the building. The account bears no interest.		691,579
Total	$	18,343,899

(c) Other Restricted Funds

As of December 31, 2012, restricted cash amounts of $317,192 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

(Continued)

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.

Restricted cash amounts of $366,069 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 $70,794 were held as of December 31, 2012.

Restricted cash amounts of $59,420 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 $222,254 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 $555.

(Continued)

(4) Notes Receivable

(a) Other Than from Component Units

		December 31, 2012	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.	$	48,223	48,223
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 $13,520 bears interest at 6% annually and is due January 2016. Principal and interest payments of $5,058 are due annually.		508,120	4,247
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, 2012	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%.	690,245	127,435
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.	855,390	24,982

(Continued)

		December 31, 2012	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, 2012	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	—
Allowance for loss		(519,553)	—
Total notes receivable, net	$	14,262,981	204,887

The Authority has gross notes receivable and an allowance of $6,285,338 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.

(b) Notes Receivable from Component Units

		Balance December 31, 2012	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, 2012, the amount of interest payable to the Authority was $3,484,250.	$	24,000,000	—
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, 2012, interest payable to the Authority was $1,943,955.		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, 2012, interest payable to the Authority was $2,203,007.		25,152,734	—
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, 2012 was $38,996.		265,856	—

	Balance December 31, 2012	Due within one year
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, 2012 was $71,847.	$ 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, 2012, interest payable to the Authority was $776,460.	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, 2012 was $3,119,955.	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, 2012, interest due to the Authority was $71,292.	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, 2012, interest payable to the Authority was $440,422.	13,212,665	—
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, 2012, interest payable to the Authority was $4,834,654.	28,051,551	—

		Balance December 31, 2012	Due within one year
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, 2012, interest payable to the Authority was $3,307,913.	$	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, 2012, interest payable to the Authority was $338,000.		10,400,000	—
Two notes due from Rainier Vista Northeast LLLP. One note in the amount of $10,000,000 and one note in the amount of $6,604,268. 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, 2012, interest payable to the Authority was $318,223.		16,604,268	—
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, 2012, interest payable to the Authority was $478,308.		16,358,505	—
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, 2012, interest payable to the Authority was $7,800.		1,900,000	30,000
Due from 1105 E Fir LLLP for predevelopment advances and does not accrue interest.		953,897	953,897
Total notes from component units	$	201,030,816	983,897

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, 2012 was $198,208.

(5) Capital Assets

The following is a summary of changes in capital assets of the Authority for the year ended December 31, 2012:

	Balance January 1, 2012	Additions and transfers in	Dispositions and transfers out	Balance December 31, 2012
Capital assets, not being depreciated:				
Land	$ 70,371,965	—	(4,985,572)	65,386,393
Construction in progress	31,721,093	20,785,254	(45,898,451)	6,607,896
Total capital assets, not being depreciated	102,093,058	20,785,254	(50,884,023)	71,994,289
Depreciable capital assets:				
Land improvements	36,224,637	17,582,405	(10,209,367)	43,597,675
Structures	374,414,441	4,047,063	(5,965,769)	372,495,735
Leasehold improvements	753,508	144,466	—	897,974
Equipment	16,277,666	627,482	(662,943)	16,242,205
	427,670,252	22,401,416	(16,838,079)	433,233,589
Less accumulated depreciation for:				
Land improvements	(1,655,471)	(1,009,192)	—	(2,664,663)
Structures	(190,877,160)	(8,478,359)	2,663,637	(196,691,882)
Leasehold improvements	(287,113)	(80,376)	—	(367,489)
Equipment	(14,411,471)	(689,887)	653,998	(14,447,360)
Total accumulated depreciation	(207,231,215)	(10,257,814)	3,317,635	(214,171,394)
Total capital assets, being depreciated, net	220,439,037	12,143,602	(13,520,444)	219,062,195
Total capital assets, net	$ 322,532,095	32,928,856	(64,404,467)	291,056,484

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, 2012:

Modernization funds – Capital grants	$	2,589,757
Modernization funds – Choice neighborhood grant		392,338
Other programs		3,625,801
Total construction in progress	$	6,607,896

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, 2012:

	Balance January 1, 2012	Additions and transfers in	Dispositions and transfers out	Balance December 31, 2012
Capital assets, not being depreciated:				
Land	$ 5,099,274	—	—	5,099,274
Construction in progress	9,412,927	4,830,007	(12,466,629)	1,776,305
Total capital assets not being depreciated	14,512,201	4,830,007	(12,466,629)	6,875,579
Depreciable capital assets:				
Land improvements	18,037,509	2,506,741	—	20,544,250
Structures	367,091,247	10,569,731	—	377,660,978
Equipment	9,032,225	724,881	(1,262,573)	8,494,533
	394,160,981	13,801,353	(1,262,573)	406,699,761
Less accumulated depreciation for:				
Land improvements	(1,444,008)	(2,380,446)	—	(3,824,454)
Structures	(51,372,700)	(8,221,234)	—	(59,593,934)
Equipment	(2,005,702)	(1,011,853)	—	(3,017,555)
Total accumulated depreciation	(54,822,410)	(11,613,533)	—	(66,435,943)
Total capital assets, being depreciated, net	339,338,571	2,187,820	(1,262,573)	340,263,818
Total capital assets, net	$ 353,850,772	7,017,827	(13,729,202)	347,139,397

(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 3.07% at December 31, 2012, which is payable monthly. The line of credit matures August 2013 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, 2012 was $532,482.

The Authority maintains a $15 million revolving real property line of credit in order to provide a ready means of financing real property acquisitions. 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 at December 31, 2012 was 3.07%. 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 0.96% or 3.07% as of December 31, 2012. As of December 31, 2012, the Authority had drawn $7,130,777 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, 2012, which is payable monthly. The line matures on December 3, 2013, and is renewable annually through 2015. The total amount outstanding at December 31, 2012 was $5,164,439.

