

SEMI-ANNUAL REPORT
AFFORDABLE HOUSING UPDATE THRU MAY 31ST, 2012
AFFORDABLE HOUSING RESOLUTION IMPLEMENTATION EFFORTS

Catellus has implemented the necessary steps described below to meet or exceed the affordability requirements at Mueller as outlined in the MDA:

1. Catellus implemented the general strategy established to meet the affordable housing MDA requirement of 25% affordability of all for-sale and for-rent homes. Builders/developers of the affordable units are required to sell or lease to households with incomes at the defined ceiling of affordability (80% MFI in for-sale; 60% MFI in rental) and to be constructed in accordance with the City's SMART Housing Program. These units are priced to ensure marketability to these target markets within the parameters outlined in the MDA.
2. Each market rate multifamily property at Mueller is planned to include at least 10% affordable rental units. Catellus implemented the strategy, calling for the affordable housing requirement in the MDA to be fulfilled through the development of a senior apartment property and a family apartment property in which most or all units will be affordable at the 60% MFI threshold or below. Both the senior and family apartment projects will and have taken advantage of existing financing mechanisms for affordable rental housing, notably tax credit programs and the City of Austin's bond program, to provide opportunities for expanding the level and degree of affordability at Mueller as called for in the MDA's Affordable Housing Resolution.

Activities to implement the multifamily strategy in the current reporting period include:

- Mosaic at Mueller, the first market-rate rental housing at Mueller developed by Simmons Vedder and managed by Greystar, has been completed. Forty-four (44) units or 10% of the 441-unit property are provided to households at 60% MFI for 50 years, forty-five (45) additional years over the SMART Housing's 5-year affordability requirement. To date, all forty-four rental homes have been constructed and have been leased to income-qualified families earning 60% MFI or less.
- DMA Development Company, LLC is the senior apartment property developer. The senior apartment project has 201 units planned. 171 units (85.1%) are provided to households at or below 60% MFI for ninety-nine (99) years; ninety four (94) additional years over SMART Housing's 5-year affordability requirement and forty five (45) additional years over tax credit project's 40-year affordability requirement. Of the 171 affordable units, 85 units or 50% are affordable for households below 60% MFI, 60 units or 35.1% for households below 50% MFI and 26 units or 15.2% for households below 30% MFI. DMA successfully secured tax credits from the Texas Department of Housing and

Community Affairs (TDHCA) and General Obligation Bond funds from the City of Austin as part of the local government financial support required by the tax credit project. DMA also successfully closed with RBC, the tax credit investor and Enterprise, the lender for permanent financing on this project. The project officially broke ground on November 16, 2010 and has obtained certificate of occupancy in February 2012. It is now in the initial lease-up phase with 97 homes or 56.7% leased to income qualified families earning income at 60% MFI or less and 81 homes occupied.

3. A primary affordability strategy for Mueller's for-sale housing is that market mechanisms will allow builders to provide a smaller house for a lower price. Affordable units are or will be included among row homes, yard homes, Mueller House units and / or other condominium product types. Due to the dispersion of these unit types between Mueller's planned residential development phases, affordable units will represent more than 25% of total units in some phases and less than 25% in others. Secondary strategies for ensuring sustained affordability include establishment of the Mueller Foundation, reviewing and participating in existing City programs, developing new programs, and partnering with third parties with expertise in funding and producing affordable for-sale homes, as described in the MDA's Affordable Housing Resolution.

Catellus has continued to successfully implement the following for-sale affordable homes strategy activities:

- The first two phases of for-sale residential subdivisions have been fully developed. David Weekley and Meritage were the affordable yard and row homebuilders for these two phases, along with their market rate homes at Mueller. To date, all 133 affordable homes have been successfully sold to affordable homebuyers and closed. In addition, the Mueller Foundation executed its purchase option and right of first refusal on nine affordable resale homes. The Mueller Foundation successfully resold the homes to households earning between 57% and 100% MFI. In addition, the Mueller Foundation has processed the refinancing of 48 affordable homes, saving the homeowners an average of \$155 per month.
- Construction of homes for the third phase began November 2010. David Weekley Homes and Standard Pacific Homes are the homebuilders for this phase. Plans for the development included 24 affordable garden homes by David Weekley and 26 affordable Mueller House homes by Standard Pacific Homes. All 50 homes are affordable to households earning 80% MFI or less. Marketing and outreach of the homes began September 2010 which included orientation sessions scheduled in Q4 2010 and Q1 2011. David Weekley has closed on all 24 of the affordable homes Standard Pacific Homes has closed 12 of the affordable homes with 12 currently under contract.

- The fourth phase of for-sale residential subdivision will have 97 affordable homes including 21 yard homes, 52 row homes, and 24 Mueller House homes. Catellus has executed contracts with Weekley Homes, Standard Pacific Homes and Streetman Homes for both the market rate and affordable homes. Infrastructure construction for this phase is under way and construction of homes is expected to start third quarter of 2012.
- PeopleTrust continues as the Mueller Compliance Agent, performing the income compliance process for the affordable purchase and rental homes.
- Frameworks continues to be Mueller's preferred partner to help affordable home buyers with general issues related to home purchase, education, credit counseling, and affiliated credit repair services through Numbers by the Book.
- The Mueller Shared Appreciation Program, created based on the Austin Housing Finance Corporation's shared-equity program, has provided soft second liens to 169 for-sale affordable homes at Mueller and was implemented through the Mueller Foundation, the non-profit organization created by Catellus to support the social and community goals including affordability at Mueller. To date, the Mueller Foundation holds a total of \$10,287,564 in shared equity liens. The Shared Appreciation Program will continually be implemented for the third and fourth phases of the development.
- Catellus and the Mueller Foundation have continued to work with PeopleTrust, the non-profit housing organization, to manage the Mueller Affordable Homes Program as well as the Shared Appreciation Program.
- The Travis Central Appraisal District agreed to assess the value of the affordable homes at the initial affordable sales price for the first year of ownership.

Tracking of Affordable Housing

Type	Reporting Period	# of Residences Contractually Committed by Builders / Developers	# of Residences Under Construction	# of Residences Occupied
For-Sale	Current Reporting Period	0	12	7
	Cumulative	280	12	169
For Rent	Current Reporting Period	0	0	81
	Cumulative	245	0	125
Total	Current Reporting Period	0	12	88
	Cumulative	525	12	294

Type	Total # of Homes Offered	Total # of Affordable Homes Contracted	% of Affordable Homes
For-Sale	1002	280	27.9%
For Rent	943	245	26.0%
Overall	1945	525	27.0%

Distribution of Existing Affordable Buyers by Median Family Income (MFI) Percentage

Affordable Level	Below 50% MFI	50%-59% MFI	60%-69% MFI	70%-80% MFI
Percent of Buyers	5%	8%	22%	65%

Distribution of Existing Renters by Median Family Income (MFI) Percentage

Affordable Level	Below 30% MFI	30%-49% MFI	50%-59% MFI	60%-80% MFI
Percent of Leased Units	18%	29%	52%	1%



N.T.S.

MUELLER

Affordable Housing Distribution Map, Sections 4 and 5

Prepared for Catellus Austin, LLC by RVi and ROMA Design Group

MAY 31, 2011

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