



May 28, 2021

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

## Introduction

We are pleased to present The Housing Authority of the City of Seattle, Washington's (referred to hereafter as "the Seattle Housing Authority", "the Authority" or "SHA") Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2020. This report was prepared by the Authority's Finance staff, and the Authority's 2020 financial statements included in this CAFR were audited by the national public accounting firm of KPMG LLP, with assistance from the Seattle public accounting firm of Francis & Company PLLC. The independent auditor's report of KPMG LLP is presented on pages 1 through 3 herein. We invite the public to review the [SHA's 2020 CAFR](#).

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

For an overview of the Authority's 2020 financial conditions, please review "Management's Discussion and Analysis", found in Section II: FINANCIAL SECTION of the CAFR, with this transmittal letter.

## Profile of Seattle Housing Authority

**Independent Public Jurisdiction:** The Authority is an independent municipal entity created by the City of Seattle (City) in 1939 pursuant to state law and the National Housing Act of 1937. Although it maintains close ties with the City in several respects, the Authority is not a component unit of the City, as defined by the pronouncements of the Governmental Accounting Standards Board. The City is not financially accountable for the operations of the Authority, has no responsibility to fund its deficits or receive its surpluses, and has not guaranteed the Authority's debt. The Authority is the largest housing authority in the Pacific Northwest and within the top 5 percent in the United States.

**Moving to Work Housing Authority:** The Authority is one of the original group of 39 housing authorities, of approximately 3,400 in the country, designated as a "Moving to Work" (MTW) housing authority. SHA signed its MTW contract in 1999; the agreements of all 39 MTW agencies were extended through 2028 under their original terms. The MTW program was created as a demonstration by Congress in 1996 and has three statutory objectives:

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

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

In 2016, Congress authorized expansion of the MTW program to include 100 more public housing authorities, with a preference for smaller agencies ranging in size from less than 1,000 housing units to no more than 27,000 units. Forty-one (41) new MTW authorities were added in 2021 to date.

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

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

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

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

### **Expand Housing Opportunities.**

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

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

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

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

### **Promote Quality Communities.**

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

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

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

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

### **Improve Quality of Life.**

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

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

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

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

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

### **Respectful and Engaging Service and Relationships**

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

### **Financial Stability and Operational Efficiency**

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

### **Partnership & Coordinated Action**

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

### **Environmental Stewardship**

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

### **Staff Excellence**

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

### **Race and Social Justice**

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

### **Innovation**

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

The Authority will undertake a process in beginning in 2021 to review with stakeholders our current Strategic Plan and Cornerstones and make revisions and refinements for the next five year period.

### ***Housing and People Profile***

Effective the end of 2020, Authority owns and/or manages nearly 8,600 units of housing and administers just over 10,800 rental vouchers, providing rental housing or rental assistance to nearly 37,000 low income people and more than 18,000 households.

The Authority operates low-income housing in five large family communities – New Holly, Rainier Vista, High Point, Lake City Court, and Yesler Terrace; in twenty-eight high-rise buildings; and in single, duplex, triplex, and small apartment buildings across the city. In total SHA manages units in 365 locations in Seattle. The Authority also administers the Housing Choice Voucher programs that provide tenant-based or project-based or collaborative housing vouchers with private non-profits. Vouchers serve as rental assistance for qualified low-income tenants in order to keep their rents affordable.

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

# 2020 By the Numbers

## Demographics of individuals served



**37,463**

People served

### Gender

Female Male



### Age

Youth under 18

Adults 18-61

Seniors 62+



## Race and Ethnicity

**53.10%**

African/  
African American

**22.07%**

White

**11.97%**

Asian

**6.33%**

Hispanic

**1.63%**

American Indian/  
Alaska Native

**1.39%**

Native Hawaiian/  
Other Pacific Islander

**2.00%**

Multiracial

**1.51%**

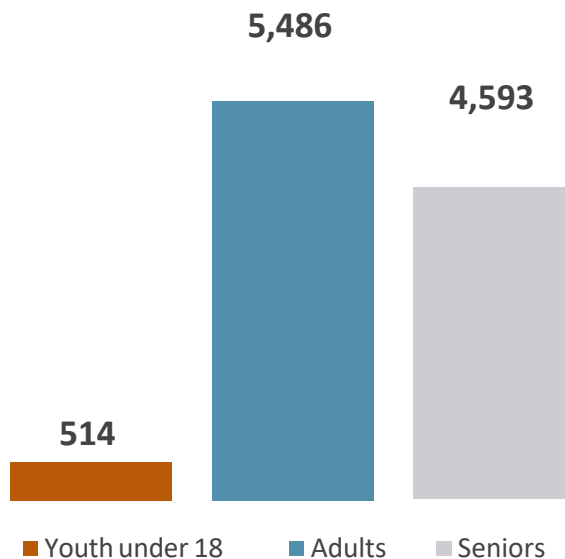
Unknown

### 52 Languages spoken

Top non-English languages spoken:

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

### People with an identified disability



**29%**

(11,024 people)

Of total individuals served identified one or more disabilities.