(Continued)

The following is a summary of changes in the Authority's short-term borrowings for the year ended December 31, 2012:

		Balance January 1, 2012	Additions	Retirements	Balance December 31, 2012
Real estate line of credit for purchase of 12-plex at 5983 Rainier Ave S.	$	439,856	—	—	439,856
Real estate line of credit for purchase of 5-plex at 924 MLK Jr Way South.		326,650	—	—	326,650
Real estate line of credit for purchase of two triplexes on Delridge Way SW.		451,380	—	—	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
Real estate line of credit for purchase of the Baldwin Apartments.		335,899	—	—	335,899

		Balance January 1, 2012	Additions	Retirements	Balance December 31, 2012
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	—
Real estate line of credit for Main Street properties pending refinance.		—	1,646,744	—	1,646,744
Taxable line of credit for Main Street commercial pending refinance.		—	203,530	—	203,530
Total short-term borrowings	$	12,077,424	1,850,274	1,100,000	12,827,698

(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, 2012:

		Balance January 1, 2012	Additions	Retirements	Balance December 31, 2012	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, 2012	Additions	Retirements	Balance December 31, 2012	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, 2012	Additions	Retirements	Balance December 31, 2012	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.	$ 833,933	—	19,359	814,574	19,552
Note payable to the City for the Villa Park Apartments. Interest accrues at 1% simple interest per year for the first 20 years and is forgiven at the rate of 5% per year beginning on the 21st year, subject to compliance with certain covenants. Principal payments may be deferred if the property is kept for low-income housing. If the Authority remains in compliance with debt covenants for 75 years, the unpaid principal balance will be forgiven. The note is secured by a deed of trust on the property.	1,785,723	—	—	1,785,723	—
Mortgage loan for Wedgewood Estates payable to CBRE. Term is 35 years, with final maturity September 1, 2046. The interest rate is 4.10% with monthly payments of $75,102. The loan is guaranteed with FHA insurance.	16,662,225	—	222,222	16,440,003	211,850

	Balance January 1, 2012	Additions	Retirements	Balance December 31, 2012	Due within one year
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.	$ 3,546,531	—	59,445	3,487,086	62,804
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.	1,708,993	—	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	—
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.	211,225	—	211,225	—	—

	Balance January 1, 2012	Additions	Retirements	Balance December 31, 2012	Due within one year
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.	$ 16,925,000	—	8,035,672	8,889,328	8,889,328
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	—
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.	850,000	—	—	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.	879,273	—	—	879,273	—
Loan payable to the City of Seattle for utility infrastructure at New Holly, Rainier Visa and High Point.	—	2,700,000	1,539,350	1,160,650	160,874

	Balance January 1, 2012	Additions	Retirements	Balance December 31, 2012	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	477,233		478,065	—
Loan payable to Seattle Office of Housing for the rehab of Olmsted Manor. The loan which is payable at maturity, August 2061.	47,574	430,400	—	477,974	—
Loan payable to Seattle Office of Housing for the rehab of Blakely Manor. The loan is payable at maturity November 18, 2061. Interest rate is 1%	—	984,155	—	984,155	—
Loan payable to Seattle Office of Housing for the rehab of Bitter Lake Manor. The loan bears interest at 1% and is payable at maturity, January 25, 2062.	—	978,930	—	978,930	—
Loan for Beacon House, payable at maturity, in March, 2043.	114,212	—	—	114,212	—
Loan payable to Wa State Community Reinvestment Assn for Tamrack Commercial property. Term is 15 years. Note bears ineterest at 6.5% and is due March, 2027.	—	1,087,500	9,042	1,078,458	12,761
Other notes payable	509,547	—	509,547	—	—
Total notes payable	55,221,591	6,658,218	12,314,855	49,564,954	9,357,169

	Balance January 1, 2012	Additions	Retirements	Balance December 31, 2012	Due within one year
Bonds payable for the PorchLight Building which was sold in September, 2012. The bonds will be redeemed in May,2013.	$ 5,515,000	—	140,000	5,375,000	5,375,000
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.	179,006	—	53,893	125,113	57,789
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.	3,490,000	—	78,000	3,412,000	87,000
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 4.868% as of December 31, 2012.	9,380,000	—	485,000	8,895,000	505,000
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 4.553% as of December 31, 2012.	13,291,551	—	600,000	12,691,551	625,000

(Continued)

	Balance January 1, 2012	Additions	Retirements	Balance December 31, 2012	Due within one year
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, 2012.	$ 10,500,000	—	360,000	10,140,000	375,000
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.	1,395,000	—	60,000	1,335,000	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.	2,555,000	—	55,000	2,500,000	60,000
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.	2,680,000	—	65,000	2,615,000	65,000

	Balance January 1, 2012	Additions	Retirements	Balance December 31, 2012	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.	$ 1,555,000	—	40,000	1,515,000	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.	3,165,000	—	80,000	3,085,000	85,000
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.	8,570,000	—	210,000	8,360,000	225,000

	Balance January 1, 2012	Additions	Retirements	Balance December 31, 2012	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.	$ 3,525,000	—	60,000	3,465,000	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.	1,830,000	—	30,000	1,800,000	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.	3,265,000	—	75,000	3,190,000	80,000
Variable rate bonds subject to remarketing for Wedgewood Estates mature August, 2036. The interest rate is reset every Wednesday with remarketing agent and was 0.25% on December 31, 2012. The bonds are secured by a letter of credit with Key Bank.	2,415,000	—	—	2,415,000	375,000

	Balance January 1, 2012	Additions	Retirements	Balance December 31, 2012	Due within one year
Variable rate bonds subject to remarketing for Douglas Apartments rehabilitation project and mature June 2040. The interest rate is reset every Wednesday with remarketing agent and was 0.29% on December 31, 2012. The bonds are secured by a letter of credit with Key Bank.	$ 1,950,000	—	20,000	1,930,000	60,000
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.	4,415,000	—	135,000	4,280,000	140,000
Total bonds payable	79,675,557	—	2,546,893	77,128,664	8,304,789
Accrued compensated absences	3,267,635	2,462,508	2,604,409	3,125,734	343,832
Total long-term obligations	$ 138,164,783	9,120,726	17,466,157	129,819,352	18,005,790

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, 2012:

