

Memorandum



CITY OF DALLAS

DATE October 31, 2017

TO The Honorable Members of the Economic Development & Housing Committee:
Tennell Atkins, Chair, Rickey D. Callahan, Vice-Chair, Lee M. Kleinman,
Scott Griggs, Casey Thomas, II, B. Adam McGough, Mark Clayton, Kevin Felder,
Omar Narvaez

SUBJECT **Proposed Changes to South Dallas Fair Park Trust Fund Advisory Board**

On Monday, November 6, 2017, you will be briefed on proposed changes to the South Dallas Fair Park Trust Fund Advisory Board. The briefing materials are attached for your review.

Summary

The South Dallas Fair Park Trust Fund Advisory Board (Board) was created by the City Council in 1990 and is codified in Dallas City Code Sections 2-130 to 2-132. The Board makes recommendations to the City Council as to the use of certain funds designated for use in the neighborhoods surrounding Fair Park. Staff has a number of recommendations to clarify the Board's purpose and mission, and to improve staff management of the grants and loans recommended by the Board.

Issue

The Board was created as an economic development tool, but has become a method of funding social service programs. Staff management of the board has not complied with best practices or with city auditor recommendations.

Alternatives

Council could accept staff recommendations, issue its own recommendations, or leave the Board in its current form.

Fiscal Impact

The City provides up to \$1.3 M per year to benefit the areas surrounding Fair Park. The use of the funds is based on recommendations by the Board.

Departments/Committee Coordination

Office of Economic Development provides two full-time staff members to administer the loans and grants recommended by the Board and approved by the City Council.

Staff Recommendation

Staff recommends comprehensive changes to the Board's name, purpose, service area, funding recommendation types, application and review process, and loan/grant administration.

Should you have any questions, please contact me at (214) 671-5257.



Raquel Favela
Chief of Economic Development & Neighborhood Services

c: The Honorable Mayor and the Members of City Council	Jon Fortune, Assistant City Manager
T.C. Broadnax, City Manager	Jo M. (Jody) Puckett, P.E., Assistant City Manager (Interim)
Larry Casto, City Attorney	Joey Zapata, Assistant City Manager
Craig D. Kinton, City Auditor	M. Elizabeth Reich, Chief Financial Officer
Biliera Johnson, City Secretary (Interim)	Nadia Chandler Hardy, Chief of Community Services
Daniel F. Solis, Administrative Judge	Theresa O'Donnell, Chief of Resilience
Kimberly Bizzor Tolbert, Chief of Staff to the City Manager	Directors and Assistant Directors
Majed A. Al-Ghafry, Assistant City Manager	

South Dallas/Fair Park Trust Fund

**Economic Development and
Housing Committee
November 6, 2017**

**Robin Bentley, Assistant Director
Office of Economic Development
City of Dallas**



Presentation Overview

- Background/History
- 2014 City Auditor Report
- Proposed Program Changes
- Next Steps



Background/History

- **What is the South Dallas/Fair Park Trust Fund?**
 - The Fund is not a separate legal entity. It is an advisory board created by City Council resolution in 1990.
 - The Fund is not a “trust fund” where a trustee holds property for the benefit of a third party. Rather, the funds are held by the City and awarded based on recommendations made by the advisory board.
 - The advisory board is codified in Dallas City Code Sections 2-130 through 2-132.

Background/History

- **Advisory Board Membership**

- Each city council member appoints one of the 15 advisory board members. Board members serve two-year terms, continuing until their successors are appointed.
- **8 members** of the board must:
 - Be a resident of the Fund program area,
 - Be a representative of a cultural institution or other facility permanently housed at Fair Park,
 - Be the owner or operator of a business in the Fund program area, or
 - Be actively involved in the South Dallas/Fair Park community.
- **7 members** of the board must have substantial knowledge and expertise in housing development, business development and operations, non-profit management and operations, or general community development principals and practices.
- **2 members** must have loan underwriting experience.