# 2020 By the Numbers



**18,687**

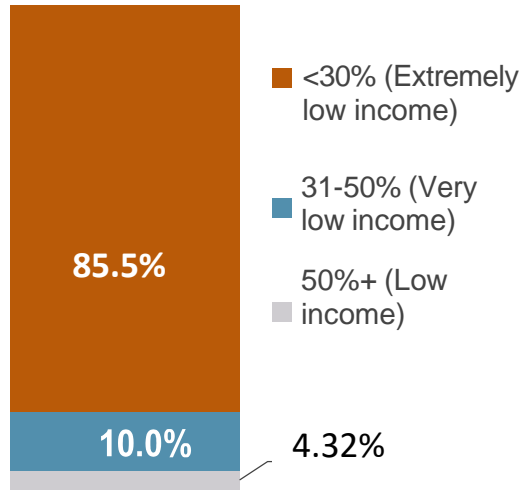
Households served



**380**

New households were admitted in 2020

## Area Median Income<sup>1</sup>



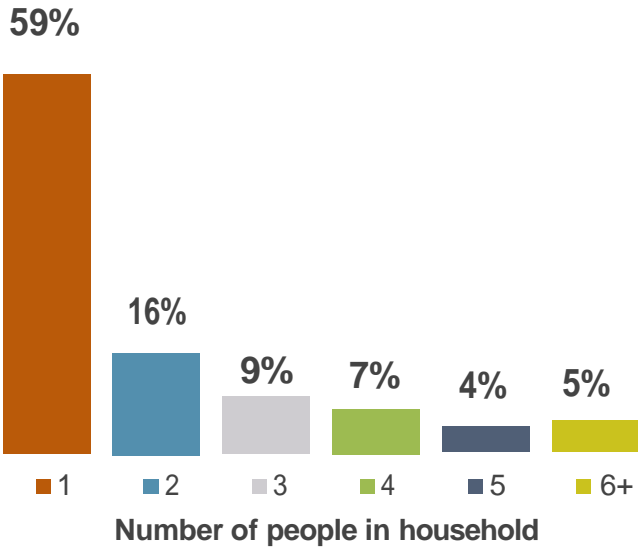
**Income limits**

- <30% **\$30,100**
- 31-50% **\$40,100**
- 50%+ **\$50,150**

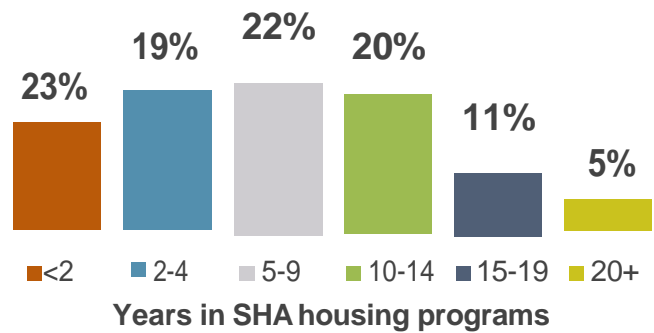
Based on 2018

<sup>1</sup>Distribution of households by Area Median Income

## Household composition



## Years of participation



## Household type

- Working-age non-disabled
- Elderly/disabled



## Households with children

- Children in household
- No children



# Economic Conditions and Financial Outlook

## *State and Local Economy<sup>1</sup>*

The national, state, and Puget Sound regional economies in 2020 were dominated by the occurrence and spread of the COVID-19 pandemic. All three economies ended 2019 with stronger growth in the 4<sup>th</sup> quarter than had been forecast and consensus forecasts for 2020 expected strong first quarter 2020 growth followed by continued expansion but at a slower pace than 2019. The Washington economy, led by Puget Sound region, was expected to continue expanding at a faster rate than the nation. These forecasts were accurate through most of the 1<sup>st</sup> quarter of 2020, but began a nosedive in late March as the COVID virus spread rapidly across the country and led to stay at home orders and closure of schools and businesses to stem the rise in cases, hospitalizations, and deaths.

Most economic models started showing the beginnings of a recovery in the State and Puget Sound Region during the 3<sup>rd</sup> quarter of 2020, but virtually all economists point out that they have not seen as many revisions to such basic economic data as GDP and Personal Income than have occurred during 2020 and early 2021. They also acknowledge that one persistent problem is that information about the virus is not part of their models, although we know that the recurrent spike in cases of the virus affect the performance of the economy. And, there also seems to be a broader recognition that their models of the economy forecast a recovery from the economic downturn that is not shared by low income households and low wage earners, who are disproportionately comprised of women and people of color.

Despite the limitation of economic forecasts, a number of indicators are showing hopeful signs. The Puget Sound Economic Forecaster (PSEF) states “we are starting to emerge into a post-pandemic world, ever so slowly”. Like most economists, the PSEF is cautious looking forward as there are many factors on the horizon that will affect the economy’s path. PSEF identifies several of these, including “...public policy is becoming a much larger ingredient in the forecast – stimulus, low interest rates, increased child tax credits, monthly stipend...Supply chain issues, consumer demand shifts, minimum wage discussions and more are competing for attention.” Here are some of those hopeful signs that we’ve drawn from the PSEF and the Washington State Economic and Revenue Forecasting Council (EFRC) March 2021 forecasts:

### ***The State (EFRC)***

- Washington’s unemployment rate declined to 5.4% in March 2021, down significantly from the 16.3% rate reached in April 2020, Washington’s all-time high unemployment rate in this series begun in 1976.
- Washington experienced a 6.6% personal income growth rate in 2020 and exceeded the 6.1% growth rate for the U.S. as a whole. The largest source of income growth was transfer receipts, 85% of which were from federal COVID-19 relief programs, which added 5.1 percentage points to the growth rate.
- Washington’s housing construction increased in early 2021 to levels not seen since the mid-2000s. Permits averaged 68,800 in January and February, well ahead of the March forecast of 53,100 for the whole 1<sup>st</sup> quarter.