	Bonds	Notes	Total Principal	Total Interest
2013	$ 12,098,725	10,667,549	17,661,958	5,104,316
2014	6,423,664	3,636,895	5,363,975	4,696,584
2015	6,363,037	1,576,896	3,452,428	4,487,505
2016	6,367,994	1,576,898	3,620,934	4,323,958
2017	6,390,585	1,776,903	4,013,630	4,153,858
2018 – 2022	31,945,086	7,268,228	21,346,033	17,867,281
2023 – 2027	30,459,331	7,674,806	26,123,957	12,010,180
2028 – 2032	14,396,957	6,535,220	14,659,947	6,272,230
2033 – 2037	3,859,200	8,303,142	9,111,507	3,050,835
2038 – 2042	590,806	13,785,541	12,985,249	1,391,098
2043 – 2047	—	3,821,093	3,376,343	444,750
2048 – 2052	—	1,066,977	879,273	187,704
2053 – 2057	—	187,430	—	187,430
2058 – 2062	—	3,911,654	3,769,124	142,530
2063 – 2067	—	329,260	329,260	—
Total requirements	$ 118,895,385	72,118,492	126,693,618	64,320,259

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, 2012, 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, 2012, there were 48 series of these special revenue bonds outstanding. The aggregate principal amount payable for the series issued after September 30, 1996 was $318,756,110. The aggregate principal amount payable for the 10 series issued prior to October 1, 1996 could not be determined; their original issue amount totaled $41,769,554.

(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, 2012. 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, 2012 of $2,080,000. The bonds were issued by the Authority on behalf of the component unit and are backed 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, 2012, 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, 2012, 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, 2012 of $7,085,000. 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, 2012, 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, 2012, DLP has other long-term debt totaling $16,955,806 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, 2012, 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 Escallonia Limited Partnership (ELP) has bonds outstanding at December 31, 2012 totaling $4,645,000. The bonds were issued by the Authority on behalf of the component unit and are backed 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 3.98% under the interest rate swap agreement on the variable rate bonds. The bonds mature on December 1, 2036.

As of December 31, 2012, 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 noncompounding 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, 2012, no interest payments had been made to the Authority.

The High Point North Limited Partnership (HPNLP) has fixed rate bonds outstanding at December 31, 2012 totaling $9,463,365. The bonds were issued by the Authority on behalf of the component unit and are backed 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, 2012, interest was 5.295%. The bonds mature on June 1, 2036.

As of December 31, 2012, HPNLP has other long-term debt totaling $27,152,733. 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, 2012, 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, 2012 totaling $15,785,000. The bonds were issued by the Authority on behalf of the component unit and are backed 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, 2012, 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 noncompounding 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, 2012, 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 $1,836,361 as of December 31, 2012. The construction loan of $1,010,515 bears interest at 5.496%, requires monthly principal and interest payments, and is due September 1, 2036.

As of December 31, 2012, 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 $2,370,092 as of December 31, 2012. 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 $1,046,685. Of this amount, $496,685 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, 2012. 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, 2012. 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, 2012. 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, 2012. 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, 2012. 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, 2012. 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 $8,050,000 as of December 31, 2012. 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 $1,900,000 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.

(Continued)

As of December 31, 2012, Tamarack Place Limited Partnership (TPLP) has outstanding long-term obligations in the amount of $11,383,947. Of this amount, $983,947 represents a fixed rate construction loan payable to Washington Community Reinvestment Association (WCRA). As of December 31, 2012, 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, 2012 Lake City Village Limited Liability Limited Partnership (LCVLLLP) has outstanding long-term obligations in the amount of $27,906,471. Of this amount, $9,872,966 represents a variable rate construction loan payable to Key Bank. As of December 31, 2012, the rate was 1.9875%. In addition, the LCVLLLP has a note payable to the Authority in the amount of $16,358,505. 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, 2012, Rainier Vista Northeast Limited Liability Limited Partnership (RVNLLLP) has outstanding long-term obligations in the amount of $19,304,268. In December of 2012, RVNLLP retired all outstanding variable bonds in the amount of $12,844,920. In connection with the bond retirement, a new fixed rate note payable to U.S. Bank was established in the amount of $2,700,000 which is secured by a deed of trust on the property. As of December 31, 2012, the note had a rate of 4.83% and had an outstanding balance of $2,700,000. The remaining long-term obligation balance consists of two loans payable to the Authority. Loan one bears interest at 1.5% per annum and is secured by a leasehold deed of trust on the project. As of December 31, 2012, $10,000,000 was outstanding. Loan two bears interest at 1.5% per annum and is also secured by a leasehold deed of trust on the project. As of December 31, 2012, $6,604,268 was outstanding.

As of December 31, 2012 1105 E Fir Limited Liability Limited Partnership (EFLLLP), has outstanding obligations in the amount of $953,897 for a predevelopment loan from the Authority that bears no interest. Repayment is expected in 2013 when permanent funding is received by the limited partnership.

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

		Balance January 1, 2012	Additions/ transfers	Retirements	Balance December 31, 2012	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		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	—

(Continued)

	Balance January 1, 2012	Additions/ transfers	Retirements	Balance December 31, 2012	Due within one year
Loans payable to primary government from High Point North Limited Partnership	$ 25,152,734	—	—	25,152,734	—
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	1,030,640	—	20,135	1,010,505	21,270
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	1,057,909	—	11,224	1,046,685	11,224
Loans payable to primary government from High Rise Rehabilitation Phase I Limited Partnership	24,000,000	—	—	24,000,000	—

	Balance January 1, 2012	Additions/ transfers	Retirements	Balance December 31, 2012	Due within one year
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	—
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	—	50,000	1,900,000	30,000
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	995,431	—	11,484	983,947	12,253
Loans payable to primary government from Rainier Vista North East LLLP	9,824,792	6,779,476	—	16,604,268	—
Loan payable to US Bank for construction of Rainier Vista North East	—	2,700,000	—	2,700,000	48,721
Loan payable to Key Bank for construction at Lake City Village LLLP	9,367,397	505,569	—	9,872,966	9,872,966
Loan payable to primary government from Lake City Village LLLP	16,051,467	307,038	—	16,358,505	—
Lease payable to primary government from Lake City Village LLLP	1,675,000	—	—	1,675,000	—
Loan payable to primary government from 1105 E Fir LLLP for predevelopment	—	953,897	—	953,897	953,897
Total notes payable	225,098,619	11,245,980	144,602	236,199,997	10,950,331

