



## **SUSTAINING AFFORDABILITY AT MUELLER FREQUENTLY ASKED QUESTIONS AND ANSWERS**

***THIS INFORMATION IS PROVIDED AS A GENERAL RESOURCE AND IS NOT INTENDED TO FULLY DESCRIBE OR DISCLOSE ALL REQUIREMENTS OR RESTRICTIONS OF THE MUELLER AFFORDABLE HOMES PROGRAM. PROGRAM RULES ARE SUBJECT TO CHANGE.***

### **How big is the Mueller Affordable Homes Program?**

The Affordable Homes Program will include a minimum of 25 percent of Mueller’s for-sale and for-rent residences, or at least 1,250 affordable homes over the entire project.

As a percentage of total housing, Mueller’s Affordable Homes Program is larger than that of similar developments around the country, such as the redevelopment of Denver’s Stapleton Airport. The program’s 25 percent minimum also exceeds what’s required by inclusionary zoning ordinances (where all new residential developments must contain affordable homes) in Boston, San Diego, San Francisco, Denver and other cities.

### **Where are the affordable homes within Mueller?**

The Mueller Affordable Homes Program includes for-sale and for-rent residences throughout the community. Each for-sale or for-rent phase may have more or less than 25 percent of its combined for-sale and for-rent homes included in the Affordable Homes Program, as long as the total for the community reaches 25 percent. For-sale affordable homes will be interspersed alongside market-rate housing within each phase.

For-rent Affordable Homes will be available in each market-rate Mueller apartment building as well as in designated properties, targeted to seniors and working families, which will be predominately affordable. All market-rate rental properties will have at least 10 percent of their units in the Affordable Homes Program.

### **Do affordable houses at Mueller look like other homes?**

Yes. All housing at Mueller, in every price range, is designed in accordance with the Mueller master plan and design guidelines, which are governed by Mueller’s New Construction Council. The Mueller Affordable Homes Program includes houses, condos and apartments consistent with the Mueller master plan and design guidelines. They may be smaller in some cases and/or may contain less expensive finishes or features than are offered in market-rate housing, but both construction and design are consistent with other homes built at Mueller.



Currently, the builders constructing affordable housing at Mueller are also constructing market-rate housing in the community. Mueller’s affordable homes also comply with the City of Austin’s SMART Housing™ guidelines and are required to attain a minimum three-star rating in the Austin Energy Green Building Program.

**Who is eligible for an affordable home at Mueller?**

For-sale units in the Mueller Affordable Homes Program will be marketed to families at or below 80 percent of Austin median family income (MFI). For rental units, the overall affordability benchmark is 60 percent of MFI. Please see the Eligibility Instructions for additional qualification requirements for purchasing an affordable home at Mueller.

**What is Median Family Income?**

Median Family Income (MFI) is a leading economic calculation commonly used as a benchmark in affordable homes programs. MFI is an annual gross income figure. The U.S. Department for Housing and Urban Development (HUD) determines the median family income for the Austin area annually.

**So what does 80 percent or 60 percent of MFI mean in dollar terms?**

For 2010\*, MFI for Austin and Travis County is \$73,800 for a family of four. That means that 80 percent of MFI — the threshold for a for-sale Mueller affordable home — is \$59,050 for a family of four (\$41,350 for a single person). The for-rent affordability threshold of 60 percent of MFI is \$44,280 for a family of four (\$31,020 for a single person). The most recent MFI Chart can be found at [www.MuellerAustin.com](http://www.MuellerAustin.com).

\*MFI numbers change annually.

**What if I make more than 80 percent of MFI but I can’t currently afford a house in Austin? Will there be anything for me at Mueller?**

The more than 4,900 housing units currently planned for Mueller include a wide array of product types — yard houses, row houses, live/work houses, Mueller House condos and other condos, future home types and apartments, all in various sizes and locations and with various features and amenities. Because of this great diversity of options, Mueller will have housing options available to households with a broad range of incomes.

**What if I make a lot less than 80 percent or 60 percent of MFI? Will I ever be able to afford to live at Mueller?**

Catellus has committed to pursue strategies that may allow for deeper affordability at Mueller — making for-sale and for-rent housing available for families earning incomes below the 80% or 60% MFI benchmarks that could result in housing being available to meet this goal at Mueller in



the future. For example, Wildflower Terrace, a predominately affordable senior housing community, will have units available for-rent for seniors with incomes as low as 30% MFI.