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<sup>1</sup> This economic outlook information is significantly informed by the “The Puget Sound Economic Forecaster” produced by Western Washington University and by the “Washington Economic and Revenue Forecast” prepared by the Washington State Economic and Forecast Council.

- Total non-farm employment in Washington increased by 24,800 in March 2021, or 19,400 more than the 5,500 projected in the State’s forecast. Despite this strong growth, Washington’s employment is 205,900 or (5.9%) lower than at its February 2020 peak.
- Real GDP declined in every state and the District of Columbia in 2020. The decline in Washington’s GDP was 0.7%, which was the second lowest decline among the states and D.C. and much better than the (3.5%) decline for the U.S. overall.

### ***Puget Sound Region (PSEF)***

- The regional economy was more resilient and performed better summer and fall of 2020 than most economist expected. With increases in vaccinations and moderate loosening of COVID-19 regulations, continued slow recovery is anticipated in 2021, though probably slower in the region than the U.S. as a whole, with slightly above average growth to return to Puget Sound in 2022.
- The Puget Sound Region added 24,300 jobs and the unemployment rate fell to 5.7%. Based on early April data job gains are accelerating, and this reverses job losses in December and January.
- Traditional indicators support a conclusion that the region will experience better times and employment growth in the 2<sup>nd</sup> and 3<sup>rd</sup> quarters in 2021.
- In some industries, business is booming. Construction and information-sector employment in February 2021 was 3.2% and 3.5% larger, respectively, than in February 2020, despite pandemic-based interruptions.
- The housing market continues to blow past expectations. Average home sales for the region have cracked \$700,000 for two months in a row and March data indicates the sky is the limit. Inventory is incredibly tight as there are just 2,700 homes available for sale in the four county region. With mortgage rates continuing to hover in the 3.0% range, demand is strong, despite price increases.
- The nation is experiencing strong growth in retail sales and personal consumption expenditures, two measures of demand.
- The regional forecast does not call for any significant increase in inflation. This is consistent with the Federal Reserve and the Congressional Budget Office projections and results from the fact that variables that would normally indicate inflation is on the horizon, such as notable wage growth, are fairly muted. This forecast could change depending on the size of pending stimulus packages in Congress.

### ***Federal Funding – Status and Outlook***

The Authority relies on federal funding through the Department of Housing and Urban Development (HUD) for about 48 percent of SHA 2020 overall sources and approximately 70-75 percent of SHA’s operating and rental assistance funds. Consequently, federal budget decisions play a more direct role in SHA’s ongoing financial picture than do local economic conditions.

#### ***The 2020 and 2021 Federal Budget Support***

The federal budgets for 2020 and 2021 covered the last two years of the Budget Control Act of 2011 and the spending ceilings for Defense and Non-Defense Discretionary Funding. While there was significant concern over the “Fiscal Cliff” Congress faced for this two year period – namely across-the-board reductions in all Discretionary Budgets of over 10 percent – this potentiality was averted by passage and signing of the Bipartisan Budget Act of 2019 (Act). By raising the 2020 and 2021 sequestration budget spending ceilings by 4.0 and 1.0 percent, respectively, above the 2018 and 2019



spending caps (which were 12-13 percent above the 2016 and 2017 spending limits), discretionary budgets were increased instead of reduced by an average of 10 percent.

In developing our SHA 2020 budget in the summer of 2019, the Authority decided to risk assuming that Congress would raise the sequestration ceiling to match the 2018 and 2019 ceiling, so we projected flat federal revenues supporting our operating, rental assistance, and public housing capital fund sources. In the end, our estimate was conservative and our federal Move to Work (MTW) revenues exceeded our budget estimates and provided a cushion to help address early funding needs presented by COVID-19 for the safety, health, and well-being of SHA residents and staff.

As the pandemic continued throughout 2020 and 2021, we received more than \$10 million in CARES Act funding to assist with activities to prevent, prepare for, and respond to the coronavirus. These funds were instrumental in our work to provide safety, support, and services to our tenants from food deliveries, to PPE distribution, to COVID-19 on-site testing and vaccinations, wellness communications and follow-up, and physical changes to our facilities to protect staff and clients with appropriate social separations.

With the added resources in 2020 and savings in some budgeted funds, SHA ended the year with a positive net operating income. For 2021, we project that all the ongoing budget sources from HUD will reflect the added allocations we received in 2021 and will see very modest increases. We have dedicated the added resources and turn-over of one-time expenditures of ongoing funds in 2021 primarily to mitigate COVID-19 on our residents and participants, especially for employment and training for residents who lost their jobs due to the pandemic; for behavioral health services to maintain stable housing for tenants; increased case management services, especially for low income elderly or disabled tenants; for mediation services to address tenant to tenant issues in SHA residential buildings; and, working with private landlords to understand and take advantage of federal emergency rental assistance for voucher tenants who may be in arrears on rent payments.

Finally, an important aspect of the impact of COVID-19 in 2020 and continuing in 2021 is job loss resulting in interim reviews for rent reductions for public housing and voucher tenants. Consequences for SHA are reduced rent rolls and increased HAP costs. And many tenants who have been displaced from jobs as a result of the pandemic-caused economic recession, have not been able to find jobs and have found themselves unable to meet their rent obligations. This has led to significant outstanding rent balances for many tenant.