	Balance January 1, 2012	Additions/ transfers	Retirements	Balance December 31, 2012	Due within one year
Bonds payable – Othello Street Limited Partnership	$ 2,130,000		50,000	2,080,000	50,000
Bonds payable – Desdemona Limited Partnership	7,230,000		145,000	7,085,000	150,000
Bonds payable – Escallonia Limited Partnership	4,750,000		105,000	4,645,000	110,000
Bonds payable – High Point North Limited Partnership	9,662,476		199,111	9,463,365	208,992
Bonds payable – High Point South Limited Partnership	16,025,000		240,000	15,785,000	240,000
Bonds payable – Rainier Vista Northeast LLLP	9,146,083	3,698,837	12,844,920	—	—
Total bonds payable	48,943,559	3,698,837	13,584,031	39,058,365	758,992
Total long-term obligations	$ 274,042,178	14,944,817	13,728,633	275,258,362	11,709,323

Debt service requirements of long-term obligations of the component units as of December 31, 2012 are as follows:

			Total	
	Bonds	Notes	Principal	Interest
2013	$ 2,644,935	15,589,842	11,709,323	6,525,454
2014	2,674,704	4,742,079	953,258	6,463,525
2015	2,691,864	4,754,523	1,014,916	6,431,471
2016	17,345,278	4,793,747	15,727,127	6,411,898
2017	1,779,248	4,786,170	795,986	5,769,432
2018 – 2023	11,547,853	25,861,667	10,203,476	27,206,044
2023 – 2027	7,420,264	23,966,160	5,457,570	25,928,854
2028 – 2032	7,401,464	24,847,523	7,511,389	24,737,598
2033 – 2037	4,170,582	25,548,102	6,521,128	23,197,556
2038 – 2042	—	25,443,002	2,872,875	22,570,127
2043 – 2047	—	94,347,951	74,381,383	19,966,568
2048 – 2052	—	26,935,095	17,403,259	9,531,836
2053 – 2057	—	37,998,649	30,336,160	7,662,489
2058 – 2062	—	76,527,933	72,337,007	4,190,926
2063 – 2067	—	19,358,701	18,033,505	1,325,196
Total		—		
requirements	$ 57,676,192	415,501,144	275,258,362	197,918,974

(8) Unearned 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, 2012 of $319,652.

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, 2012 of $298,659.

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, 2012 of $16,442,143.

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 $804,323 and building and improvements with a cost of $16,997,451 and accumulated depreciation at December 31, 2012 of $16,296,332.

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 $1,088,828 and building and improvements with a cost of $18,442,567 and accumulated depreciation at December 31, 2012 of $16,756,131.

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, 2012 of $422,294.

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 unearned revenue on the statement of net position. 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, 2012.

	Original lease amount	Unearned revenue
Ritz Apartments	$ 1,600,000	1,422,224
High Rise Rehabilitation, Phase I	11,434,750	10,626,531
Alder Crest Apartments	1,935,000	1,754,400
High Rise Rehabilitation, Phase II	12,171,533	11,430,231
High Rise Rehabilitation, Phase III	11,446,098	10,864,008
Douglas Apartments	3,650,000	3,455,332
Lake City Village LLLP	2,750,000	1,040,724
Total	$ 44,987,381	40,593,450

(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 $30,469,939 for the year ended December 31, 2012. Total payroll for the year ended December 31, 2012 was $30,680,472.

(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 for the employer were changed twice during the year. Effective April 27th, 2012 employer rates were decreased from 7.25% to 7.08% for all plans. And, effective

July 1, 2012 employer rates were increased to 7.21% for all plans. Contribution rates for employees in Plans I and II did not change during the year.

The Authority's employer and employee rates and required contributions for employees covered by PERS as of December 31, 2012 were:

	PERS Plan I required	PERS Plan II required	PERS Plan III required
Employer	7.21%	7.21%	7.21%
Employee	6.00	4.64	varies
	13.21%	11.85%	varies

	PERS Plan I required	PERS Plan II required	PERS Plan III required
Employer	$ 41,640	1,813,671	856,506
Employee	34,705	1,168,781	322,703
	$ 76,345	2,982,452	1,179,209

The Authority's actuarially determined employer contribution requirement represents approximately 0.356% 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
2012	$ 30,469,939	1,526,189	100%	$ 2,711,817	100%	5.01%	8.90%
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

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.

(Continued)

(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, 2012. The net OPEB obligation is recorded on the statement of net position as of December 31, 2012, which is calculated based on the excess of Annual Required Contribution over the actual contribution.

(Continued)

(c) Funded Status and Funding Progress

As of December 31, 2012, 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, 2012:

Actuarial valuation date		January 1, 2012
Actuarial value of assets (a)	$	—
Entry age normal AAL (b)		2,273,000
UAAL (b-a)	$	2,273,000
Funded ratio (a/b)		
Covered payroll	$	30,469,939
UAAL as a percentage of covered payroll ((b-a)/c)		7%

(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, 2012 actuarial valuation, the entry age normal method was used and the actuarial assumptions included a discount rate of 3.88%. The medical inflation trend rate for the City of Seattle traditional and preventative plans was 9% initially and decreasing by 0.5% each year for 4 years, then increasing 1.02% in the fifth year, decreasing 1.62% in the sixth year, 0.49% in the seventh year and 0.16% in the eighth year until it reaches an ultimate rate of 5.75%. The medical inflation trend rate for the Group Health standard and deductible plans was 8.5% initially and decreasing by 0.5% each year for 7 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, 2012 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, 2012, the Authority and its component units have outstanding construction contracts and other commitments totaling approximately $1.6 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 worked on two pollution remediation projects in process as follows:

- 4561 MLK Jr Way S – Work on this site was initiated in 2011 and completed in May of 2012 in preparation for sale of the property. The work involved the removal of 5 underground storage tanks and the total cost of the project was $620,000. Of this amount $550,000 qualified for reimbursement under a grant from the Environmental Protection Agency.
- 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 total cost of the cleanup was $80,174. In November of 2011, the Authority received $150,000 from Chevron to cover the cost of cleanup at this site and other sites.

