



June 1st, 2018

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 June 1st, 2018

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 12/01/17 – 05/31/18

Please call with any questions,

Carl Paulson
Vice President
Catellus Development Corporation

Greg Weaver
Executive Vice President
Catellus Development Corporation

06/01/2018

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Cc: Rick Reed, Dubois, Bryant & Campbell
Greg Canally, City Manager's Office
Rebecca Giello, City of Austin Economic Development Department
Pam Hefner, City of Austin Economic Development Department
Katherine Kuzmickas, City of Austin Law Department
Rosie Truelove, Austin Housing Finance Corporation

SEMI-ANNUAL REPORT
AFFORDABLE HOUSING UPDATE THRU June 1st, 2018
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% 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 up to 15% of the units are affordable. Catellus is also implementing the strategy calling 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 will be affordable at the 60% MFI threshold or below. In addition to the market rate properties, these three properties are contemplated to be senior housing, workforce housing and family housing product. All the 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 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, all 44 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 the 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

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. 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, all 171 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, 29 rental homes were leased to income-qualified families earning 60% MFI or less.
- AMLI at Mueller, completed in 2015, was the 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, 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 currently in development. The project has 240 units planned of which 204 units (85%) will be provided to household 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% will be affordable 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. DMA commenced construction in January 2016 and completed the initial phases of the project in September 2017. For the current reporting period, 204 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 is being developed by AMLI and 48 units or 15% of the 318-unit property will be provided to households at 60% MFI for fifty (50) years, forty-five (45) additional years over the SMART Housing's 5-year affordability requirement. Construction commenced in December 2015 and for the current reporting period, 39 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, is being developed by Greystar. Of the 201-unit property, 30 units or 15% will be provided to households at 60% MFI for fifty (50) years, forty-five (45) additional years over the SMART Housing's 5-year affordability requirement. Construction commenced in October 2015 and for the current reporting period, all the 30 rental homes were leased to income qualified families earning 60% MFI or less.
- Foundation Communities is well underway in planning and development of Mueller's third tax credit project – The Jordan at Mueller. 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 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. Foundation Communities has also received commitments from a tax credit investor and lender for both construction and permanent financing. Foundation Communities has closed on the land and commenced construction in April 2018. First residents are projected to move in late 2019.

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

- Affordable 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 competitive process, will build affordable for-sale homes in accordance with the same design guidelines that apply to market-rate homes.
- Affordable for-sale homes will encompass a variety of Mueller home product types including row homes, yard homes, Mueller House and other condominium product types. Unit size will be managed to keep pricing affordable through market mechanisms.
- 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 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 have been sold to income qualified families earning 80% MFI or less.
- David Weekley Homes and Standard Pacific 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 have been sold to income qualified families earning 80% MFI or less.
- The fourth phase of for-sale residential subdivision includes 97 affordable homes including 21 yard homes, 52 row homes, and 24 Mueller House homes. David Weekley Homes, Standard Pacific Homes and Streetman Homes built both market rate homes and affordable homes for this phase. David Weekley has sold all 21 affordable garden homes and 16 row homes, Standard Pacific has sold all 24 affordable Mueller homes, and Streetman has sold 36 affordable row homes to income qualified families earning 80% MFI or less.
- The fifth phase of for-sale residential subdivision includes 70 affordable homes including 14 yard homes and 56 row homes. David Weekley Homes and Standard Pacific Homes are builders for both the market rate and affordable homes for this phase. David Weekley has 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 including 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 affordable homes. All the lots have been completed and delivered to the builders. David Weekley has closed 59 affordable row homes in this section with 22 homes remaining. CalAtlantic currently has 8 affordable row homes under construction with 48 homes remaining.
- The seventh phase of for-sale residential subdivision includes 61 affordable homes including 32 row homes, 5 yard homes and 24 Mueller House homes. Currently 37 affordable homes have been contracted with David Weekley Homes. The first phase lots in 10A1 were delivered to David Weekley in April

2018 and the second phase lots are projected to be delivered in the 3rd quarter of 2018.

- 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 and David Weekley Homes and CalAtlantic Homes are the builders. To date, David Weekley has sold 16 workforce homes and CalAtlantic has 5 workforce homes under construction. The seventh phase contains 20 workforce homes and Catellus has executed a contract with David Weekley Homes for 16 homes.
- Two additional residential parcels will 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.
- Home builders are offering 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 396 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 non-profit 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 \$31,299,062 in soft second liens. In addition, the Mueller Foundation executed its purchase option and right of first refusal on 71 affordable re-sale homes, successfully resold the homes to households earning between 18.7% and 120% MFI. In addition, 71 of the affordable homes have been refinanced, saving the homeowners an average of approximately \$117 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 their valuation methodology in 2014. As a result, after the first year of ownership, affordable homes began being appraised at the same value as conventional 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 2016 a partial resolution between TCAD and the Mueller Foundation was reached on some of the affordable homes, and we have continued to work with TCAD to reach an agreement for all homeowners. 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	29	14
	Cumulative	547	29	404
For Rent	Current Reporting Period	0	132	214
	Cumulative	701	132	559
Total	Current Reporting Period	0	161	228
	Cumulative	1248	161	963

Type	Total # of Homes Offered	Total # of Affordable Homes Contracted	% of Affordable Homes
For-Sale*	2024	547	27.0%
For Rent	2113	701	33.2%
Overall	4137	1248	30.2%

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**	3%	8%	21%	51%	17%

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%	19%	73%	1%

Notes:

*Additional 59 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.