

September 7, 2012

**Independent Accountant's Report
On Applying Agreed-Upon Procedures**

Ms. Sylvania Holt-Rabb, Acting Assistant Director
City of Austin
Economic Growth and Redevelopment Services Office
301 West 2nd Street, Suite 2030
Austin, Texas 78701

We have performed the procedures enumerated below, which were agreed to by the City of Austin (the "City") solely to assist the specified user in evaluating the City's assertion that Simon Property Group, Inc. ("Simon Property Group") on behalf of its affiliate, The Domain Shopping Center, L.P. (the "Domain") has complied for the reporting year 2011 with certain provisions, as described below, of the Chapter 380 Economic Development Agreement (the "Agreement"), approved by the City Council on May 15, 2003 and executed by the City Manager on June 13, 2003. The City is the specified user of this report. The City's management is responsible for the determination of compliance by Simon Property Group with the Agreement. This engagement to apply agreed-upon procedures was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified user of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. With reference to Section 4(b)vii of the Agreement, we obtained the Domain Fund Allocation Report dated April 2012 provided by the Simon Property Group and related supporting documentation. We inspected the report and confirmed the report included the following information:
 - a. The date each local business opened at the Domain
 - b. Analysis of performance results in terms of continued presence of local small businesses at the Domain

No exceptions were noted as a result of the foregoing procedures.

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2. With reference to Section 4(c) and Exhibit C of the Agreement, we obtained and inspected the documents described below and confirmed the Project's 416 residential units complied with S.M.A.R.T. Housing guidelines as follows:

- a. We inspected a letter dated June 1, 2012 from the City to Residences at the Domain and confirmed, according to the letter, Residences at the Domain was in compliance with applicable affordability requirements and the City's Neighborhood Housing and Community Development ("NHCD") confirmed 39 Residences at the Domain units "were occupied by income eligible (65% or below MFI) persons or set aside as vacant for the next income eligible person."
- b. We inspected a letter dated June 29, 2012 from the City to Villages at the Domain and confirmed, according to the letter, Villages at the Domain was in compliance with applicable affordability requirements and NHCD confirmed 3 Villages at the Domain units "were occupied by income eligible (65% or below MFI) persons."

No exceptions were noted as a result of the foregoing procedures.

3. With reference to Section 4(d) of the Agreement, we performed the following:

- a. We obtained and inspected the Tenant Employment Reports ("TERs") provided by Simon Property Group and the City Summary of TERs. We confirmed the City Summary reflects the information in the TERs.

No exceptions were noted as a result of the foregoing procedures.

- b. Using the City Summary provided at 3a, we calculated the average number of full-time employees ("FTEs") reported by each commercial tenant by averaging for each business:
 - The employees who worked at least 40 hours per week, plus
 - 75% of the employees who worked between 25 and 39 hours per week, plus
 - 50% of the employees who worked between 15 and 24 hours per week, plus
 - 33% of the employees who worked between 1 and 14 hours per week

We found the calculated average number of FTEs was 1,290.

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c. We obtained the samples selected by the City of commercial tenants for each of the reporting periods (quarters ended June 30, 2011; September 30, 2011; December 31, 2011; and March 31, 2012) whose reported employees are at least 10% of the average FTEs reported for each of the Year 5 reporting periods. For each business in the samples selected by the City, we inspected the business' payroll or work schedule on which one or more TERs is based. Using the supporting documentation, we compared the number of employees in each of the following categories to those reported on the TERs for each reporting period:

- Employees who worked at least 40 hours per week
- Employees who worked between 25 and 39 hours per week
- Employees who worked between 15 and 24 hours per week
- Employees who worked between 1 and 14 hours per week

No exceptions were found as a result of the foregoing procedures.

d. For each business in the sample selected by the City, we calculated the number of FTEs found in 3c above by adding:

- All employees who worked at least 40 hours per week, plus
- 75% of the employees who worked between 25 and 39 hours per week, plus
- 50% of the employees who worked between 15 and 24 hours per week, plus
- 33% of the employees who worked between 1 and 14 hours per week

We found the City's calculation of FTEs to be mathematically correct.

e. We calculated the average number of Year 5 commercial tenant FTEs by calculating the average over the four reporting periods of the sum of:

- The number of FTEs in 3c, and
- The number of FTEs reported for each reporting period and not sampled multiplied by the ratio (total FTEs in 3c) / (total FTEs reported on the TERs sampled)

We confirmed the number of Year 5 commercial tenant FTEs calculated above was 1,220.

