

# Memorandum



CITY OF DALLAS

DATE June 17, 2016

TO Members of the Economic Development Committee:  
Rickey D. Callahan (Chair), Casey Thomas, II (Vice Chair), Adam Medrano,  
Lee M. Kleinman, Carolyn King Arnold, B. Adam McGough

SUBJECT **Proposed changes to the Certificate of Formation and Bylaws for the Dallas Development Fund**

At the June 15, 2016 City Council meeting, the agenda item related to proposed changes to the Certificate of Formation and Bylaws for the Dallas Development Fund (DDF) was sent back to the Economic Development Committee for further review.

The Dallas Development Fund is a city-controlled but independent 501(c)3 certified as a Community Development Entity (CDE) by the U.S. Treasury's CDFI Fund. The CDFI awards New Markets Tax Credit (NMTC) allocations to certified CDEs through a highly competitive process. DDF has received three allocations (in 2009, 2012 and 2014) and is the only Texas municipal CDE to ever have received an award.

DDF last updated its organizational documents in 2013 in response to comments from the IRS related to its 501(c)3 non-profit status designation. Since then, the CDFI Fund has increased the level of emphasis it places on the level and depth of Low Income Community (LIC) representation on CDE boards in its competitive scoring of NMTC applications. To comply with the CDFI Fund's preferences and remain competitive for future NMTC allocations, changes are recommended to DDF's bylaws related to LIC accountability. The other changes are related to DDF administration.

Specifically, the changes would do the following:

- Strengthens LIC accountability and broadens board eligibility
  - Board members can either be City of Dallas residents (existing) or a Dallas County resident that works for a Dallas-located LIC organization
  - Requires that 4 board members are LIC accountable (currently 3)
- Terms
  - Extends maximum term limit to 4 terms (8 years) for members
  - Staggers terms for existing class I members into "even" and "odd" terms to ensure board continuity (Class II members are already staggered because of year of appointment)
  - Two Class I members could serve until 2020 and two until 2021.
  - Creates a universal term end date (February 25)
- Additional minor changes
  - Clarifies nominating and approval methods for Class II members
  - Clarifies that a conflict of interests does not cause a loss of quorum

- Offices of Secretary and Treasurer must be either board members or City employees
- Roberts Rules of Order shall provide common rules and procedures unless otherwise specified in the bylaws

Low Income Community Accountability is a key consideration for the NMTC program. CDEs are required to document their LIC accountability through representation of either an advisory board or a governing board. DDF does not have a separate advisory board and demonstrates LIC accountability through its governing board. Nationally, LIC accountability for advisory boards range from 80%-100% and boards with a higher accountability percentage are at a competitive advantage in obtaining future NMTC allocations.

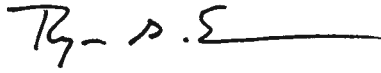
LIC accountability can be met by a variety of methods, as listed below. To meet LIC accountability, the LIC service must be within the CDE's service area (i.e. Dallas County):

1. Residing in a Low-Income Community;
2. Being a small business owner whose business is located in a Low-Income Community and whose business either provides goods and services to community residents or principally employs residents of Low-Income Communities;
3. Being an employee or board member of a non-affiliated community-based or charitable organization that provides more than 50% of its activities or services to Low-Income Persons (as defined in NMTC program regulations);
4. Being a religious leader whose congregation is based in a Low-Income Community;
5. Being an employee of a governmental agency (other than the City of Dallas) or department that principally serves Low-Income Communities or an employee of a governmental agency (other than the City of Dallas) or department whose daily job responsibility principally serves Low-Income Communities; or
6. Being or working for, an elected official whose constituency is comprised of Low-Income Communities or residents of Low-Income Communities

Also, having a substantially higher percentage of LIC-accountable members is a key risk protection- if a board member's sudden resignation, change of address, or change of job were to cause DDF to fall below 20% even briefly, DDF would likely be ineligible for any future allocations of NMTC, might lose all current/prior allocations, and be subject to multi-million-dollar indemnity liabilities on its prior NMTC transactions.

DDF currently has 5 LIC accountable members (4 by address, one by employment). The proposed change would provide a greater pool of potential board members with LIC accountability and would allow Dallas county residents, who are LIC accountable through employment or board membership of a Dallas-officed LIC entity (LIC accountability item 3) to be eligible for board membership. Dallas residents would continue to be eligible for board membership.

Please let me know if you have any questions.



**Ryan S. Evans**  
**First Assistant City Manager**

C: The Honorable Mayor and Members of the City Council  
A.C. Gonzalez, City Manager  
Christopher D. Bowers, Interim City Attorney  
Craig D. Kinton, City Auditor  
Rosa A. Rios, City Secretary  
Daniel F. Solis, Administrative Judge  
Eric D. Campbell, Assistant City Manager  
Jill A. Jordan, P.E., Assistant City Manager

Mark McDaniel, Assistant City Manager  
Joey Zapata, Assistant City Manager  
Jeanne Chipperfield, Chief Financial Officer  
Sana Syed, Public Information Officer  
Karl Zavitkovsky, Director, Office of Economic Development  
J. Hammond Perot, Assistant Director, Office of Economic Development  
Elsa Cantu, Assistant to the City Manager – Mayor & Council