



SUSTAINING AFFORDABILITY AT MUELLER

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OVERVIEW

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The new Mueller community — a redevelopment of Austin’s former Robert Mueller Municipal Airport — is the product of a public-private relationship between the City of Austin and Catellus Austin, LLC, the master developer. The concept of Mueller as a mixed-use, mixed-income community that responds to civic needs and goals is one that dates back many years, and the planning and execution of the redevelopment has involved substantial citizen input. This community vision includes specific goals that encourage Mueller to set new standards for the Central Texas region and beyond in terms of affordability, accessibility, diversity and sustainability.

THE MUELLER FOUNDATION

The Mueller Foundation (the “Foundation”) was created by Catellus to provide a long-term mechanism for implementing, supporting and providing funds for certain public purposes and benefits that derive from Mueller’s community vision and goals. The Foundation is being organized as a Texas nonprofit 501(c)(3) tax-exempt corporation.

WHY SHARED APPRECIATION?

The purpose of the Mueller Shared Appreciation Program is to promote affordability of homes now and into the future. The Foundation, in conjunction with Catellus and the homebuilder, helps make homes at Mueller accessible to affordable buyers. In an effort to provide funding for long-term affordability at Mueller, the Foundation will utilize a shared appreciation approach, secured by a second lien and purchase option on your home. This approach allows the homebuyer to realize appreciation on his or her investment, while providing that the Foundation also realizes appreciation, on the assistance provided, to support the long-term benefit of affordability at Mueller. Upon the re-sale of the home, the shared appreciation mortgage fairly allocates between the original homebuyer and the Foundation any increase in value of the home. This sharing will help fund the protection of home affordability for future generations of buyers, while allowing the homeowner to benefit from their home’s appreciation.

THE PROGRAM

SHARED APPRECIATION

A home is typically a good investment because the home's value can increase over time. When the day comes that a homeowner decides to sell his or her home, it may have appreciated in value resulting in a sales price higher than the original purchase price. The Mueller Shared Appreciation Program is designed so that the homeowner will benefit from any appreciation over the price he or she paid for the home. However, because the price paid was less than the market value of the home, the Mueller Shared Appreciation Program also requires that the homeowner, upon sale of their home, i) pay the Foundation the difference between their initial purchase price and the initial market value as well as ii) share a portion of the increase in value (appreciation gained) on a proportional basis with the Foundation. Along with the homebuilders' contribution to homebuyer education, the Foundation's portion of the shared funds will be used to assist other income-qualified homeowners and homebuyers in purchasing homes. It also will support other programs that provide assistance for affordable housing in the Mueller community consistent with the Mueller vision.

HOW THE PROGRAM WORKS

The amount of the Foundation's contribution is established at the time of the initial purchase of the home at Mueller. The amount is calculated by subtracting the fair market *appraised* value at the time of the initial sale from the *actual* initial purchase price of the home. When the home is resold, the Foundation's contribution is recaptured from any gain, and any additional increase in equity is partially shared between the homeowner and the Foundation, as follows:

FOR EXAMPLE:

Appraised Value of Home	\$250,000	100%
Affordable Sales Price of Home	\$150,000	60%
<i>Buyer Equity (5% down payment) at Purchase</i>	\$7,500	
<i>Primary Mortgage Amount</i>	\$142,500	
Mueller Foundation Contribution (Shared Appreciation Second Lien)	\$100,000	40%
Funds from Resale	\$285,000	
Affordable Sales Price of Home	\$150,000	
<i>(Owner Equity on Resale)</i>	\$15,000	
<i>Primary Mortgage Amount</i>	\$135,000	
Mueller Foundation Contribution (Shared Appreciation Second Lien)	\$100,000	
Equity to be Shared	\$35,000	
% of Shared Equity to Owner (gross of Seller paid closing costs)	\$21,000	60%
% of Shared Equity to Mueller Foundation	\$14,000	40%

* The % of Shared Equity to the Owner is the profit the homeowner would receive from the sale. The % of Shared Equity to the Mueller Foundation along with the Mueller Foundation Contribution is the amount the Foundation receives to reinvest in long-term affordability at Mueller. *This above chart is an example only. Catellus, homebuilder, and the Foundation do not represent that anyone's home will increase in value.*

At the closing of the sale of the owner's home to another buyer, the title company will be responsible for making sure that everyone is paid correctly. In accordance with the purchase agreement, the legal documents and program guidelines:

1. The title company will first pay the closing costs and then, out of the Funds from Resale, the homeowner's primary mortgage balance.
2. The title company will then pay the homeowner back its initial down payment and equity invested by paying down the first lien mortgage out of the Funds from Resale.
3. Then the title company will pay the second lien held by the Foundation out of the Funds from Resale.
4. The amount left over is the appreciation that will be shared between the homeowner and the Foundation.

The sharing of appreciation in many ways is like a partnership — the Foundation partners with the homeowner to buy the home. When the homeowner sells the home the profit is shared with the Foundation in exchange for the assistance received when the homeowner initially purchased the home.

OTHER CONSIDERATIONS

The funds from resale of the home are defined as the greater of the actual sales price or the appraised value in order to determine the true value of the home. This helps ensure the Foundation receives its fair proportion of appreciation in connection with any sale and helps prevent abuse of the Program.

Homeowners cannot rent their homes for investment purposes.

The Foundation has a First Right of Refusal to purchase the home. Should the homeowner need to sell it during the first year of occupancy, the Foundation's purchase price is the amount that was paid for the property, the initial affordable price. After the first year of occupancy, the Foundation may repurchase the home at the then appraised value.

Refinancing (without the Foundation's consent), renting out the house or defaulting on the primary mortgage may cause the Foundation's contribution to become due and payable and may also trigger the Foundation's First Right of Refusal. This helps to protect the Foundation's investment and ensure that affordable homes remain owner-occupied.