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4. With reference to Sections 6 and 7 of the Agreement, we obtained and inspected the July 23, 2008 memorandum from Fred Evins, Economic Growth and Redevelopment Services Office (“EGRSO”) Redevelopment Project Manager and confirmed the document describes how the City obtains information about sales taxes collected by the Domain retailers and waives Simon Property Group’s requirement to provide quarterly sales tax reports to the City.

No exceptions were noted as a result of the foregoing procedure.

5. With reference to Sections 5(b)i and 6 of the Agreement, we obtained and inspected the City Address Point GIS Layer Map showing the Domain Phase I and the Sales Tax Area Reports received from the Texas Comptroller of Public Accounts and confirmed every taxpayer listed in the Area Report has an address in the Domain Phase 1.

No exceptions were noted as a result of the foregoing procedure.

6. With reference to Sections 5(b)ii and 6 of the Agreement, we obtained and inspected the Sales Tax Area Reports received from the Texas Comptroller of Public Accounts. We confirmed the sum of the tax payments to the City for the filing period May 2011 through April 2012 amounted to \$2,178,283.93. We confirmed 82% of \$2,178,283.93 is \$1,786,192.82, and 2% of \$2,178,283.93 is \$43,565.68.

No exceptions were noted as a result of the foregoing procedure.

7. With reference to Section 5(b)ii of the Agreement, we confirmed the following:
 - a. We obtained and inspected the City’s February 10, 2012 correspondence to Kathleen Shields of Simon Property Group and confirmed the correspondence included a copy of the enclosed Year 4 Chapter 380 payment in the amount of \$1,857,526.87 from the City to the Domain. We confirmed the payment was received by Simon Property Group on February 16, 2012.
 - b. We obtained and inspected the February 17, 2012 correspondence from Kathleen Shields of Simon Property Group that included a copy of the enclosed check #47352007 in the amount of \$40,542.95 from the Domain to the City. We confirmed the check was received by the City on February 21, 2012, 11 days after the City’s Year 4 Chapter 380 payment was sent to Simon Property Group.

No exceptions were noted as a result of the foregoing procedures.

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8. With reference to Section 5(c) of the Agreement, we confirmed the following:

- a. We obtained and inspected the Property Tax Calculation for determining the anticipated fiscal Year 2013 Chapter 380 Payment; the Travis Central Appraisal District's 2011 Certified Valuations for parcels 0256060203, 0256060204, 0256060205, 0256060302, 0256060303, 0256060304, 025606305, and 0256060306; and the Travis County Tax Statements of taxes due January 31, 2012 for parcels 0256060203, 0256060204, 0256060205, 0256060302, 0256060303, 0256060304, 025606305, and 0256060306.

No exceptions were noted as a result of the foregoing procedure.

- b. We calculated the value of the property and the improvements by multiplying the baseline value per acre as noted in Section 5(c) of the Agreement of \$235,228 per acre by total acres in the Project of 53.16 acres. We confirmed the baseline value of the 53.16 acres recalculated above and as defined in Section 5(c) of the Agreement is \$12,504,720.48.

No exceptions were noted as a result of the foregoing procedure.

- c. We confirmed 25% of the incremental property taxes for the 53.16 acres is \$234,767.91 by inspecting the Calculation of Domain 2013 Chapter 380 Payment based on 2011 City of Austin Property Taxes Paid calculation provided by the City.

No exceptions were noted as a result of the foregoing procedure.

- d. We inspected the Travis County statements printed March 30, 2012 or April 2, 2012 for parcels 0256060203, 0256060204, 0256060205, 0256060302, 0256060303, 0256060304, 0256060305, and 0256060306. We confirmed according to the reports, no taxes were owed for the parcels.

No exceptions were noted as a result of the foregoing procedure.

9. With reference to Section 5(d) of the Agreement, we confirmed the following:

- a. We obtained and inspected a printed report from <http://www.ci.austin.tx.us/austintexas.gov/page/agreements-payments-information> provided by the City and confirmed payments from the City to the Domain as of July 26, 2012 totaled \$5,703,218.16.

No exceptions were noted as a result of the foregoing procedure.

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- b. We obtained and inspected email correspondence dated July 26, 2012 from Katie Petersen at Travis County to Terry Franz of EGRSO and confirmed Travis County had paid Chapter 381 payments to Simon Property Group in the amount of \$775,227.06 as of July 26, 2012.

No exceptions were noted as a result of the foregoing procedure.

- c. We confirmed Travis County's payments of \$775,277.06 to Simon Property Group are less than \$1,373,096, which is the cost agreed upon by Simon Property Group and the City for reducing the affordability level from 80% MFI to 65% MFI.

No exceptions were noted as a result of the foregoing procedure.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the City and is not intended to be, and should not be, used by anyone other than this specified party.

Padgett Stratemann & Co., L.L.P.

Certified Public Accountants
Austin, Texas