The 2020 and 2021 Emergency Rental Assistance programs under COVID-19 recovery and relief legislation is a critical support to our tenants and to SHA. These programs in King County offer the tenants who apply payment for up to ten months of rent and fees in arrears and three month's rent going forward. The program requires that the landlord clear any outstanding obligations of the tenant in excess of 10 months, where such is the case, so that the tenant is able to start afresh with three months advance rent payments. SHA expects to clear more than \$1.4 million of rent in arrears for 2020 and 2021 through these programs. Most important, this is a win: win for tenants and the landlords.

### ***Prospects for the 2022 Federal Budget***

While SHA has begun its 2022 Budget development process, at this stage we have only one marker for the 2022 federal budget, the President's topline "Skinny" Budget of \$1.5 Trillion, with non-defense domestic spending increased by 16 percent and defense discretionary spending increased by 1.7 percent. Neither house of Congress has yet done anything public on the 2022 Budget, awaiting President Biden's detailed FY 2022 Budget Proposal expected before the end of May 2021.

As the President readies his Budget proposal for 2022, he has already passed the \$1.9 trillion America Rescue Plan Act of 2021 to provide COVID-19 vaccine funding and economic recovery funding from the

COVID-induced recession. At the same time, he has two significant bills awaiting Congressional action – the \$2 trillion dollar American Jobs Plan addressed to infrastructure investments and the \$1.8 trillion American Family Plan designed to rebuild the American middle class. So, these proposals are on the table for Congressional action as part of the context for addressing the President’s 2022 Budget.

As far as we can glean from the President’s 2022 skinny budget some of his investments on the domestic side will be made in housing and housing affordability. He proposed a \$9.0 billion increase in the HUD budget, including a substantial expansion of the housing choice voucher program with 220,000 new vouchers.

There are clearly many complexities and uncertainties to be worked through before there is Congressional agreement on a 2022 Budget, but President Biden has set a much more ambitious program for and priority on affordable housing than we’ve seen in recent years and that leads to greater optimism about the 2022 budget outcome for housing. That said, however, with the number of major Administration bills already in Congress and the later start on the 2022 budget, it is more likely than not that there will be a two month Continuing Resolution enacts before the end of September.

## **Financial Management and Oversight**

### ***Internal Controls***

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

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

### ***Single Audit***

In compliance with the Single Audit Act Amendments of 1996, tests are made to determine the adequacy of the Authority's internal control structure, including that portion related to federal financial assistance programs, as well as to determine whether the Authority has complied with applicable laws and regulations. The Authority's single audit will be carried out by the national public accounting firm of KPMG LLP. As a result of COVID-19 pandemic impacts, key SHA staff needed by the auditors are not available for assembling data and records and answering questions on samples tested for the single audit. As a consequence, SHA and KPMG agreed that portions of the 2019 Single Audit work would be deferred until the third quarter 2020 and was completed by KPMG LLP and issued in September 2020. For 2020, we will be able to issue both the Financial Statements Audit and the Single Audit simultaneously in early June 2021.

### ***Budget Process and Monitoring***

*(NOTE: Due to the COVID-19 Pandemic and the need to ensure our operating departments were fully focused on the safety, health, and security of our residents, as well as the Governor's Orders for people to work from home and restricting assemblies of people, we modified our normal annual budget processes for the 2021 and 2022 budgets. The ordinary process is described below.)*

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

The Board of Commissioners adopts the annual budget for the Authority after the Executive Director has presented both the Annual MTW Plan and the Authority's Proposed Budget for public review and comment. The MTW Plan and the Proposed Budget are primary tools for implementing the Strategic Plan. The annual proposed budget includes four components – the Operations, Housing Assistance Payments (HAPs), Capital, and Development budgets. MTW federal funds comprise 70-75

percent of the combined Operating, HAPs, and Capital revenues. The operating and capital budgets are developed from the community or program level up in SHA's project-based budgeting process.

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

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

### ***Budgeting Control and Program Accountability***

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

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

### ***Financial Policy Oversight***

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

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

The FPO is charged with overseeing the financial conditions and financial management decisions of the Authority and ensuring that current or implied financial commitments/conditions receive the full scrutiny of the Authority's top managers and expert line staff. This committee has enhanced agency-

wide consideration of and decisions on credit and debt management; development opportunities, project selection, and financing plans and policies; acquisitions and dispositions of property; criteria for soliciting and selecting limited partners in low-income housing tax credit projects; coordination of timing on actions; planning and monitoring of interim financing repayment plans; management of cash reserves; and, risk assessment.

The FPO also administers the Authority’s policy on unrestricted cash balances and unassigned cash (Operating Reserve), which policy was adopted by the Board of Commissioners in April 2011, revised in May 2013, and reviewed periodically. The FPO recommends an annual resolution to the Board to adopt the year-end Committed Funds of the agency from the Authority’s Unrestricted Cash Balance. FPO also reports to the Board the year-end status of the Board’s Financial Policy to maintain an Operating Reserve of unassigned and uncommitted cash equal to at least one month and not more than six months of operating expenses plus 1/12 of annual debt service. At the end of 2019 and 2020, Seattle Housing Authority reported an Operating Reserve for the agency of three months.

### ***Component Units of Seattle Housing Authority***

The Authority has seventeen discretely-presented component units as of December 31, 2020. 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 2020, the Authority’s component units represented 3,640 units or 46 percent of all rental housing units operated directly by the Authority.