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, 2012 are as follows:

Description of debt	Purpose of debt	Year issued	Total future revenues pledged	Proportion of annual debt service pledged to 2012 general revenue	Term of commitment
Obligations of the Authority:					
Project revenues are primary repayment source:					
Fixed rate bonds	Purchase of Villa Park Townhomes	1996	$ 2,072,201	0.14%	2026
Fixed rate bonds	Purchase of Telemark Apartments, Stone Ave N and N 104th St. properties	2001	4,350,670	0.20	2031
Fixed rate bonds	Purchase of Montridge Arms Apartments	2002	2,594,751	0.12	2032
Fixed rate bonds	Purchase of Market Terrace Apartments and Mary Avenue Townhomes	2002	4,572,205	0.21	2032
Fixed rate bonds	Purchase of various properties acquired to replace units demolished related to Hope VI redevelopments	2002	14,724,792	0.71%	2032
Fixed rate bonds	Purchase of Longfellow Creek Apartments	2003	5,186,320	0.24	2033
Fixed rate bonds	Purchase of Yesler Court and Main Street Place Apartments	2004	3,330,498	0.13	2034
Fixed rate bonds	Refinancing of Bayview Tower and construction at Lake City Commons	2004	5,680,700	0.25	2034
Fixed rate bonds	Purchase of condominium units at Gamelin and Gennesse mixed use buildings	2005	4,901,160	0.13	2035
Fixed rate bonds	Purchase of condominium units at Gamelin and Gennesse mixed use buildings	2005	1,304,050	0.15	2020
Fixed rate bonds	Construction of housing units at New Holly redevelopment, phase I	1998	6,924,941	0.37	2030

Description of debt	Purpose of debt	Year issued	Total future revenues pledged	Proportion of annual debt service pledged to 2012 general revenue	Term of commitment
Property sales are primary repayment source:					
Variable rate note	Construction of infrastructure Rainier Vista and High Point redevelopments	2009	$ 9,049,525	8.40%	2013
General revenues are primary repayment source:					
Fixed rate bonds	Purchase of medical office for redevelopment at Wallingford site	2000	$ 137,171	0.06	2015
Variable rate bonds	Purchase Wedgewood Estates Apartment complex	2001	2,846,200	0.44	2036
Variable rate bonds	Rehabilitation of Douglas Apartments	2009	3,204,770	0.08	2040
Fixed rate bonds	Purchase of Porchlight Office building	2002	5,483,133	0.10	2032
Operating line of credit, $6 million	Short-term financing for general operations of the Authority	2002	532,482	0.02	2013
Real estate line of credit, $15 million	Purchase real estate for affordable housing	2003	7,130,777	0.21	2013
Taxable line of credit, $7 million	Purchase commercial properties	2004	5,164,439	0.12	2013
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	$ 3,855,550	0.19	2032
Fixed rate bonds	Construction of housing units at Rainier Vista redevelopment, Phase I	2003	5,600,104	0.28	2036
Fixed rate bonds	Construction of housing units at NewHolly redevelopment, Phase III	2003	13,453,993	0.56	2035
Fixed rate bonds	Construction of housing units at High Point redevelopment, Phase I	2004	16,531,059	0.67	2036
Fixed rate bonds	Construction of housing units at High Point redevelopment, Phase II	2007	18,235,486	0.83	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 position as of and for the year ended December 31, 2012:

		Condensed balance sheet				
		Ravenna School Limited Partnership	Othello Street Limited Partnership	Desdemona Limited Partnership	Escallonia Limited Partnership	Tamarack Place Limited Partnership
Total assets	$	1,009,600	12,604,111	35,299,181	31,875,168	14,225,516
Current receivables from primary government		56,527	7,210	1,185	39,861	883
Capital assets, net		747,844	10,965,460	32,793,888	30,199,856	13,533,427
Total liabilities		867,505	11,633,960	30,953,916	32,135,172	12,186,146
Current payables due to primary government		—	26,818	866,453	355,736	101,080
Long-term payables to primary government		850,814	7,102,795	18,328,607	25,850,499	10,989,247
Bonds and other long-term liabilities outstanding		—	4,030,000	11,001,671	5,527,778	971,694
Net investment in capital assets		218,117	690,076	8,753,082	2,207,762	2,149,480
Restricted for debt service		185,786	623,207	903,149	874,220	376,713
Unrestricted net position		(261,808)	(343,132)	(5,310,966)	(3,341,986)	(486,823)
Total net position	$	142,095	970,151	4,345,265	(260,004)	2,039,370

	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	$ 53,770,049	56,313,728	2,416,974	6,072,965	10,409,954
Current receivables from primary government	120,565	46,363	—	34,852	—
Capital assets, net	49,395,101	53,691,671	2,248,124	5,664,425	9,728,445
Total liabilities	41,778,571	38,596,156	2,299,711	2,701,977	8,678,241
Current payables due to primary government	745,313	127,585	36,745	—	—
Long-term payables due to primary government	29,126,058	15,909,665	526,166	408,476	50,464
Bonds and other long-term liabilities outstanding	11,254,373	17,545,000	1,627,170	2,138,868	2,153,146
Net investment in capital assets	12,779,002	22,694,006	411,763	3,294,333	1,678,445
Restricted for debt service	2,523,352	1,141,274	88,413	243,300	287,445
net position	(3,310,876)	(6,117,708)	(382,913)	(166,645)	(234,453)
Total net position	$ 11,991,478	17,717,572	117,263	3,370,988	1,731,437

	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 assets	$ 31,000,899	36,391,312	28,005,076	24,561,904	28,122,975
Current receivables from primary government	—	—	—	62,885	—
Capital assets, net	27,486,350	33,045,112	25,676,120	22,841,449	27,422,067
Total liabilities	28,188,597	33,359,488	24,590,434	20,140,864	29,599,895
Current payables due to primary government	373,644	161,515	77,876	164,927	1,075,169
Long-term payables due to primary government	27,484,250	32,886,202	24,257,914	17,041,881	18,517,266
Bonds and other long-term liabilities outstanding	—	—	—	2,651,279	—
Net investment in capital assets	3,486,350	4,993,561	4,726,120	3,537,181	(484,404)
Restricted for debt service	2,649,029	2,435,980	1,591,888	602,344	51,981
Unrestricted net position	(3,323,077)	(4,397,717)	(2,903,366)	281,515	(1,044,497)
Total net position	$ 2,812,302	3,031,824	3,414,642	4,421,040	(1,476,920)

