

SEMI-ANNUAL REPORT
AFFORDABLE HOUSING UPDATE THRU NOVEMBER 30, 2011
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 expected to be 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. The 171 affordable units, 85 units or 50% will be affordable for households below 60% MFI, 60 units or 35.1% will be below 50% MFI and 26 units or 15.2% will be below 30% MFI. DMA has 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 has 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 is expected to receive certificates of occupancy for the first 24 units as well as the management and leasing offices by mid December 2011. The initial move-in is scheduled for the end of December 2011.

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 will be included among the row houses, the 37' yard homes, and Mueller House units and other condominiums or 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 seven affordable re-sale homes. The Mueller Foundation successfully resold the homes to households earning between 57% and 85% MFI. In addition, the Mueller Foundation has processed the refinancing of 38 affordable homes, saving the homeowners an average of \$172 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 include 24 affordable garden homes by David Weekley and 26 affordable Mueller House homes by Standard Pacific Homes. All 50 homes will be affordable to households earning 80% MFI or less. Marketing and outreach of the homes began September 2010 which included orientation sessions scheduled for Q4 2010 and Q1 2011. David Weekley has closed on 20 of the affordable homes with 4 under contract and Standard Pacific Homes has closed 9 of the affordable homes with 1 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 design 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 162 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 \$9,707,396 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	5	19
	Cumulative	280	5	162
For Rent	Current Reporting Period	0	171	0
	Cumulative	245	171	44
Total	Current Reporting Period	0	176	19
	Cumulative	525	176	206

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	4%	8%	22%	66%



N. T. S.



MUELLER

Affordable Housing Distribution Map, Sections 4 and 5

Prepared for Catellus Austin, LLC by R Vi and ROMA Design Group

MAY 31, 2011

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