Background/History

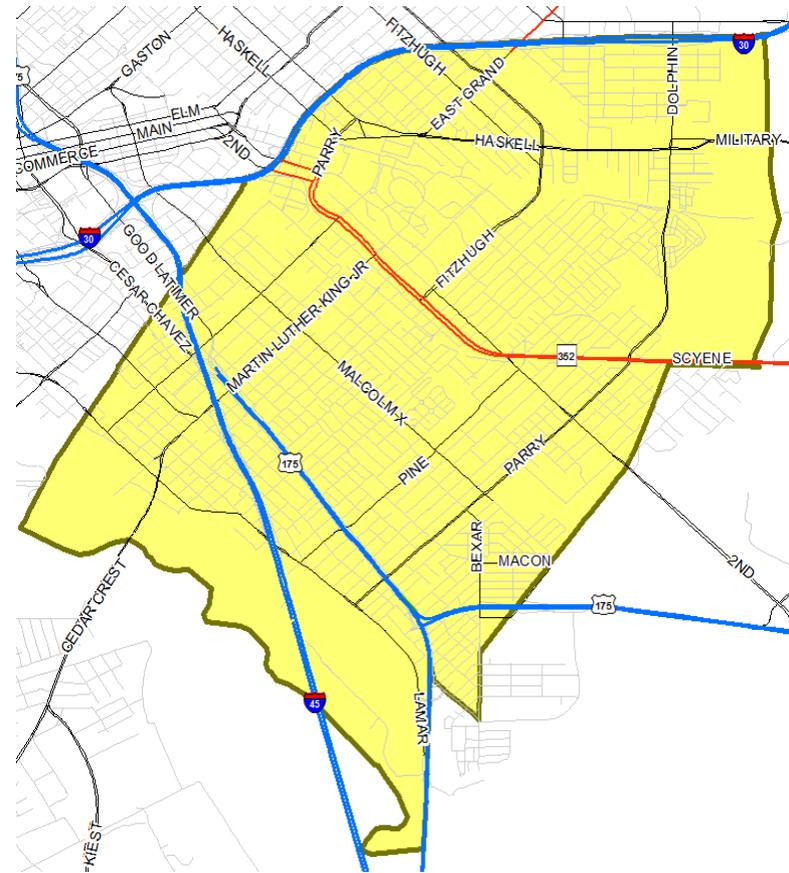
Member	Nominated By	Member Since	SDFP Ties	Industry Expertise	Underwriting
Amber Sims	CM Griggs	10/23/2015		x	
Jason Bradberry	CM Medrano	6/3/2014	x		
Benjamin Vann	CM Thomas	8/22/2017	x		
Damarcus Offord	CM Caraway	10/11/2017	x		
Angel Saucedo	CM Callahan	10/11/2017		x	
Kristian Hernandez	CM Narvaez	10/18/2017		x	
Byron Lattimore (Vice Chair)	CM Young	11/19/15		x	x
Tiffany Kamuche	CM Atkins	9/27/17	x		
Ryan Boyd	CM Clayton	9/6/2017		x	
Chequan Lewis (Chair)	CM McGough	10/5/2015	x		
Vacant	CM Kleinman				
Archie Nettles	CM Greyson	10/20/2015	x		
Vacant	CM Gates				
Callie Pruett	CM Kingston	10/10/2016		x	
Chris Thompson	Mayor Rawlings	3/9/2017		x	

Background/History

South Dallas/Fair Park Program Area

Trust funds must primarily support activities to assist residents, businesses, and programs in the target census tracts, business relocations to the area, or activities that would benefit the area, per CR 15-1264.

Target Census Tracts are 25, 27.01, 27.02, 34, 37, 38, 39.01, 39.02, 203, and 40.



Background/History

Trust Fund Purpose

- The purposes of the Trust Fund have changed over time.
- The following slides describe past and current council-approved purposes of the Trust Fund.



Background/History

Trust Fund Purpose – 1992 Guidelines

- The objective of the Trust Fund, per CR 92-1934, was to promote business development, jobs, and community services in the South Dallas/Fair Park area.
- Grants were to be focused on:
 - New and existing businesses
 - Micro-enterprises
 - Community-based organizations focused on housing rehabilitation
 - Job training programs
 - Non-profits and community-based organizations which promote business expansion, business creation, business creation, commercial investment, job creation, or community services which enable residents to secure or maintain employment

Background/History

Trust Fund Purpose – 1993 Long-Range Plan

- The 1992 guidelines were replaced by a 1993 “Long-Range Plan” which approved funding the following categories:
 - Business and economic development initiatives to improve business opportunities, create and retain jobs, and encourage affordable housing development.
 - Housing and neighborhood improvement projects to provide assistance for low cost repairs of owner-occupied residences and needed community improvements.
 - Community service programs to provide job-related and human services assistance.
- The Long-Range Plan was amended in 1999, 2004, 2006, and 2007.