### **How much do Mueller's affordable homes cost?**

Housing in the Mueller Affordable Homes Program is priced to allow buyers and tenants to spend no more than 30 percent of their gross income on housing. The for-sale Mueller affordable homes are estimated to be priced between \$120,000 and \$170,000. Apartments will be affordably priced depending on the size of the household and of the rental unit.

### **How does someone qualify for an affordable home at Mueller?**

As part of the sales process, prospective buyers in the Mueller Affordable Homes Program go through an income and asset certification process to verify their eligibility to purchase an affordable home at Mueller. Prospective buyers must also qualify for a home mortgage. Prospective tenants in Mueller's affordable rental apartments will also be income-certified by rental property owners before signing their leases. This certification occurs annually.

### **What happens if income increases after the homeowner moves into his or her affordable home?**

This is only a concern for renters. Purchasers of affordable homes do not need to have their income recertified in the future.

The guidelines of the Mueller Affordable Homes Program, and of most rental affordability programs, allow for tenants' incomes to increase after move-in, up to what's defined under federal guidelines as "140% of 60% of MFI." In 2010, 60% of MFI for a single person is just over \$31,000. Therefore, a single tenant could see his/her income increase after move-in to approximately \$42,000 without affecting his/her eligibility to rent a Mueller affordable home. (The MFI benchmarks change every year, so these figures are approximate and used as examples only.)

If the annual income certification shows that a tenant's income increases to above "140% of 60% of MFI," then the tenant is no longer eligible for Mueller's Affordable Homes Program and will need to pay market rate rents.

### **What kind of counseling is available?**

Mueller's partners provide homebuyer education and credit counseling for buyers who are purchasing an affordable home.

PeopleTrust, Mueller's Affordable Homes Program manager, is a non-profit organization that administers the Mueller Shared Appreciation Program. PeopleTrust coordinates Shared



Appreciation Orientation Sessions to address any questions that affordable buyers may have about the program.

### **What is the Mueller Shared Appreciation Program?**

When purchasing an affordable home at Mueller, homebuyers enter into what could be described as a partnership with the Mueller Foundation a 501c(3) non-profit corporation created to support the Mueller community's vision and goals including affordable housing. The market value for the Mueller affordable homes are higher than the affordable price being paid by the homebuyer.

The Mueller Foundation is, in effect, making up the difference between the sales price and the market value of the home, and will hold a second lien on the home for that amount. For example, if a buyer pays \$150,000 for an affordable home whose appraised value is really \$200,000, the Mueller Foundation will hold a second lien for \$50,000.

When that home is later sold, the Mueller Foundation will get paid back the amount of that second lien from the sales price. (This happens after the remaining primary mortgage is paid and the owner is repaid the initial down payment and equity invested in paying down the primary mortgage). If, as often happens, the home has increased in value, the owner and the Mueller Foundation both share in the resulting gain.

To continue our example, if the home described above resells for \$250,000, once the mortgage, owner's equity and second lien are repaid, there will be \$50,000 left over in gains. Since the Mueller Foundation's contribution was 25% of the initial value of the home, the Foundation will receive 25% of the gain, or \$12,500, with the remaining 75%, or \$37,500, going as gain to the homeowner.

This shared appreciation system allows affordable buyers to build equity and realize the value of their investment in real estate, while also allowing the Foundation to reinvest its funds in the Affordable Homes Program and sustain affordability at Mueller.

### **So does that mean the homeowner really only owns 75% of the home?**

No. The Foundation's contribution is a second mortgage, except that buyers don't have to pay interest on it or make monthly payments to the Foundation for 30 years.

The Foundation does, as a lien holder, retain certain rights including the right to have its contribution repaid in the event that a buyer vacates or rents out the property, defaults on the primary mortgage or refinances the home without the Foundation's prior approval.



**Does Mueller’s shared-equity program mean an affordable homebuyer will never own his or her home?**

No. When a homebuyer signs the final paperwork and closes on his or her home, the homebuyer owns the home. Lienholders do not have ownership interest in a home, only security against it to protect their loans. The only difference is that under Mueller’s shared appreciation program, the affordable home will carry two liens instead of one. The first lien would be the primary mortgage, as with any other home. The smaller lien will be held by the Mueller Foundation.

**If a homebuyer buys an affordable home at Mueller, can he or she sell it later?**

In the first year of owning an affordable home at Mueller, the owner may sell back the home at the initial affordable purchase price to the Mueller Foundation. After one year, buyers can sell their homes and share the gains realized from the sale with the Mueller Foundation, the non-profit corporation that implements the Shared Appreciation Program (as described above).

