



City of Austin

Neighborhood Housing and Community Development

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TO: Mayor and Council Members

FROM: Rosie Truelove, Interim Director 
Neighborhood Housing and Community Development

DATE: August 19, 2016

SUBJECT: KXAN News Story on City Funding Provided to Affordable Housing Developments on the Repeat Offender List

On Wednesday, August 10, 2016 KXAN aired an investigative story that touched on several elements, including multi-family properties on the “Repeat Offender List,” enforcement activities by the Austin Code Department, and funding from Neighborhood Housing and Community Development (NHCD) received by properties on the Repeat Offender List.

The purpose of this memorandum is to provide you with accurate information and to clarify statements made in the report such as one that asserted as much as “\$13 million [of taxpayer funds]” was provided to one property. Below is a table that was posted to the KXAN.com website.

Property	City Funds	# of Affordable Units	# of Violations
Cross Creek Apartments	\$2,000,000	200	73
The Palms on Lamar	\$3,000,000	215	5
Fairway Village Apartments	\$3,523,000	128	65
Villas Del Sol	\$12,590,00	294	246

The latter two properties, Fairway Village Apartments and Villas Del Sol (formerly Rutland Place Apartments) did not receive taxpayer funding. The dollar amounts shown are the amount of Private Activity Bonds that were issued by the Austin Housing Finance Corporation (AHFC) to fund the rehabilitation of those properties.

AHFC is authorized to issue Private Activity Bonds under Chapter 349 of the Texas Local Government Code. The bonds can be issued for the purpose of generating funds that will finance the new construction or rehabilitation of affordable housing. Investors purchase these bonds which creates a pool of funds to carry out the activities to be financed. The rehabilitation of Fairway Village and Villas Del Sol were financed by the sale of bonds, and taxpayer dollars were not spent on these properties as the news story claimed. Private Activity Bonds issued by AHFC are not obligations of the City of Austin or AHFC.

The funds generated through the sale of the bonds do not become part of AHFC's budget and are not under the control of the City or AHFC. The bonds are repaid through the collection of rents over time, and the funds collected are remitted to and disbursed by a Trustee that is typically a bank or financial services company.

Update on Fairway Village and Villas Del Sol Apartments

The bonds for Fairway Village were issued in 2000 and were paid off on December 13, 2012 when the property was sold, according to AHFC staff who have direct knowledge of the sales transaction. The bonds for Villas Del Sol were issued in 1998 for what was then called the Rutland Place Apartments and were paid off on March 29, 2012 when the property was sold, according to the former bond Trustee, Sun Trust Bank.

We are working with the Communications and Public Information Office to ensure that KXAN receives this clarification. If you have any questions, please don't hesitate to contact me.

cc: Marc A. Ott, City Manager
Bert Lumbreras, Assistant City Manager
Doug Matthews, Chief Communications Officer