### ***Prudently Managing Affordable Housing Properties***

***Strong Asset Management:*** The Authority continues to take an active asset management approach to operating its properties, treating each as a distinctive “community” with the goal of efficiently using each property to its fullest potential toward meeting our mission. This means the Authority is actively reviewing its existing real estate holdings to ensure that 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, the internal Asset Management Committee, with management representatives from all departments, conducts quarterly portfolio reviews with property managers and budget and accounting staff.

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

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

In the area combined funding and program partnerships, the Yesler Redevelopment, is an example: SHA has benefited over the last nine years from five separate competitive HUD grants totaling \$37.2 million; 13 separate private grants from six foundation totaling \$2.6 million; and, 12 awards from the City of Seattle, totaling \$19.6 million, ranging from \$5,000 to \$6,575,000. All of these contributions go to benefit housing development, community, and supportive services investments.

## Major and Long-Term Initiative – Yesler Terrace Redevelopment

### Investing in People, Neighborhood, and Housing

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

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

### Highlights of 2020 Accomplishments

The three pages that follow summarize some of the key accomplishments of the Yesler transformation in or through 2020

## Housing for All Incomes

**298**

30% AMI (Area Median Income) Replacement units complete,  
+263 under construction and in design

**100**

60% AMI units complete,  
+209 in construction and in design

**226**

80% units complete,  
+548 under construction and in design, +54 planned

**647**

Market-rate units complete,  
+1,512 in construction and in design, +146 planned

## A Complete Neighborhood

- ✓ Yesler Terrace Park is open for public enjoyment
- ✓ Fir Street pocket park finished, design for 2 other Pocket Parks finalized
- ✓ Construction of new streets, sidewalks, access drives completed
- ✓ Two P-Patches plus Yesler Farm in operation, Green Street Loop with exercise stations completed
- ✓ Large-scale and smaller art installations throughout the community

## Quality Education for All

- 150 Students (grades K-8) received learning packets on a weekly basis
- 280 Students received tablets/laptops to ensure remote access to school
- 750 Art kits delivered to youth in partnership with Arts Impact
- 63 Residents received digital navigation technology help and skills training support
- 82 Yesler youth received one-on-one tutoring
- 86 Trained volunteers provided 1,256 tutoring hours
- 60 Elementary students participated in a six-week online summer learning program

## Economic Opportunities

84

Section 3 job placements in 2018

165

Households participated in JobLink surveys

76

Enrollments for JobLink ongoing case management and employment readiness

10

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

## Original Yesler Residents

493

Original households given priority for the 561 new Replacement Housing units at the new Yesler

100%

Original households successfully relocated

259

Original households continue to live at Yesler

205

Relocated households prefer living in their new communities, but retain the option to return to Yesler

4

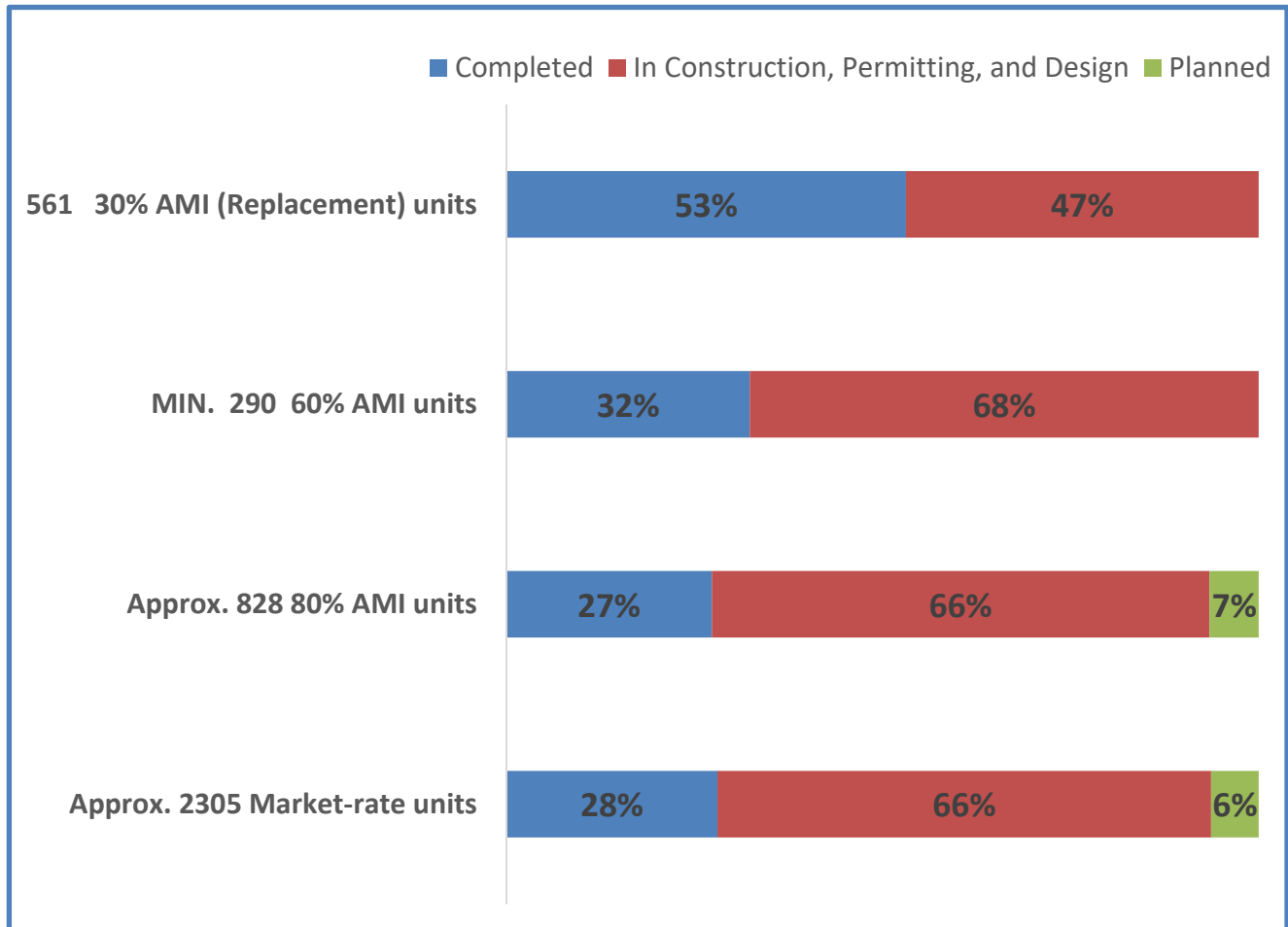
Future buildings for relocated residents to return: Hinoki (2022), Yesler Family Housing, Sawara, and Juniper (2023+)