Background/History

Trust Fund Purpose – Current Guidelines

- The 1993 Long-Range Plan (as amended) was replaced in 2015 by CR 15-1264.
- The 2015 resolution states that the goals of the Trust Fund are to facilitate community and neighborhood development through grants and loans to:
 - (1) support community programs that assist human service needs, and
 - (2) promote business and economic development activity.
- Funds must primarily support activities to assist residents, businesses, and programs in the target census tracts, business relocations to the area, or activities that would benefit the area.

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Background/History

Trust Fund Purpose – Current Guidelines (cont.)

Initiatives approved under CR 15-1264 include:

- **Business plan** and market analysis grants
- **Revolving fund** to provide low interest business loans up to \$50,000
- **Micro grants** of \$1,000 to \$2,000 for disaster situations
- **Community-based nonprofit organization grants** up to \$35,000
 - These require matching funds (up to 25% can be in-kind)
 - An organization may receive no more than 3 grants, and no more than \$75,000 total.
- **Challenge grants** up to \$5,000 for neighborhood groups.
 - Requires match, which can be cash, in-kind, or a combination
- **Public safety grants** up to \$10,000 for safety or crime reduction.
 - Available to neighborhood groups of non-profits, and can only be given three consecutive years.
- **Special Grant/Loan Program**, which is a broad category for catalyst funding for economic development purposes.
- **Donor designated grants**, when funded by private donors.

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Background/History

Staff Drafted Trust Fund Policies and Guidelines

- In addition to the Council-adopted policies and guidelines, staff drafted its own 70-page document entitled “South Dallas/Fair Park Trust Fund Policies and Guidelines.”
- The document include procedures as to how the council resolutions will be carried out.
- In some cases, however, the document expands upon or contradicts the council-approved guidelines.
 - For example, CR 15-1264 says that an organization can receive no more than three Community-Based Nonprofit Grants. The staff guidelines say that once an entity has received three grants, it must sit out two years and is then eligible to reapply.
 - The staff guidelines also refer to the 2006 and 2007 amendments to the Long-Range Plan, not the 2015 council guidelines.

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Background/History

Funding Sources

- From 1991 to 2015, the Trust Fund funding sources were:
 - Annual \$200,000 contribution from general fund
 - “Visitors Formula” funding as described in Appendix A
 - 15 cents for each amphitheater ticket
 - Half of profit from for-profit flea markets, antique shows, and similar events held at Fair Park
 - Loan repayments

Background/History

Funding Sources (cont.)

- In 2015, staff acknowledged that the “Visitors Formula” was never implemented and that no Visitors Formula appropriations had been identified.
- To replace those lost funds, the council approved four \$800,000 general fund payments beginning in FY 16/17, totaling \$3.2M. These funds are committed to the Special Grant/Loan Program for economic development purposes. (CR 15-1264)
- The first payment was made in July 2017. Three \$800,000 payments remain.

Background/History

Current Funding Sources

- **Fair Park Activities:** 15 cents for each amphitheater ticket sold, and 50% of flea market and antique show profits. The target from these sources is \$500,000 with an annual cap of \$1M. The Parks Department is charged with collecting and determining the accuracy of the number of tickets sold.
 - If the “Fair Park Activities” generate less than \$500,000 in any year, then OED’s PILOT funds will make up any difference.
 - In FY 15-16, Fair Park Activities generated \$110,388.60, and PILOT covered the remainder up to \$500,000.
 - In FY 16-17, Fair Park Activities generated \$57,560.60, and again PILOT will cover the remainder up to \$500,000.
- **General Funds:** Three remaining payments of \$800,000, to be made in FY 2017-18, 2018-19, and 2019-20.
- **Operating Revenue:** Loan repayments

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Background/History

Administration

- The Office of Economic Development administers the Trust Fund program
 - Two full-time staff members located at the Martin Luther King, Jr. Community Center
 - Per CR 15-1264, administrative costs are paid as follows:
 - From FY 2016-17 through FY 2020-21, the Trust Fund is to reimburse the City for all operating expenses.
 - Beginning in FY 2021-22, only 15% of budgeted staff costs are reimbursable by the Trust Fund. The remainder is paid for by the Office of Economic Development from general funds.