		Condensed balance sheet		
		Leschi House LL Limited Partnership	1105 E Fir Limited Partnership	Total
Total assets	$	155,256	1,568,944	373,803,612
Current receivables from primary government		—	—	370,331
Capital assets, net		155,256	1,544,802	347,139,397
Total liabilities		155,256	1,568,944	319,434,833
Current payables due to primary government		—	1,308,036	5,420,897
Long-term payables due to primary government		—	—	229,330,304
Bonds and other long-term liabilities outstanding		—	—	58,900,979
Net investment in capital assets		—	—	71,134,874
Restricted for debt service		—	—	14,578,081
Unrestricted net position		—	—	(31,344,452)
Total net position	$	—	—	54,368,503

		Statement of revenues, expenses, and changes in net position				
		Ravenna School Limited Partnership	Othello Street Limited Partnership	Desdemona Limited Partnership	Escallonia Limited Partnership	Tamarack Limited Partnership
Operating revenues	$	253,450	811,481	1,967,798	1,429,909	637,963
Operating expenses		349,207	1,029,796	2,602,644	2,146,970	862,798
Depreciation/amortization		53,729	427,865	1,159,280	1,114,883	407,858
Operating loss		(95,757)	(218,315)	(634,846)	(717,061)	(224,835)
Nonoperating expenses		(10,786)	(228,141)	(765,769)	(464,117)	(167,328)
Change in net position before contributions		(106,543)	(446,456)	(1,400,615)	(1,181,178)	(392,163)
Partners’ contributions		—	27,851	—	—	214,603
Beginning net position		248,638	1,388,756	5,745,880	921,174	2,216,930
Ending net position	$	142,095	970,151	4,345,265	(260,004)	2,039,370

(Continued)

Statement of revenues, expenses, and changes in net position

		High Point North Limited Partnership	High Point South Limited Partnership	Ritz Apts Limited Partnership	Alder Crest Limited Partnership	Douglas Apts Limited Partnership
Operating revenues	$	3,046,185	2,941,957	202,496	249,738	343,295
Operating expenses		3,947,881	3,717,203	217,586	443,345	454,409
Depreciation/amortization		1,803,217	2,026,358	107,205	234,773	252,199
Operating loss		(901,696)	(775,246)	(15,090)	(193,607)	(111,114)
Nonoperating expenses		(866,342)	(1,026,321)	(64,164)	(21,484)	(166,600)
Change in net position before contributions		(1,768,038)	(1,801,567)	(79,254)	(215,091)	(277,714)
Partners' contributions		—	—	—	—	—
Beginning net position		13,759,516	19,519,139	196,517	3,586,079	2,009,427
Ending net position	$	11,991,478	17,717,572	117,263	3,370,988	1,731,713

Statement of revenues, expenses, and changes in net position

		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	$	3,794,327	3,869,929	3,251,502	743,110	596,887	24,140,027
Operating expenses		4,410,974	4,853,870	3,867,024	1,469,657	1,454,473	31,827,837
Depreciation/amortization		854,168	1,126,080	761,634	785,791	866,918	11,981,958
Operating loss		(616,647)	(983,941)	(615,522)	(726,547)	(857,586)	(7,687,810)
Nonoperating expenses		(653,327)	(975,581)	(886,290)	(319,611)	(546,105)	(7,161,966)
Change in net position before contributions		(1,269,974)	(1,959,522)	(1,501,812)	(1,046,158)	(1,403,691)	(14,849,776)
Partners' contributions		—	—		5,000,414	—	5,242,868
Beginning net position		4,082,276	4,991,346	4,916,454	466,784	(73,229)	63,975,687
Ending net position	$	2,812,302	3,031,824	3,414,642	4,421,040	(1,476,920)	54,368,779

(17) Lease Commitment

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

2013	$	1,404,295
2014		1,404,295
2015		1,404,295
2016		1,404,295
2017		1,451,546
Thereafter		7,703,309
Total	$	14,772,035

(18) Subsequent Events

The Authority has evaluated the subsequent events from the balance sheet date through May 17, 2013, 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	WA00100003909G

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	$	8,013,972.00
B. Funds Disbursed	$	8,013,972.00
C. Funds Expended (Actual Modernization Cost)	$	8,013,972.00
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 Andrew J. Lofton 5-4-12

For HUD Use Only

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

X [signature] Date: 5/18/12

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)

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	WA00100001709R

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	$	10,000,000.00
B. Funds Disbursed	$	10,000,000.00
C. Funds Expended (Actual Modernization Cost)	$	10,000,000.00
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 Andrew J Lofton 5-4-12

For HUD Use Only

The Cost Certificate is approved for audit:

Approved for Audit (Director, Office of Public Housing / ONAP Administrator) — Date: 5/10/12

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.

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	WA00100009009T

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	$	10,000,000.00
B. Funds Disbursed	$	10,000,000.00
C. Funds Expended (Actual Modernization Cost)	$	10,000,000.00
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 Andrew J. Lofton 5-4-12

For HUD Use Only

The Cost Certificate is approved for audit:
Approved for Audit (Director, Office of Public Housing / ONAP Administrator) — Date: 5/10/12

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.

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HA Name:	Modernization Project Number:
SEATTLE HOUSING AUTHORITY	WA19P001501-08

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	$	10,080,079.00
B. Funds Disbursed	$	10,080,079.00
C. Funds Expended (Actual Modernization Cost)	$	10,080,079.00
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 Andrew J Lofton 7-18-12

For HUD Use Only

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

X for Kathleen Reed

Date: 8-27-12

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)
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.

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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	WA19P001501-09

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	$	11,152,363.00
B. Funds Disbursed	$	11,152,363.00
C. Funds Expended (Actual Modernization Cost)	$	11,152,363.00
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.