## Housing Development

*Yesler is about designing a housing mix to accommodate families, single occupants, the elderly and those with disabilities. All residential buildings at Yesler welcome a wide range of people from various ethnic, cultural and socioeconomic backgrounds. Yesler's buildings (public and private) provide a range of sizes of units, high degree of accessibility and a full range of affordability.*

### Yesler Housing Progress



*Table reflects the progress and status of Yesler housing development through 2021. Planned units by income range served are in the left column of the chart.*

### SHA Housing Development

- The renovated [Baldwin](#) apartments continues to be home to 15 Yesler households who formerly lived in now-demolished old Yesler housing.
- [Kebero Court](#), with 103 low-income apartments, was constructed and fully leased up by September 2015.

- **Raven Terrace**, which includes 83 low-income apartments, was completed in January 2016. The building is fully leased. The Affordable Housing Finance Magazine selected Raven Terrace as a 2017 Reader’s Choice Awards Finalist in the “Public Housing” category.

- **Hoa Mai Gardens** (to the right), with 111 low-income apartments, was completed in June 2017. The building is fully leased. The building is the winner of PCBC’s 2018 Gold Nugget Grand Award in the “Best Affordable Housing” category.

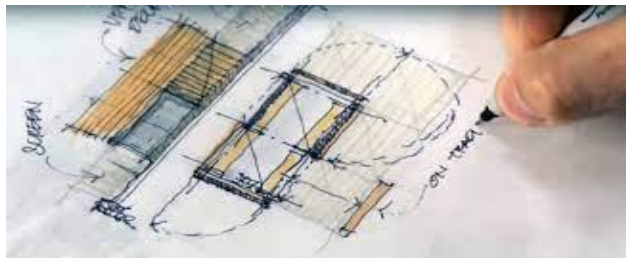


- **Red Cedar** is SHA’s newest completed building complex with 119 low-income apartments. The building, completed in spring 2019, was the 2020 winner of the ULI Jack Kemp Excellence in Affordable and Workforce Housing award.

- **Hinoki**, now under construction, contains 136 low-income apartments. Completion is scheduled for early 2022.

- **Sawara**, now in the final stages of permitting, is scheduled for construction start in the second half of 2021. The building will contain 113 affordable units.

- **Juniper** will be SHA’s final building at Yesler and will include approximately 96 affordable units. The building is in the design stage, with construction planned for 2023.



### Private Sector Housing Development

- **Anthem** on 12<sup>th</sup> Apartments, completed in 2015, has 120 apartments, 30 of which are available to households with incomes up to 80 percent of the Area Median Income.
- **Batik**, developed by Vulcan Real Estate and completed in 2018, includes 195 apartments, 39 of which are available to households with incomes up to 80 percent AMI. Batik is also home to Tougo Coffee, a local coffee shop located at the intersection of Yesler and Broadway. The building includes a community kitchen that opens onto the pedestrian pathway connector. The kitchen and adjacent community space are available for block parties, community events and neighborhood gatherings.

- **Cypress** (Vulcan Real Estate) opened in spring 2019. The building has 237 apartments, 48 of which are designated for households earning less than 80 percent of Area Median Income. The building's ground floor has retail locations that are yet to be rented.

- **Emerson Seattle** → (developed by Mill Creek) has 288 apartments, 76 of which are restricted to households with incomes up to 80 percent of the Area Median Income. The building was completed in 2020.



- **Low** Development's 2-building complex is under phased construction. The project has a total of 544 apartments, 145 of which will be available to households with incomes up to 80 percent of the Area Median Income (AMI). The buildings will be finished in two phases between 2021 and 2023.



- **Yesler Towers** (to the left), to be developed by Bellevue-based Su Development, will break ground in early 2021. Perched above Interstate 5, the two towers will be a gateway to the city from the south. The building complex will have approximately 352 apartments, 26.5 percent of which will be affordable at 80 percent AMI.