Background/History

SDFP Trust Fund Grants

- From FY 2005-06 to FY 2015-16, the advisory board recommended a total of \$3,551,730.25 in grants.
- Many grant recipients never executed contracts, or were unable to perform the requirements of their contracts, and only \$2,563,611.27 was paid to grant recipients.
- See grant handout for a complete history of Fund grants.

Background/History

SDFP Trust Fund Loans

- Since inception of the advisory board, 52 loans totaling \$1,431,651.00 have been made.
 - 34 loans paid in full.
 - 16 defaulted or filed for bankruptcy and were referred to CAO
 - 1 is still making payments and in good standing
 - 1 loan has no file

- See loan handout for a complete history of Fund loans.

2014 Audit

Audits

- City Auditor audits were completed in 2004, 2007, 2008, 2011, 2012, and 2014.
- **2014 Audit:**
 - The Audit found that:
 1. The Trust Fund performance measures do not include outcome measures to indicate whether:
 - Grants/loans facilitated new or sustained development in the community
 - Continuous public support of the same grant recipients is achieving desired results.
 2. The Trust Fund has not consistently managed grants and loans according to adopted policies and guidelines. Specifically:
 - Applications were approved without required documentation.
 - Certain grant procedures were not met.
 - Grant policies and checklists are not updated and consistently followed.

2014 Audit

In response to the findings, the City Auditor made a number of recommendations. A follow-up audit was completed on October 31, 2014 to establish whether recommendations had been implemented.

- **Recommendation One**: Director should develop outcome performance measures to address whether the Fund's grants and loans facilitate new or sustained economic and community development, and whether continuous public support of the same grant recipients is achieving the desired results.
 - **Staff Response**:
 - In October of 2014, the director agreed to implement this recommendation, and to implement the change in January of 2015.
 - In June of 2017, the director amended his response to disagree with the recommendation. This change was based on two things: (1) the Fund's programs do not require "new or sustained economic and community development" as a goal, and (2) since 95% of the grant funding is for "human services" and not economic development, linking the auditor's goal to these types of grants would be almost impossible.
 - **Follow-up Audit**: Not implemented.

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2014 Audit

- **Recommendation Two**: Director should ensure that all required documentation is obtained and verified for accuracy and completeness prior to approval of the grant/loan applications.
 - **Staff Response**: Staff agreed to immediately implement this recommendation.
 - **Follow-up Audit**: Not implemented.
- **Recommendation Three**: Director should identify third party solutions, including the IRS, to obtain timely verification of applicant's non-profit status.
 - **Staff Response**: Staff agreement to immediately implement this recommendation by using the IRS Charities and Non Profits section to verify status, and to print this verification for each file.
 - **Follow-up Audit**: Implemented.
- **Recommendation Four**: Director should re-assess the objective of the on-site notification letters and make necessary changes.
 - **Staff Response**: Staff agreement to immediately implement this recommendation.
 - **Follow-up Audit**: Implemented.

2014 Audit

- **Recommendation Five**: Director should ensure that policies and checklists are updated and consistently followed.
 - **Staff Response**: Staff agreed to implement this recommendation by November of 2015.
 - **Follow-up Audit**: Not implemented.
- **Recommendation Six**: Trust Fund should retain evidence to show that grantees attended required workshop
 - **Staff Response**: Staff agreement to immediately implement this recommendation by requiring signatures of workshop attendees.
 - **Follow-up Audit**: Implemented.

2014 Audit

- **Future Audit:** Based on conversations with the City Auditor, a future audit will be scheduled once the proposed changes discussed herein have been implemented.



Proposed Program Changes

- Based on Economic Development and Housing Committee members' comments at the last meeting, staff developed several recommendations to change the program.
- On Monday, October 30 staff met with the Fund's advisory board and reviewed staff's five proposed program changes.
- The next few slides include staff's proposal, the board's suggested changes, if any, and the impact of each proposed change.