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Signature of Executive Director & Date:

X Andrew J. Lofton 7-18-12

For HUD Use Only

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

X for Kathleen Zeul

Date: 8/27/12

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)
ref Handbooks 7485.1 &.3

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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 Position by Component – Primary Government

Last Ten Fiscal Years (Unaudited)

Fiscal year ended September 30 (a)		Net investment in capital assets	Restricted	Unrestricted	Total
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
2012 (a)		209,744,861	14,997,306	197,004,481	421,746,648

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 Position – Primary Government

Last Ten Fiscal Years (Unaudited)

	2003	2004	2005	2006	2007 (a)	2008 (a)	2009 (a)	2010 (a)	2011 (a)	2012 (a)
Operating revenues:										
Tenant rentals	$ 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	20,690,177
Housing assistance payment subsidies	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	105,422,182
Operating subsidies and grants (b)	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	19,522,792
Other	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	18,081,083
Total operating revenues	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	163,716,234
Operating expenses:										
Housing operations and administration	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	41,664,544
Tenant services	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	3,602,554
Utility services	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	5,393,684
Maintenance	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	15,081,988
Housing assistance payments	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	79,478,249
Other	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	2,021,796
Depreciation and amortization	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	10,327,767
Total operating expenses	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	157,570,582
Operating income (loss)	(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	6,145,652
Nonoperating revenues (expenses):										
Interest expense	(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)	(5,721,825)
Interest income	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	1,397,221
Change in fair value of investments	—	972,676	(718,763)	(273,517)	140,142	(332,725)	430,908	44,842	68,742	(74,996)
Loss on notes receivable	—	—	—	—	—	—	—	—	(479,017)	—
Loss on investment in limited partnerships	—	—	—	—	—	(1,505,687)	(1,480)	(67,624)	(1,321)	(760,305)
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)	(12,343,242)
Net nonoperating expenses	(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)	(17,503,147)
Change in net position before contributions	(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)	(11,357,495)
Capital contributions	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	13,249,971
Increase (decrease) in net position	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	1,892,476
Net position at beginning 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
Net position at end of year	$ 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	421,746,648

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 position 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**
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
2012	20,690,177	12.6	105,422,182	64.4	19,522,792	11.9	18,081,083	11.1	163,716,234	100.0

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 position 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)

	Interest income		Change in fair value of investments		Total	
Year (a)	**Amount**	**Percent of total**	**Amount**	**Percent of total**	**Amount**	**Total**
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
2012	1,397,221	105.7	(74,996)	(5.7)	1,322,225	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 position 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:						
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
2012		60,000	90,263	150,263	263,439	0.6
Wakefield 2000 Bonds for Wallingford:						
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	—	—
2012		—	—	—	—	—
Telemark 2001 Bonds:						
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
2012		55,000	154,809	209,809	130,366	1.6
Wedgewood 2001 Variable Rate Bonds:						
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	0.0
2012		—	7,755	7,755	1,031,344	0.0
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
2012 (c)		—	—	—	—	—

(Continued)

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:					
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
2012	65,000	153,445	218,445	172,933	1.3
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
2012	40,000	90,225	130,225	166,796	0.8
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
2012	80,000	165,450	245,450	445,630	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
2012	210,000	524,913	734,913	773,740	0.9
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
2012	75,000	181,856	256,856	631,961	0.4

(Continued)

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 debt service	General expense (b)	Ratio of debt service to general expenses
		Principal	Interest			
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
2012		30,000	104,398	134,398	85,292	1.6
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
2012		—	—	—	—	—

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 2012, 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
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
2012	77,128,664	49,564,954	12,827,698	139,521,316	291,056,484	47.94

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	**Adults**	**Elderly**	**Minors**	**Total number of tenants**	**Nonelderly handicapped/ disabled**
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
2012	5,140	1,970	3,317	10,427	1,774

	Section 8 program (a)				
Calendar year	**Adults**	**Elderly**	**Minors**	**Total number of tenants**	**Nonelderly handicapped/ disabled**
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
2012	8,654	2,477	5,938	17,069	3,520

(Continued)

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Demographics and Economic Statistics

Tenant Demographics – Population Statistics

Last Ten Fiscal Years (Unaudited)

Calendar year	Adults	Senior and local housing programs (b) Elderly	Minors	Total number of tenants	Nonelderly handicapped/ disabled
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
2012	1,023	1,042	434	2,499	110

Calendar year	Adults	Agencywide totals Elderly	Minors	Total number of tenants	Nonelderly handicapped/ disabled
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
2012	14,817	5,489	9,689	29,995	5,404

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

(b) 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)
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	54,927	51,698	47,008	8.4
2011	1,942,600	612,100	57,837	N/A	48,496	7.1
2012	1,957,000	616,500	N/A	N/A	49,864	6.1

Notes:

(a) As of April 1, source: Washington State Office of Financial Management, 2012 Population Trends for Washington State estimates only.

(b) Source: U.S. Bureau of Economic Analysis, 2010 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)

	2012			2011			2010		
Industry	**Number of employees**	**Percentage of Employment**	**Rank**	**Number of employees**	**Percentage of Employment**	**Rank**	**Number of employees**	**Percentage of Employment**	**Rank**
Retail trade	113,600	9.62%	1	109,300	9.47%	1	105,900	9.33%	1
Professional and technical	102,200	8.66	2	97,900	8.49	2	93,400	8.23	2
Local government	89,100	7.55	3	88,800	7.70	3	89,300	7.87	3
Information	80,900	6.85	4	80,200	6.95	4	79,400	7.00	4
Manufacturing durable goods	80,000	6.78	5	77,100	6.68	5	75,200	6.63	5
Food services and drinking places	79,600	6.74	6	76,400	6.62	6	74,400	6.56	6
Administrative and waste services	64,000	5.42	7	63,000	5.46	7	61,000	5.37	7
Wholesale trade	59,400	5.03	8	58,500	5.07	8	58,000	5.11	8
State government	55,500	4.70	9	55,000	4.77	9	55,800	4.92	9
Ambulatory health care services	49,200	4.17	10	48,400	4.20	10	47,400	4.18	10
Finance and insurance	43,600	3.69	11	44,400	3.85	11	44,500	3.92	11
Transportation and warehousing	42,700	3.62	12	43,400	3.76	12	42,400	3.74	12
	859,800	72.83%		842,400	73.02%		826,700	72.86%	