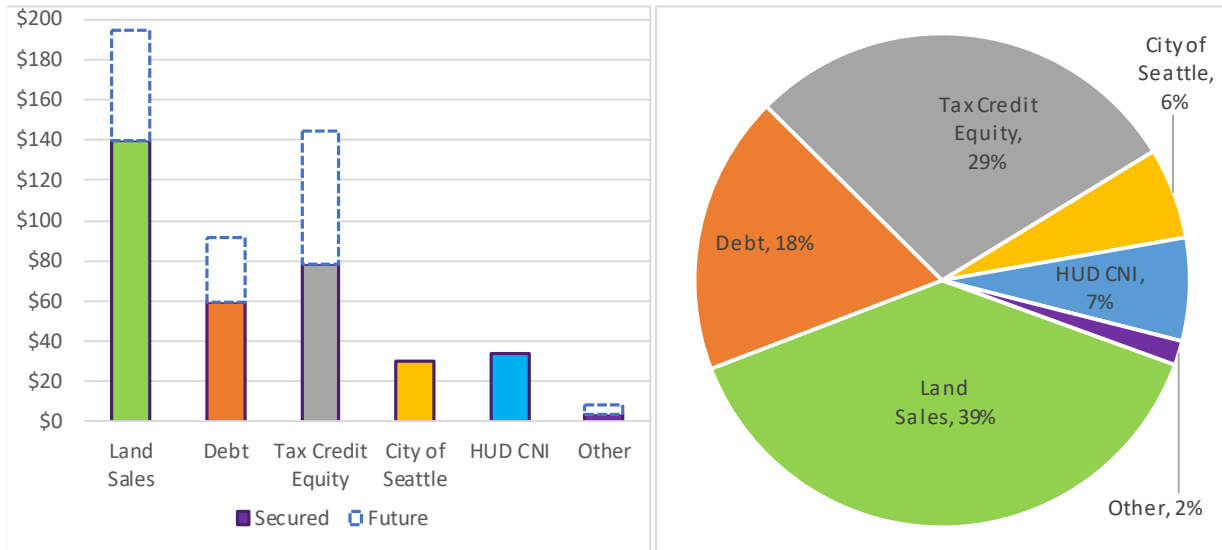
### Non-Profit Sector Housing Development

- The Seattle Chinatown International District Preservation and Development Authority, in partnership with Community Roots Housing (formerly known as Capitol Hill Housing), was selected by SHA to build 156 affordable apartments, including 92 units of replacement housing (up to 30 percent AMI) and 64 units designated for the 60 percent AMI level. **Yesler Family Housing** is located at 1215 E Fir Street and expected to break ground in early 2021.

## Yesler Funding Progress

Secured and future funding by SHA, in millions. Private developer projects not included.

### Yesler Funding Summary



|                   | Total        | Secured      | Future       | Percentage  |
|-------------------|--------------|--------------|--------------|-------------|
| Land Sales        | \$194        | \$139        | \$55         | 39%         |
| Debt              | \$92         | \$59         | \$33         | 18%         |
| Tax Credit Equity | \$145        | \$78         | \$67         | 29%         |
| City of Seattle   | \$30         | \$30         | \$0          | 6%          |
| HUD CNI           | \$34         | \$34         | \$0          | 7%          |
| Other             | \$8          | \$4          | \$4          | 2%          |
| <b>Total</b>      | <b>\$503</b> | <b>\$344</b> | <b>\$159</b> | <b>100%</b> |



## Yesler Relocation

### ***Minimizing impacts of relocation and guaranteeing the right to return for current Yesler residents***

The relocation of residents during the redevelopment of Yesler was conceived to be carried out in five phases. Rather than requiring all residents to leave the site at once, the phased relocation allowed the majority of residents to remain living in the community throughout the redevelopment process. 2020 marked the last phase, when all residents successfully relocated from the original Yesler housing. Of the original cohort of 493 households, 55 percent continue to be living onsite in new Yesler housing, while 45 percent remain in their chosen relocation housing in other neighborhoods.

The initial phase of relocation began on July 2, 2012, when all 493 households residing at Yesler were officially informed of their eligibility for relocation assistance. With each phase, residents received at least 18 months' notice before plans to demolish their apartments were put into action. The final phase included 67 households in 2018, with a deadline to move out by April 1, 2020. The last seven households who remained in original housing at the start of the year successfully relocated by the end of March 2020.

Over the course of the redevelopment, whenever demolition plans were announced, residents who lived at Yesler were regularly offered three relocation choices:

- Relocate offsite, whether in SHA housing in Seattle, or elsewhere using a voucher;
- Move directly from old Yesler to new Yesler replacement housing; or,
- Transfer to another old Yesler apartment not yet scheduled for demolition.

Since the last remaining 1940s era housing was scheduled to be demolished in 2020, the third option was no longer available to households relocating in the last phase. Four of the seven remaining households in 2020 made their move within the Yesler community to new redeveloped buildings on site, and the other three chose options at SHA properties elsewhere in Seattle. All members of these households were adults.

After 2020, the relocation process will focus on assisting residents who now live in other neighborhoods, to remind them of their right to return to Yesler, should they so choose. The relocation team remains in touch with the remaining 194 offsite households (accounting for attrition), and will invite them to exercise their option to return to the next new SHA building, Hinoki. Twelve households responded to a 2020 questionnaire declaring their intention to return to Yesler when Hinoki begins leasing in early 2022.