Proposed Program Changes

1. Name Change:

- **Current Name:** "South Dallas Fair Park Trust Fund advisory board" per Dallas City Code Sections 2-130 through 2-132.
- **Staff Recommendation:** Amend Dallas City Code to change the name of the advisory board to the "South Dallas Fair Park Opportunity Fund advisory board"
- **Board Recommendation:** Amend Dallas City Code to change the name of the advisory board to the "South Dallas Fair Park Investment Fund advisory board"
- **Impact:** Decrease confusion about the existence of a trust entity.

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Proposed Program Changes

2. Purpose:

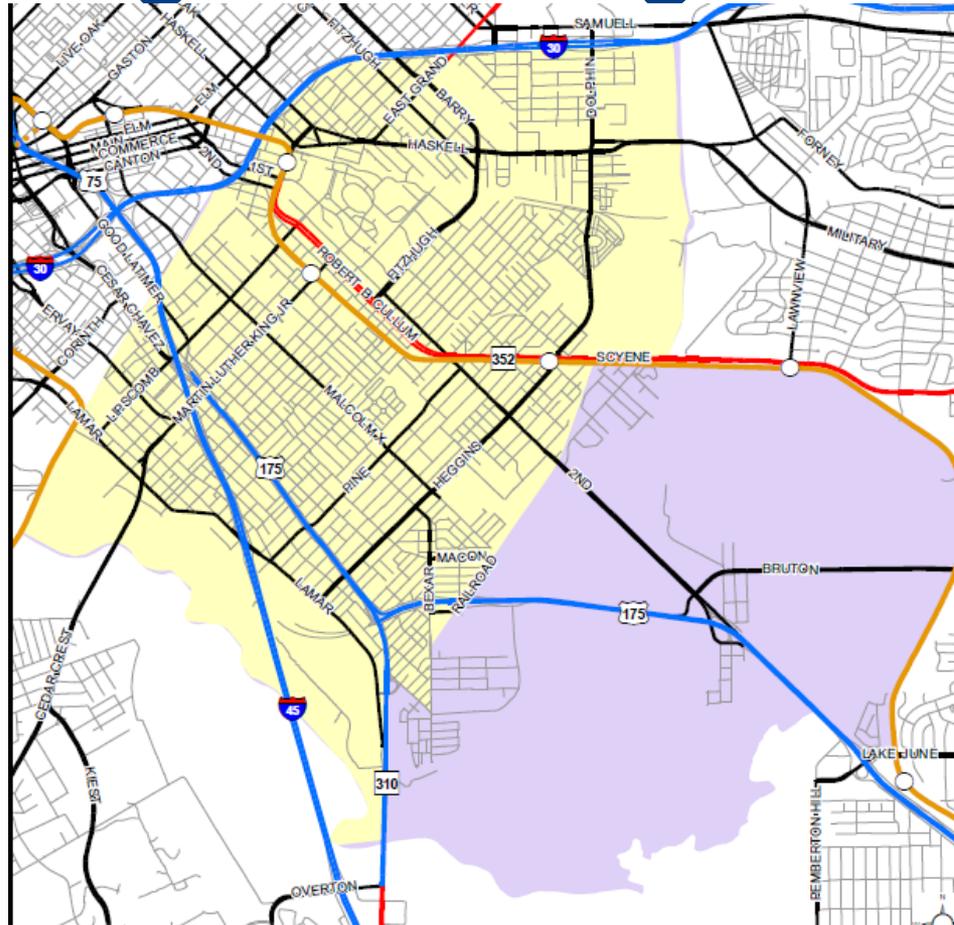
- **Current Policy:** CR 15-1264 allows funding awards for business and economic development activity and for human services activity. There is no floor or cap on the funding for either purpose.
- **Staff Recommendation:** Limit the Fund's purposes to economic development loan and grants in conformance with Chapter 380 of the Texas Local Government Code, plus a \$100,000 set-aside for social service awards that benefit the residents of the Fund geography.
- **Board Recommendation:** The board concurred with the staff recommendation.
- **Impact:** Address 2014 audit concerns about whether the Fund is facilitating new or sustained development in the community.

