

Independent Accountant's Report On Applying Agreed-Upon Procedures

Mr. Rodney Gonzales, Deputy Director
City of Austin
Economic Growth and Redevelopment Services Office
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We have performed the procedures enumerated below, which were agreed to by the City of Austin ("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 with certain provisions, as described below, of the Chapter 380 Economic Development Agreement ("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 and inspected the Domain Fund Allocation, Fourth Annual Report provided by the Simon Property Group and related supporting documentation and confirmed that the Domain Fund Allocation, Fourth Annual Report included the following information:
 - a. The date each local business opened at the Domain, and
 - 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 procedure.

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2. With reference to Section 4(c) and Exhibit C of the Agreement, we obtained and inspected documents described below and confirmed that the Project's 416 residential units complied with S.M.A.R.T. Housing guidelines as follows:
 - a. We inspected a letter dated August 22, 2011 from the City to Residences at the Domain and confirmed that, according to the letter, Residences at the Domain was in compliance with applicable affordability requirements and that Neighborhood Housing and Community Development ("NHCD") confirmed that the 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 December 15, 2011 from the City to Villages at the Domain and confirmed that, according to the letter, Villages at the Domain was in compliance with applicable affordability requirements and that NHCD confirmed that the 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 provided by Simon Property Group and the City Summary of Tenant Employment Reports. We confirmed that the City Summary reflects the information in the Tenant Employment Reports.
 - b. Using the City Summary provided at 3a, we calculated the average number of FTE employees 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.

- c. We obtained the sample selected by the City of commercial tenants whose reported employees are at least 10% of the FTE's reported for Year 4. For each business in the sample selected by the City, we inspected that business' payroll or schedule on which one or more Tenant Employment Reports is based. We compared the number of employees in each of the following categories to those reported:

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 and

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 FTE employees 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 FTE employees to be mathematically correct.

- e. We calculated the average number of Year 4 commercial tenant FTE employees by calculating the average over the four reporting periods of the sum of:

The number of FTE employees verified in 3c, and

The number of FTE employees reported and not sampled multiplied by the ratio (FTE employees verified) / (FTE employees reported on the TER's sampled).

We confirmed that the number of Year 4 commercial tenant FTE employees calculated above was 1,130.

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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, EGRSO Redevelopment Project Manager and confirmed that 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 that 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 Report received from the Texas Comptroller of Public Accounts. We confirmed that the sum of the tax payments to the City for the filing period May 2010 through April 2011 amounted to \$2,027,147.39. We confirmed that 82% of \$2,027,147.39 is \$1,662,260.86 and that 2% of \$2,027,147.39 is \$40,542.95.

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 April 19, 2011 correspondence to Kathleen Shields of Simon Property Group and we confirmed that the correspondence included a copy of the enclosed check #3335783 in the amount of \$1,535,201.31 from City of Austin to the Domain representing the City's Year 3 Chapter 380 payment.
 - b. We obtained and inspected the April 28, 2011 correspondence from Kathleen Shields of Simon Property Group that included a copy of the enclosed check #47352001 in the amount of \$33,148.59 from Domain to the City and we confirmed that the Domain remitted the check to the City within 13 days of May 2, 2011.

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

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 October 30, 2011 Chapter 380 Payment; the Travis Central Appraisal District's 2010 Certified Valuations for parcels 0256060203, 0256060204, 0256060205, 0256060302, 0256060303, 0256060304, 025606305 and 0256060306 and the Travis County Tax Statements for parcels 0256060203, 0256060204, 0256060205, 0256060302, 0256060303, 0256060304, 025606305 and 0256060306.

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

- b. We recalculated 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 that the baseline value of the 53.16 acres recalculated as noted 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 that 25% of the incremental property taxes for the 53.16 acres is \$195,266.01 by inspecting the Calculation of Domain 2011 Chapter 380 Payment based on 2010 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 January 11, 2011, January 31, 2011 or March 8, 2011 for parcels 0256060203, 0256060204, 0256060205, 0256060302, 0256060303, 0256060304, 0256060305 and 0256060306. We confirmed that 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/redevelopment/edagreements.htm> provided by the City and we confirmed that total payments from the City to the Domain as of September 14, 2011 totaled \$3,845,691.29.

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

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- b. We obtained and inspected email correspondence dated January 6, 2012 from Katie Petersen at Travis County to Terry Franz of the EGRSO and we confirmed that Travis County had paid Chapter 381 payments to Simon Property Group in the amount of \$368,248.54 as of January 6, 2012.

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

- c. We confirmed that Travis County's \$368,248.54 payment to Simon Property Group is less than \$1,373,096 which is the cost agreed upon by the Simon Property Group and the City of 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., LLP

Certified Public Accountants
Austin, Texas