CATELLUS

December 2nd, 2019

Spencer Cronk
City Manager
City of Austin
301 West Second St., 3rd Floor
Austin, Texas 78701

RE: RMMA MDA - Semi-Annual Report / Affordable Housing update through December -
2nd, 2019

City Manager Cronk,

Per Section 2.6 (c) (iii) of the Master Development Agreement between the City and Catellus, Catellus submits the attached update on Affordable Housing for the period 06/01/19 – 11/30/19.

Please call with any questions,

Carl Paulson
Vice President
Catellus Development Corporation

Greg Weaver
Executive Vice President
Catellus Development Corporation

Cc: Rick Reed, Dubois, Bryant & Campbell
Rodney Gonzales, City Manager's Office
Veronica Briseno, City of Austin Economic Development Department
Christine Maguire, City of Austin Economic Development Department
Pam Hefner, City of Austin Economic Development Department
Kent Smith, City of Austin Law Department
Rosie Truelove, Austin Housing Finance Corporation

SEMI-ANNUAL REPORT
AFFORDABLE HOUSING UPDATE THROUGH November 30th, 2019
AFFORDABLE HOUSING RESOLUTION IMPLEMENTATION EFFORTS

Catellus continues to implement the necessary steps described below to meet or exceed the affordability requirements at Mueller as outlined in the Master Development Agreement ("MDA"):

1. Catellus is implementing 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% median family income or 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 rental property at Mueller is planned to include at least 10% affordable rental units and, in many cases, these properties have up to 15% of the units are affordable.

3. Catellus is also implementing the strategy that calls for the affordable housing requirement in the MDA to be fulfilled through the development of three affordable / mixed-income multifamily properties in which the majority or all of the units are affordable at the 60% MFI threshold or below. In addition to the market-rate properties, these three properties offer rental units for senior housing, workforce housing and family housing. All the projects 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 affordability strategy for rental homes include:

   - Mosaic at Mueller, completed in 2009, was the first market-rate multifamily rental housing constructed at Mueller. Of the 441-unit property, 10% or 44 units are provided to households at 60% MFI for fifty (50) years, forty-five (45) additional years over the SMART Housing's 5-year affordability requirement. For the current reporting period, 43 rental homes were leased to income-qualified families earning 60% MFI or less.

   - Wildflower Terrace, developed by DMA Development Company LLC, and completed in 2012, was Mueller's first tax-credit, multifamily rental project constructed. This senior apartment project has 201 units of which 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 fifty nine (59) additional years over a tax-credit project's 40-year affordability requirement. Of the 171 affordable units, 85 units or 50% are available 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. From a funding perspective, 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. For the current reporting period, 168 rental homes were leased to income-qualified families earning 60% MFI or less.

- SYNC at Mueller (previously Elysian at Mueller), completed in 2014, was the second market-rate multifamily rental housing constructed at Mueller. Of the 301-unit, market-rate property, 30 units or 10% are provided to households at 60% MFI for fifty (50) years, forty-five (45) additional years over the SMART Housing's 5-year affordability requirement. For the current reporting period, all 30 rental homes were leased to income-qualified families earning 60% MFI or less.

- AMLI at Mueller, completed in 2015, was Mueller's third market-rate, multifamily rental project constructed, and 42 units or 15% of the 279-unit property are provided to households at 60% MFI for fifty (50) years, forty-five (45) additional years over the SMART Housing's 5-year affordability requirement. For the current reporting period, all 42 rental homes were leased to income-qualified families earning 60% MFI or less.

- DMA Development Company, LLC is also the developer of Aldrich 51, a workforce apartment property completed in 2018. The project has 240 units of which 204 units (85%) 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. Of the 204 affordable units, 139 units or 68% are available for households at or below 60% MFI, 47 units or 23% for households at or below 50% MFI and 18 units or 9% for households at or 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. For the current reporting period, 196 rental homes have been leased to income-qualified families earning 60% MFI or less.

- AMLI on Aldrich at Mueller, the fourth market-rate, multifamily rental project at Mueller, has 48 units or 15% of the 318-unit property available to households at 60% MFI for fifty (50) years, forty-five (45) additional years over the SMART Housing's 5-year affordability requirement. For the current reporting period, all 48 rental homes have been leased to income-qualified families earning 60% MFI or less.

- Overture, the fifth market-rate, multifamily rental project, designed specifically for active adults of at least fifty-five (55) years of age, was developed by Greystar. Of the 201-unit property, 30 units or 15% are available to households at 60% MFI for fifty (50) years, forty-five (45) additional years over the SMART Housing's 5-year affordability requirement. For the current reporting period, all 30 rental homes were leased to income qualified families earning 60% MFI or less.

