



Funding a Local Program and the Main Street Revitalization Effort in Texas

This document provides an overview of funding mechanisms for local Main Street programs in Texas. This document is for information only and should not be construed as legal advice. Legal advice should always be sought to ensure that uses of funding are appropriate and legal.

Why Stable Program Funding Is Important

Stable operational funding is critical to the success and sustainability of a local Main Street program. Without it, a program can chronically struggle or even fail. Having an organizational structure in place that includes sound funding is imperative for a program at any stage, beginning with the program's critical first years and each year thereafter. While most Main Street programs in Texas are housed within local government, many also raise funds externally from other sources such as events to further enhance what the program is able to accomplish. However, if the organization spends the bulk of its time raising money just to support operations, it runs the risk of not being able to focus energies on achieving its revitalization goals.

The full budget for a Main Street program will include monies for operations, special projects, and activities under the Four Point Approach™ of economic vitality, design, promotion, and organization.

Texas Main Street Structure

The state Main Street office does NOT fund operations of local Main Street programs. This is because of the self-help nature of the nationwide Main Street model through which the true

commitment toward the Main Street effort – which benefits the entire community -- is grassroots at the local level.

In Texas, Main Street programs are generally structured as follows:

- **Small city** program (under 50,000 population): the Main Street manager is an employee of the city usually reporting to the city manager. An Advisory Board and Main Street committees work with the Main Street manager to carry out the goals of the program.
- **Urban Program** (over 50,000 population): operates as a self-governing non-profit downtown revitalization organization or as a city department with an Advisory Board.

An Essential Piece: Local Government Support

Regardless of whether it is a small-city or self-governing non-profit urban program, all local Main Street programs need to receive financial support from local government (and in some cases, the county government as well). This is an appropriate use of government funds since the efforts of the Main Street program help to ensure that economic development and quality-of-life goals for the community are met.

Additionally, regardless of program structure, it is important that the local Main Street program also receives philosophical support from the city (management, staff, and elected officials) and that there is belief in the effort.

Recommended: Multiple Funding Sources

A local Main Street program should be funded from multiple sources. This is a reliable mechanism to help avoid an all-eggs-in-one-basket syndrome – if one funding source is reduced or goes away, the entire program won't be in jeopardy.

Regardless of the source of the funding -- private or public (tax-supported) -- the local program must take on the responsibility of being accountable so that the funder (and in reality, the community at large) knows that the dollars are being used in the way that it was intended and to achieve the organization's objectives. This accountability may come from in a variety of forms, such as regular progress reports to city council and city manager; updates on projects to the economic development organization or similar funder of incentives; stakeholder meetings; or annual reports to the public. These kinds of activities also have positive impact on the perception of downtown and the Main Street program.

All sources of funding, whether from private organizations or that which comes from taxing entities like municipal government or economic development organizations, must be used under guidelines and policies pertinent not only to the Main Street organization but also to the funder's practices, and in many cases appropriate uses that fall under state law (such as use of Hotel Occupancy Tax and Type A/Type B economic development sales taxes). Legal advice should always be sought to ensure that uses of funding are appropriate and legal.

Whose Job Is It to Raise Funds?

The backbone of the Main Street model is public-private partnerships and volunteerism because downtown revitalization is too big of a job for one person. In the non-profit (urban) Main Street program in Texas, the governing board – the volunteer leadership -- should take on the bulk of fundraising efforts so staff can tend to the administrative and operational aspects. This includes funding for operations.

In a city-based program, board leadership will not have responsibility for or authority over the program's operational budget, but they can still have influence over it in cases where advocacy may be needed to increase budgets for operations, special projects or incentives. In both organizational structures, the board does have responsibility to take an active, hands-on leadership role that for ensuring that fundraising activities reach intended goals for the benefit of the program.

In essence, whether a non-profit or city-based program, raising funds for the program should not be considered solely the job of the Main Street manager.

The table that follows explains various sources of funding that can range from those tied to city budgets for program operations to incentive tools such as tax abatements or credits.

Funding Sources

The Operations and Funding survey of local programs regularly done by the Texas Main Street office shows that they receive a wide-ranging mix among these sources, regardless of organizational structure. While the local Main Street program or city may not have access to all of these sources of funding, it is still important that the program manager be aware of them as possible resources for the revitalization effort.