	2009			2008			2007		
Industry	**Number of employees**	**Percentage of Employment**	**Rank**	**Number of employees**	**Percentage of Employment**	**Rank**	**Number of employees**	**Percentage of Employment**	**Rank**
Retail trade	106,000	9.19%	1	116,900	9.62%	1	119,800	9.86%	1
Professional and technical	92,900	8.05	2	100,600	8.28	2	94,700	7.80	2
Local government	89,300	7.74	3	89,500	7.37	3	87,300	7.19	3
Information	80,200	6.95	4	79,800	6.57	5	75,600	6.23	6
Manufacturing durable goods	79,000	6.85	5	83,700	6.89	4	86,900	7.16	4
Food services and drinking places	74,000	6.42	6	77,700	6.39	6	77,100	6.35	5
Administrative and waste services	61,100	5.30	7	72,500	5.97	7	73,900	6.09	7
Wholesale trade	59,700	5.18	8	63,400	5.22	8	64,200	5.29	8
State government	55,800	4.84	9	57,100	4.70	9	55,300	4.55	9
Ambulatory health care services	46,400	4.02	11	44,800	3.69	12	42,800	3.52	12
Finance and insurance	46,900	4.07	10	49,000	4.03	10	50,600	4.17	10
Transportation and warehousing	43,500	3.77	12	46,600	3.83	11	48,700	4.01	11
	834,800	72.38%		881,600	72.56%		876,900	72.22%	

	2006			2005			2004		
Industry	**Number of employees**	**Percentage of Employment**	**Rank**	**Number of employees**	**Percentage of Employment**	**Rank**	**Number of employees**	**Percentage of Employment**	**Rank**
Retail trade	120,900	10.06%	1	123,000	10.47%	1	121,600	10.64%	1
Professional and technical	88,600	7.37	2	84,700	7.21	3	79,700	6.97	3
Local government	86,000	7.15	4	85,800	7.31	2	85,700	7.50	2
Information	72,500	6.03	7	70,100	5.97	7	68,600	6.00	6
Manufacturing durable goods	87,200	7.25	3	83,800	7.13	4	77,900	6.82	4
Food services and drinking places	75,900	6.31	5	74,100	6.31	5	70,200	6.14	5
Administrative and waste services	75,000	6.24	6	71,300	6.07	6	65,900	5.77	7
Wholesale trade	64,700	5.38	8	63,900	5.44	8	63,500	5.56	8
State government	55,400	4.61	9	55,000	4.68	9	55,100	4.82	9
Ambulatory health care services	42,700	3.55	12	43,100	3.67	12	41,600	3.64	12
Finance and insurance	51,400	4.28	10	53,000	4.51	10	52,700	4.61	10
Transportation and warehousing	47,900	3.98	11	46,000	3.92	11	47,500	4.16	11
	868,200	72.21%		853,800	72.69%		830,000	72.63%	

	2003		
Industry	**Number of employees**	**Percentage of Employment**	**Rank**
Retail trade	121,500	10.79%	1
Professional and technical	78,800	7.00	3
Local government	87,800	7.79	2
Information	68,200	6.05	6
Manufacturing durable goods	77,200	6.85	4
Food services and drinking places	69,600	6.18	5
Administrative and waste services	61,800	5.49	8
Wholesale trade	62,300	5.53	7
State government	54,800	4.87	9
Ambulatory health care services	39,600	3.52	12
Finance and insurance	53,700	4.77	10
Transportation and warehousing	46,700	4.15	11
	822,000	72.99%	

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

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

Table 10

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Operating Information

Number of Units by Program

Last Ten Fiscal Years (Unaudited)

Fiscal year	Public housing	Section 8	Senior housing	Other housing programs	Hope IV nonpublic units	Total
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	5,316	9,612	994	915	541	17,378
2011	5,408	10,164	994	915	587	18,068
2012	5,441	10,558	994	876	739	18,608

Households Served and Waiting List Data

Last Ten Fiscal Years (Unaudited)

Fiscal year	Total households served (a)	Total households on waiting lists (b)
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
2012	13,769	7,586

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, 2012 (Unaudited)

Public housing

Name of development	Address	Number of units	Year built or acquired
Ballard House	2445 NW 57th Street	79	1969
Barton Place	9201 Rainier Avenue S.	91	1971
Beacon Tower	1311 S. Massachusetts	108	1971
Bell Tower	2215 1st Avenue	120	1970
Cal-Mor Circle	6420 California Avenue SW	75	1968
Capitol Park	525 14th Avenue E.	125	1970
Cedarvale House	11050 8th Avenue NE	118	1970
Cedarvale Village	11050 8th Avenue NE	24	1971
Center Park	2121 26th Avenue S.	137	1969
Center West	533 3rd Avenue W.	91	1969
Denny Terrace	100 Melrose Avenue E.	220	1968
Green Lake Plaza	505 NE 70th Street	130	1969
Harvard Court	610 Harvard Avenue E.	81	1968
High Point	3000 SW Graham Street	250	Various
Holly Court	3804 S. Myrtle	97	1980
International Terrace	202 6th Avenue S.	100	1972
Jackson Park House	14396 30th Avenue NE	71	1970
Jackson Park Village	14396 30th Avenue NE	41	1970
Jefferson Terrace	800 Jefferson Street	299	1967
Lake City Court	12536 33rd Avenue NE	51	2011
Lake City House	12546 33rd Avenue NE	115	1971
Lictonwood	9009 Greenwood Avenue N.	81	1970
Longfellow Creek*	5915 Delridge Way SW	30	1993
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	251	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	5,441	

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

(Continued)

Table 11

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Operating Information

Property Characteristics and Dwelling Unit Composition

December 31, 2012 (Unaudited)

Section 8

Name of development	Address	Number of units	Year built or acquired
Housing Choice Vouchers	Various	9,668	—
Moderate Rehabilitation	Various	760	—
Bay View Tower	2614 4th Ave	100	1979
Market Terrace	1115 NW Market St.	30	1980
	Total number of Section 8 units	10,558	

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, 2012 (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
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
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	12	1993
Mary Avenue Townhomes	8550-84 Mary Ave NW	8	2001
MLK Townhomes	Various	6	1996
Montridge Arms Apartments	9000 27th Ave SW	33	1968
Norman Street Townhomes	Various	15	Various
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	876	
HOPE VI nonpublic housing units:			
High Point		350	
Lake City Village		35	
NewHolly		220	
Rainier Vista		134	
	Total HOPE VI Nonpublic housing	739	
	Total units – All programs (a)	18,608	

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

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

Table 12

THE HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON

Operating Information

Regular Staff Headcount by Department

Last Ten Fiscal Years (Unaudited)

Fiscal year	Executive	Development and asset management	Housing operations	Admissions and Section 8	Finance and administrative services	Information systems	Human resources	Total
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
2012	12	33	343	54	45	18	10	515