- Foundation Communities has completed the vast majority of construction of Mueller's third tax-credit project – The Jordan at Mueller – and has begun moving in residents as of November 2019. This is a family-focused, multifamily tax credit project with 132 units. All of the units will be provided to households at or below 60% MFI for forty (40) years, thirty-five (35) additional years over SMART Housing's 5-year affordability requirement. Of the 132 affordable units, 52 units or 40% of units will be affordable for households at or below 60% MFI, 66 units or 50% of units for households at or below 50% MFI and 14 units or 10% of units for households at or below 30% MFI. Foundation Communities 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. Foundation Communities has also received commitments from a tax credit investor and lender for both construction and permanent financing. For the current reporting period, 123 rental homes have been leased to income-qualified families earning 60% MFI or less.

- AMLI III, the seventh market-rate, multifamily rental project at Mueller, plans to have 61 units or 15% of the 406-unit property available to households at 60% MFI for fifty (50) years, forty-five (45) additional years over the SMART Housing's 5-year affordability requirement. AMLI III is expected to commence construction in Q1 2020.

4. Affordability strategies for Mueller's for-sale housing include the following:

    - Income-qualifying, for-sale homes are or will be dispersed throughout Mueller as part of each residential development phase. The percentage of affordable units in each phase may vary (either higher or lower) from the 25% affordability requirement for Mueller as a whole.

    - Homebuilders, selected for market-rate home construction through a competitive process, build income-qualifying, for-sale homes in accordance with the same design guidelines that apply to market-rate homes.

    - Income-qualifying, for-sale homes encompass a variety of Mueller home product types, including row homes, yard homes, Mueller House and other

condominium product types. Unit size is managed to keep pricing affordable through market mechanisms.

- Strategies for ensuring sustained affordability include establishment of the Mueller Foundation (www.muellerfoundation.org), reviewing and participating in existing City programs, developing new programs, and partnering with third parties having expertise in funding and producing affordable for-sale homes, as described in the MDA's Affordable Housing Resolution.

Activities to implement the affordability strategy for the for-sale homes include:

- The first two phases of for-sale residential subdivisions have been fully developed. David Weekley Homes and Meritage Homes were the affordable yard and row home builders for these two phases, along with their market-rate homes at Mueller. All 133 affordable homes were sold to income-qualified families earning 80% MFI or less.

- David Weekley Homes and Standard Pacific Homes (now CalAtlantic Homes) were the homebuilders for the third phase of for-sale residential subdivisions, which included 24 affordable garden homes by David Weekley and 26 affordable Mueller House homes by Standard Pacific Homes. All 50 homes were sold to income-qualified families earning 80% MFI or less.

- The fourth phase of for-sale residential subdivision included 97 affordable homes: 21 yard homes, 52 row homes, and 24 Mueller House homes. David Weekley Homes, Standard Pacific Homes and Streetman Homes (now also CalAtlantic Homes) built both market-rate homes and income-qualifying homes for this phase. David Weekley sold all 21 affordable garden homes and 16 row homes, Standard Pacific sold all 24 affordable Mueller homes, and Streetman sold 32 affordable row homes to income qualified families earning 80% MFI or less with the remaining 4 lots used for construction trailer site.

- The fifth phase of for-sale residential subdivision included 70 income-qualifying homes: 14 yard homes and 56 row homes. David Weekley Homes and Standard Pacific Homes built both the market-rate and income-qualifying homes for this phase. David Weekley sold 14 yard homes and 31 row homes with 1 remaining affordable home being shown as a model. Standard Pacific has sold all 24 row homes to income-qualified families earning 80% MFI or less.

- The sixth phase of for-sale residential subdivision includes 137 affordable homes: 93 row homes and 44 Mueller House homes. Catellus has executed contracts with David Weekley Homes and CalAtlantic Homes (fka Standard Pacific Homes) for both the market-rate and income-qualified homes. All the lots have been completed and delivered to the builders. David Weekley Homes has sold 77 affordable row homes in this section with 4 homes remaining.

CalAtlantic has sold 12 income-qualifying row homes and 19 affordable Mueller home in this section with 25 homes remaining.

- The seventh phase of for-sale residential subdivision includes 63 affordable homes: 32 row homes, 5 yard homes and 26 Mueller House homes. Catellus has executed contracts with David Weekley Homes and CalAtlantic Homes for both the market-rate and income-qualified homes. All the lots have been completed and delivered to the builders. David Weekley has sold 5 yard homes and 18 row homes in this section with 14 homes remaining. CalAtlantic has all 26 homes remaining.

- The eighth phase of for-sale residential includes 11 affordable row homes. Catellus has executed a contract with Austin Habitat for Humanity for all 11 lots. The lots were delivered to the builders in August 2019 and the groundbreaking ceremony occurred early November 2019.