## Arts and Equitable Placemaking Initiatives

With generous support from The Kresge Foundation, SHA continues to be a leading innovator in using arts and culture strategies as redevelopment tools. At the start of 2020, five artists offered programs such as building lobby art clubs; dance and leadership classes for women, girls and Vietnamese seniors; weekly sewing workshops and activities in the Pedestrian Pathway that fostered neighborhood dialogue and familiarity with Yesler's built environment. In concluding the Yesler section of this letter, we share creative ways artists cared for the Yesler community and each other during the pandemic.

### **Key examples of arts engagement programs included:**

- **Music listening sessions at all of the SHA resident buildings from July through October.** Artist Sumayya Diop sang and played drums in four different building courtyards on a weekly basis. Protocols and outreach adhered to the guidance and directive of public health organizations and public officials. Sumayya's exuberant dancing and singing lifted spirits and brought joyous activity to a weary community and residents.



- **Cultural care packages for residents.** Shifting from hip-hop youth programs and resident spotlight videos, artist Che Sehyun organized a cultural care package program for youth and Vietnamese seniors. For the seniors, Che and community leader Kim Do provided 100 bags of culturally specific items and food ingredients. For the youth, Che worked with two young adult community leaders to gather youth for online check-ins. The events culminated in a care package giveaway that included 60 bags of books by BIPOC authors (donated by the Seattle Public Library), an artist-produced sweatshirt and zine featuring local and global heroes.
- **A community newspaper and activity guide, *The Yesler Terrace Hello*.** Produced by artist Kristen Ramirez, *Yesler Hello* is a colorful, high-quality printed quarterly broadsheet. Filled with community news and contributions, its activities encourage residents to safely explore the neighborhood. Notable sections include an artist-illustrated map of Yesler, original

poetry by youth and Vietnamese seniors, a recipe with tips contributed by a long-time resident and Ethiopian mother, and a scavenger hunt featuring neighborhood plants. *Yesler Hello* is distributed to every Yesler household, including private rental buildings, as well as neighborhood businesses. A translated insert included just for SHA households details development, construction, property management, community services and other agency-related news. *Yesler Hello* and its news insert provided a creative method to communicate and build community during the pandemic.

## Awards and Recognition

During 2020 the Seattle Housing Authority and its residents received or repeated distinctions and recognitions, including:

### 2020 Awards

- ***NAHRO 2020 Award of Excellence***

The National Association of Housing and Redevelopment Officials (NAHRO) honored the Seattle Housing Authority with a 2020 Award of Excellence for its Digital Initiative. NAHRO's award was given in the Administrative Innovation category, which recognizes programs that improve the efficiency or effectiveness of administrative operations or the general functioning of the agency/organization and creates a resource bank of information performed by housing and redevelopment agencies and community development departments. Entrants in the Awards of Excellence are chosen from among the Award of Merit entries by NAHRO Regional juries and sent on to national juries for the choice of winners by competition.

- ***2020 Jack Kemp Award***

The Urban Land Institute Terwilliger Center for Housing awarded the Seattle Housing Authority with the 2020 Jack Kemp Excellence in Affordable and Workforce Housing Award for its development of Red Cedar apartments at Yesler. The award is given annually to affordable and workforce housing developments that represent outstanding achievements in several areas, including affordability, innovative financing and building technologies, proximity to employment centers and transportation hubs, quality of design and involvement of public/private partnerships.

- ***NAHRO honors SHA with an Award of Merit***

The National Association of Housing and Redevelopment Officials (NAHRO) honored the Seattle Housing Authority with a 2020 Award of Merit for its Digital Initiative. NAHRO's award was given in the Administrative Innovation category, which recognizes programs that improve the efficiency or effectiveness of administrative operations or the general functioning of the agency/organization and creates a resource bank of information performed by housing and redevelopment agencies and community development departments.

- ***Certificate of Achievement for Excellence in Financial Reporting***

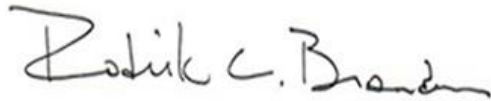
The Seattle Housing Authority was awarded a Certificate of Achievement for Excellence in Financial Reporting in 2020 by the Government Finance Officers Association of the United States and Canada. In a statement, GFOA said the Certificate of Achievement for SHA's 2019 Comprehensive Annual Financial Report "is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management." This represents the twenty-third consecutive year SHA has been recognized with this juried-award.

## Acknowledgments

The preparation of this letter has been accomplished through the hard work of the Finance Department accountants and the support of other staff throughout the Seattle Housing Authority. A special thanks to Janet Hayes, SHA's Controller, whose talents, dedication and oversight of preparation of the 2020 CAFR occurred throughout the COVID-19 pandemic, for a 2<sup>nd</sup> year, during which all participants in the audit teleworked from home. Janet and her team have an outstanding record of receiving unmodified audit opinions for their presentation of SHA's Financial Statements. We wish to thank, as well, the management and staff of KPMG LLP and Francis & Company PLLC who provided the necessary professional auditing services and technical assistance in conducting the independent audit of the Authority.

I would also like to take this opportunity, on behalf of the staff and residents of the Seattle Housing Authority, to acknowledge and thank the members of the Board of Commissioners for their tireless support and guidance.

Respectfully submitted,

A handwritten signature in black ink that reads "Rodrick C. Brandon". The signature is written in a cursive, flowing style.

Rodrick C. Brandon, Executive Director  
Seattle Housing Authority

cc: SHA Cabinet members  
SHA Public Website