Type	Notes
Local government	Most often, the bulk of a city-based program’s operational funding will come from its local municipality. In many cases, funding for special projects, to support events or incentive programs will also come from these municipal sources. This may be from the general fund or combined with other local sources under the municipal umbrella such as Hotel Occupancy or Economic Development sales taxes (explained below).
Economic Development Sales Taxes	Type A and Type B. Promotes the public purpose of economic development as allowed under state law. The use of these funds for Main Street projects and activities, depends on a variety of factors such as the Act itself, the type of tax adopted locally, the ballot language under which it was adopted locally (adoption requires a local election) and the specific economic development expenditures, activities and projects of the Main Street program. Type B EDCs in cities with a population of 20,000 or less can fund projects that promote new or expanded business development that not creating, retaining primary jobs. Texas Local Government Code, chapters 501, 504, 505
Hotel Occupancy Tax (HOT)	The purpose of HOT is to promote tourism and the convention and hotel industry. By showing the ability of their revitalized downtown to attract overnight visitation & hotel stays, many local Main Street programs receive HOT funding. Allowable categories include historic preservation that promotes tourism and the arts. Certain percentages of HOT collections can also be used for marketing materials and marketing operations. Texas Tax Code
Certified Local Government Program (CLG)-Texas Historical Commission and National Park Service	For protection of historic resources by identifying local priorities, meeting recognized historic preservation standards and providing access to financial and technical services to further the identification, evaluation, designation and protection of buildings, sites, districts, structures, and objects. Grants to designated communities or counties + external services to local program.
Texas Capital Fund Main Street Improvements Grant-Texas Department of Agriculture	Funds infrastructure improvements in downtown, not local program operations. Since this partnership was created between the Department of Agriculture and the Texas Main Street Program/Texas Historical Commission in 1993, approximately \$20 million from the TCF has been awarded to designated Main Street programs. TCF Main Street Improvement Grant
Special districts/actions	Some communities fund downtown capital projects and improvements through locally held bond elections. Special assessment/districts such as a Downtown Management District (DMD), Municipal Management District (MMD), Public Improvement District (PID) or a Tax Increment Financing/Tax Increment Reinvestment Zone (TIRZ). Outlined in various municipal planning chapters of the Local Government Code/370-380 and in the Texas Tax Code, Chapter 311 (TIRZ). Local Government Code, Chapter 380 authorizes a municipality to offer incentives for commercial and retail projects. Property Tax Abatements. Allows property tax exemptions or reductions. Can be available for improvements made to historic buildings if an abatement program has been adopted at the local level. Texas Tax Code, Chapter 312 .
Preservation Tax Credits	State and federal tax credit incentives for the owners of historic properties. Texas Historical Commission . Also see National Register of Historic Places and Secretary of the Interior Standards for the Treatment of Historic Properties .
Other important public programs for property redevelopment in the historic downtown	Americans with Disabilities Act (ADA) tax credits Brownfields Site Assessment (BSA) programs- grants for cleanup of contamination that could have occurred in a historic property from a past use. Environment Protection Agency and Texas Commission on Environmental Quality

	<p>Low-Income Housing Tax Credits. Texas Department of Housing and Community Affairs.</p> <p>Lenders/Loan products. Small Business Administration. See Funding Programs and Local Assistance/Small Business Development Centers, SCORE. The state membership organization for local community banks is the Independent Bankers Association of Texas.</p>
<p>Other funding and fundraising resources</p>	<p>Main Street America, the national partner of Texas Main Street, regularly offers special-purpose grants general awarded directly to businesses in the district or to local Main Street programs. Texas Main Street offers local property owners access to a zero-interest revolving loan fund in partnership with MSA and the 1772 Foundation.</p> <p>National Trust for Historic Preservation also has a variety of grant programs for historic properties and projects.</p> <p>A local Main Street program can also sometimes access grants from local, regional statewide or national private foundations that focus on certain project types such as community development or historic preservation.</p> <p>Memberships/Sponsorships/Donations: Some Main Street Programs create tax-exempt (c)(3) structures under the Internal Revenue Service to accept tax deductible donations or allow for membership dues or sponsorships. To increase the chances of a successful (c)(3) application, a qualified tax attorney should be consulted.</p> <p>Fundraising Events & Sponsorships. Most local Main Street programs put on events to help realize their goals and those of their stakeholders as well as being a means of increasing visitation to downtown.</p> <p>Local Partnering Organizations, such as a chamber of commerce or downtown merchants association, may help raise funds or support activities of the Main Street program as a way of contributing to the revitalization effort.</p>

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