- Additionally, striving to provide housing opportunities with a wider range of affordability as contemplated in the Mueller Affordable Housing Plan, the sixth and seventh phases include an additional 59 workforce homes provided for households earning between 80% and 120% MFI. These 59 income qualifying homes are over and above the MDA affordable housing requirement. The sixth phase contains 39 workforce homes, built by David Weekley Homes and CalAtlantic Homes. To date, David Weekley Homes has sold 16 workforce homes and CalAtlantic has sold 10 workforce homes in the sixth phase. The seventh phase contains 20 workforce homes, built by David Weekley Homes and CalAtlantic Homes. David Weekley Homes has sold 16 workforce homes in this phase.

- Two additional residential parcels are planned to be developed by Austin Modern Lofts with the parcels subdivided into a combination of 65 row home lots and mixed-use parcels for 61 condo homes and commercial units. 23 homes or 18.3% of the 126 homes are projected to be sold to income-qualified families earning 80% MFI or less. An additional 9 homes or 7% of the homes are projected to be sold to households earning between 80% and 120% MFI. These 9 homes are over and above the MDA affordable housing requirement.

- Homebuilders continue to offer potential buyers homebuyer education, credit counseling and credit repair services through various resources, including City of Austin and the homebuilders' lenders.

- Community Wheelhouse, Inc., the Mueller Compliance Agent, is performing the income compliance process for the affordable for sale homes and most of the rental homes.

- In total, the Mueller Affordable Homes Program currently has 488 occupied for-sale homes that includes both initial sale and resale of homes to household

earning up to 120% MFI. As part of the program, Mueller Foundation, the nonprofit organization created by Catellus to support the development's social and community goals including long-term affordability at Mueller, holds a soft second lien on the affordable homes as an enforcement mechanism for program restrictions. Originally structured as a Shared Appreciation Program, starting with the fourth phase, a 2% Fixed-Appreciation Program was implemented to preserve options of affordability over time. To date, the Mueller Foundation holds a total of $39,330,693 in soft second liens. In addition, the Mueller Foundation executed its purchase option and right of first refusal on 99 affordable re-sale homes, successfully resold the homes to households earning between 42.70% and 120% MFI. In addition, 77 of the affordable homes have been refinanced, saving the homeowners an average of approximately $106.37 per month.

The Mueller Foundation's efforts have been successful in sustaining affordability of homes well beyond the SMART Housing's 1-year affordability requirement.

- Catellus and the Mueller Foundation are working with Community Wheelhouse, Inc., a licensed mortgage originator, to manage the Mueller Affordable Homes Program as well as the Shared and Fixed-Appreciation Program.

- With the sale of the first affordable homes, in 2008, Travis Central Appraisal District had appraised the affordable homes at their sales price or at the sales price of other affordable homes. However, TCAD changed its valuation methodology in 2014. As a result, after the first year of ownership, affordable homes began being appraised at the same value as market-rate homes, which were not subject to the affordable housing restrictions. This jeopardized many affordable homeowners who could not afford to pay taxes that were based on much higher sales prices of homes not subject to the program's restrictions, even if those affordable homeowners had the 10% homestead cap. Mueller Foundation and Catellus have been actively working with TCAD and community leaders to reach a solution. In the 2017 legislative session, based on TCAD's advice, Catellus pursued legislation that would clearly direct TCAD on how to appraise the affordable homes. Unfortunately, the proposed legislation was not voted on during the 2017 session. The homes with which TCAD would not reach an agreement have homestead caps in place that provide relief to the homeowners for the next few years, thus keeping the property taxes from reaching a crisis point at this time. Mueller Foundation is continuing to work with TCAD to ensure housing affordability for the Mueller Affordable Homes Program.

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	50	20
	Cumulative	584	50	476
For Rent	Current Reporting Period	0	0	132
	Cumulative	762	0	701
Total	Current Reporting Period	0	50	152
	Cumulative	1,346	50	1,177

Type	Total # of Homes Offered	Total # of Affordable Homes Contracted	% of Affordable Homes
For-Sale*	2,170	584	26.9%
For Rent	2,519	762	30.3%
Overall	4,689	1,346	28.7%

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

Affordable Level	<= 50% MFI	50%-60% MFI	60%-70% MFI	70%-80% MFI	80%-120% MFI
Percent of Buyers**	4%	9%	19%	48%	20%

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

Affordable Level	<= 30% MFI	30%-50% MFI	50%-60% MFI	60%-80% MFI
Percent of Leased Units	8%	24 %	67%	1%

Notes:

*Additional 68 for-sale homes contracted to provide housing for households earning between 80%~120% MFI are not included in the chart above.

**Includes both initial sale and resale of affordable homes.