

Phantom Funds II: Where's the Money? That's (Still) the Question

by Katie Walsh

In June of this year, *TODD Austin* explored the questionable use of taxpayer-funded federal grants in City of Austin housing programs, focusing on the story of one loan client, Allissa Chambers. Chambers fought a lengthy legal battle with the City after their contractor breached the contract and abandoned her home, leaving behind botched and incomplete work and extreme levels of lead contamination. While the City never produced a Certificate of Completion for the job, Chambers claims she was forced to inhabit the hazardous home and pay down a loan that appears to have never been released.

The well-documented questions of forgery, fraud and housing fund mismanagement raised by Chambers' case remain unanswered by City and County officials, despite numerous requests for outside investigation. According to Clint Smith of the advocacy organization Gray Panthers, this lack of response is in direct violation of Title 18 of U.S. Code.

But these questions aren't unique to Chambers' story, nor to the City of Austin. Several citizen complaints, isolated cases covered in the mainstream media and investigations and indictments in other municipal governments illustrate a pattern of localized corruption on a national scale.

PATTERNS & PRACTICES

One recurring theme is the lack of proper accounting of how housing funds are allocated and spent. Research conducted by Austinites Lobbying for Municipal Accountability (ALMA) via open records requests revealed that roughly 48 of 115 affordable housing clients were not reachable at the project address, and in fact that several project addresses appeared to be empty lots—a curious finding within a program that claims to help families stay in their homes.

In 2009, the *Austin American-Statesman* reported that a federal audit of the Housing Authority of Travis County uncovered more than \$3 million in unaccounted for federal monies. Several Austinites who have participated in affordable housing and home loan programs mention other common themes: a lack of responsiveness and communication at the City, incomplete and substandard work, failure to complete projects on time, failure to honor warranties, contracts and agreements and pressure to sign off on premature payments in order to keep projects moving.

Along with the cases of Joan Sutton and Ophelia Micilia described in the June 2010 issue, a number of other individuals have spoken out about problems with City of Austin federally-funded programs. Joy Moore spent years living with gaps, cracks and lots of caulking—the only remedy her City contractor would provide for continuous repair problems on a home she purchased through the Dollar Home program. Even after a City official determined that the issues were related to substandard materials and workmanship, Moore was unable to obtain adequate repair until she contacted the U.S.

Department of Housing and Urban Development (HUD) directly.

A select few cases have received mainstream media attention: The *Austin Chronicle* has published a handful of Austin cases.

In 2003, they ran "Hard Luck in Heritage Heights," exploring the plight of renters at a federally funded affordable housing project in East Austin who'd had heavily advertised rent-to-own agreements silently pulled out from under them. "I just feel like I've been misled, no communication. I feel like they're not complying [and] informing me as to what I need to know," one tenant said.

The *Chronicle* also covered the struggle of the grassroots group "Juniper 5" in securing new or rehabilitated homes they'd applied for from the City of Austin and Austin Revitalization Authority (ARA), the nonprofit development company tasked with rehabilitating East 11th and 12th Streets.

Lack of communication, misinformation and the surrounding issues of the ARA's troubled financial history (which prompted FBI and HUD questioning the same year) all point to the same patterns. And those patterns extend beyond Austin city limits. After a lengthy FBI investigation, 16 Dallas City officials were indicted on bribery and extortion charges in 2007, involving the acceptance of bribes in return for affordable housing contracts.

The *Houston Chronicle* reported that 58-year-old Marsha Farmer fought the City of Houston for nearly eight years after uncovering mismanagement and improper spending related to her federally-funded home repair loan. The documentation she compiled showed that contractors regularly exaggerated material costs and charged the City for incomplete or poorly executed work. Her findings and resultant lawsuit against the City of Houston prompted a HUD investigation, ultimately resulting in a demanded repayment of \$15.5 million in misused federal housing dollars.

Cases have surfaced in San Antonio, Newark, New Jersey, Detroit and Washington D.C., to name a few.

WHY SO SILENT?

These issues gained the attention of Smith and the Gray Panthers in 2006, while Smith was serving as treasurer of HousingWorks, a local housing nonprofit. HousingWorks helped to secure \$55 million in local, voter-approved General Obligation (G.O.) bonds in 2006, to be used strictly for home rehabilitation efforts. So when five new City administrative positions were created and paid for with the bonds, Smith began asking questions.

"The HousingWorks board followed up with [then-Housing Director] Paul Hilgers about these bond issues and the newly created positions, and couldn't get any clear responses on how the money was being spent or whether it was legal by the City," Smith said. "My resignation from HousingWorks was due to the persistence of these unresolved, unanswered questions."

To be sure, several successful projects have come out of the \$55 million G.O. bonds, but transparency around the allocation and expenditure of the funds is, well, muddy. Last summer, nearly \$3 million of the sum suddenly became available for an affordable housing project in South Austin called the Village; a deal that raised criticism from the public for a number of reasons. Firstly, the developer collecting the funds was a former partner of then-Director of Neighborhood Housing and Community Development (NHCD), Margaret Shaw.

As *The Statesman* reported in June of 2009, the Village's land was fully subsidized, yet only one-fifth of the development's 240 units were priced below 50% median income—far fewer than most affordable complexes. The Village is also property tax-exempt, affording the for-profit developer significant tax breaks.

In the same month, another \$2 million of the G.O. Bonds surfaced for a home repair initiative. Smith claims that based on meeting minutes, Shaw "admitted to City Council members that [the City of Austin] had failed to make the funds available previously."

"Where did that money come from?" Smith wonders. "They'd told us that they 'couldn't find it' but Shaw could find \$2.9 million for her former partner? What happened to the rest of the \$55 million? These are the types of issues that have not been resolved."

When he couldn't get a substantial response to his questions, Smith partnered with ALMA and the Travis County Green Party (TCGP) in pursuit of "some real answers." In December of 2008, then-TCGP Chair Bill Holloway hand-delivered more than 150 pages of documentation related to City of Austin housing fund mismanagement to the Travis County DA. They've submitted a number of inquiries to the U.S. Attorney as well. Neither party has submitted any response.

To Smith, the silence is deafening. "How is it that these officials don't feel obligated by law to respond to inquiries from the public?" he asks. "In other jurisdictions, these kinds of questions have been investigated. Why not in Austin? Isn't it about time the public be given an explanation?"



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