**What happens if the home does not increase in value, or if the home decreases in value?**

The Mueller Foundation is only repaid from net gain on the home at resale. If the home does not increase in value, then the Mueller Foundation only recoups the amount of the second lien, because there is no gain to share. If the value of the home decreases, the Mueller Foundation’s second lien is repaid based on available net proceeds after the primary mortgage and owner’s equity is repaid, if any.

**Can an affordable homeowner modify his or her home without POA or Mueller Foundation approval?**

All exterior changes must be submitted for approval by the POA’s Modification Committee for both affordable and market-rate homes.

The owner is required to get Mueller Foundation approval if the modifications will require a building permit. The affordable owner must provide a copy of any plans for any proposed improvements, an estimated budget of the projected costs and evidence that all necessary building permits for construction have been secured prior to commencing construction, in order for the Mueller Foundation to approve the improvements. This is necessary to ensure that any structural, mechanical, electrical and code compliance issues are addressed, in order to maintain a safe, affordable housing stock in Mueller.

**Does the homeowner get a “credit” for any improvements made to the home?**

The Mueller Foundation will not “credit” the cost of improvements to the homeowner, though these improvements may add to the home’s appreciation value at resale.



### **Can the homeowner pay off the Mueller Foundation's second lien?**

Mueller's Affordable Homes Program is primarily designed to offer the opportunity of home ownership to qualified buyers who typically cannot pay off such a loan before it is due. While the homeowner may repay the second lien amount, it may not be to the homeowner's advantage to do so. The shared equity amount cannot be prepaid.

### **Would the homeowner have to sell the home to another income-qualified buyer?**

Not necessarily. The Mueller Foundation has first right of refusal to offer to buy the home itself at fair market value after the first year and then resell it to another income-qualified buyer, or the home could be sold to a market-rate buyer.

### **Is this the same as a land trust?**

No, although a community land trust is another shared equity tool used to make housing more affordable. In a land trust, the purchaser owns the home but not the land on which it sits. Typically, in a land-trust program, when a homeowner wants to sell, the home would have to go to another qualified affordable buyer, since the land trust would retain ownership of the underlying property. This is not the case with the for-sale affordable homes now being built at Mueller.

### **Are all the for-sale affordable homes at Mueller being sold this way?**

All the for-sale homes currently being sold through the Affordable Homes Program will include these shared-appreciation provisions. Future for-sale affordable homes at Mueller may be sold using different terms in order to meet the needs of a range of homebuyers.

### **Can the homeowner refinance or pull equity from the home?**

Yes, if the Mueller Foundation has received proper notice and approves the refinancing. Since refinancing changes the owner's equity in the property, and since the Mueller Foundation is sharing in that equity, refinancing has to be done under terms that are agreeable to both the owner and the Foundation.

### **What happens when the home is ready to be re-sold?**

When the homeowner decides to sell his home, he/she must give the Mueller Foundation notice of intent to sell in writing by certified mail. The Mueller Foundation then has 45 days to inform the homeowner of its intent to buy the home.



**Can a homeowner pass on his or her home through inheritance? What happens to the second lien? Does my son/daughter have to purchase it at market price?**

In the event of the original homeowner’s death, the home’s title would pass to the homeowner’s designated recipients in accordance with any legal will and/or Texas law. There would be no need for heirs to “repurchase” or income qualify for the home; however, any liens for the first and second mortgages would still exist.

**Will taxes be assessed on the value of the home or the sales price?**

TCAD is currently assessing homes in the Mueller Affordable Homes Program at the original sales price for the first year of ownership. After the first year, the property has the potential to increase in value, but will be limited to a 10% increase in assessed value per year if the property is declared as a homestead. Knowing your rights and responsibilities is key to home ownership. Please visit <http://www.traviscad.org/FAQ.pdf> for more information about Travis County’s tax appraisal process and how you can address your home’s tax assessment.

**Can the homeowner ever lease his/her property to a third party?**

No, because that would defeat the purpose and spirit of selling the home to a qualified affordable buyer. By renting the home to a third party, the homeowner would effectively become an investor.

**Could the homeowner take on a roommate or boarder that is not on the deed?**

Yes, as long as the homeowner continues to occupy the home. The rules for roommates and boarders are governed by the Mueller Community Association (the property owners’ association or POA). Please consult the Mueller Community Association for complete guidelines.