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Proposed Program Changes

3. Geography:

- **Current:** Map in yellow.
- **Staff recommendation:** Expand Fund footprint to include Census Tract 115 (shown in purple).
- **Board recommendation:** The board concurred.
- **Impact:** Allow Fund to serve the adjacent neighborhoods on the western edge of the service area.



Proposed Program Changes

4. Process Changes:

- **Current Policy:** The "Policies and Guidelines" document includes some useful policy and procedure concepts. However, per the 2014 audit, staff has not consistently enforced this document and it is out of date.
- **Staff Recommendation:** Work with the advisory board to create a new policy manual with revised application, underwriting, and contract management procedures. This manual will be presented to the committee and council for approval before any further funding applications are accepted.
- **Board Recommendation:** The board concurred.
- **Impact:** The revised policy manual will conform staff practices with council policy goals, will incorporate OED's new underwriting guidelines, will offer a faster and more thorough application process. These combined activities should address the second finding of the 2014 audit.

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Proposed Program Changes

5. Loan/Grant Ratio:

- **Current Policy:** Most current funding categories are limited to grants. The special loan/grant funding category does not include a floor or cap on either type of award.
- **Staff Recommendation:** At least 75% of each fiscal year's budgeted funds must be in the form of loans (repayable or forgivable). Only 25% of funds may be awarded as grants.
- **Board Recommendation:** At least 60% of each fiscal year's budgeted funds must be in the form of loans (repayable or forgivable). Only 40% of funds may be awarded as grants.
- **Impact:** Increasing the number of loans in the portfolio will allow more revenue to revolve back for re-allocation in the community. It will also give the City a security interest in deals, so that we may intervene if a developer fails to deliver the proposed project.

Proposed Program Changes

6. Administration:

- **Current Policy:** From FY 16-17 to FY 20-21, the Fund reimburses the City for 100% of operating costs. Beginning in FY 21-22, the Fund will only reimburse 15% of the City's operating costs.
- **Staff Recommendation:** Staff does not recommend any change.
- **Board Recommendations:** All staff costs should be paid from City's general fund, not from the Fund budget. The City should add a third staff member to assist the Fund in sourcing loan transactions.
- **Impact:** Implementing either or both changes will have an immediate impact on the OED general fund budget.

Next Steps

1. Staff will ask the City Attorney's Office to prepare an ordinance to change the name of the advisory board, and will present that ordinance to Council at the earliest possible opportunity.
2. All other changes will be incorporated into a new program statement and a new policy manual, both to be presented to this committee for review and approval in Spring of 2018. Once approved by this committee, they will be scheduled for council action.
3. No further funding applications will be considered by the board until the new program statement and policy manual have been approved.
4. On approval of this committee, the City Manager's Office will reject all pending Fund applications. Applicants will be contacted when the Fund begins accepting applications under the new program procedures.

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Appendix A

Visitors Formula



Visitors Formula

- In 1991 (CR No. 91-1597) the City hired Drs. Harold Gross and Bernard Weinstein to develop a formula to fund the Trust Fund.
- The formula was based on assumptions related to non-local visitors to Fair Park, including average stay length, average daily spending, and average group size.
- Based on those assumptions, Council adopted a “Visitors Formula” to fund the Trust Fund.



Visitor's Formula

- “Visitor Formula” was to be funded annually from general fund:
 - **STEP ONE:** ((Number of visitors x 2.1 day average hotel stay) x \$60 average daily lodging cost) x 0.7 hotel occupancy tax rate = HOTEL TAX REVENUE
 - **STEP TWO:** (Number of visitors x \$80 average daily food, retail, and entertainment spending) x 0.1 sales tax = SALES TAX REVENUE
 - **STEP THREE:** (Visitors who stay in hotels x \$80 average daily expenditure) + (Visitors who stay with relatives or friends x \$50 average daily expenditure) = VISITOR EXPENDITURE
 - **STEP FOUR:** (Hotel Tax Revenue + Sales Tax Revenue + Visitor Expenditure) + 60 = TRUST FUND CONTRIBUTION
- The visitor statistics were to be generated by an annual visitor survey carried out by the Park Department.

South Dallas/Fair Park Trust Fund

**Economic Development and
Housing Committee
November 6, 2017**

**Robin Bentley, Assistant Director
Office of Economic Development
City of Dallas**

