

## TEXAS HISTORICAL COMMISSION

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### Texas Historical Commission – Main Street Program 10 Funding Methods for Main Street Communities

*These funding methods are only some of the many ways to fund projects in Main Street districts. There are other documents on the Texas Historical Commission (THC) website that provide additional assistance including “Funding A Local Main Street Program” (<http://www.thc.state.tx.us/mainstreet/msrevitalize.shtml>).*

*The options listed below are not in any priority order.*

**1. Texas Department of Agriculture, Texas Capital Fund, Main Street Improvements Program.**

This program provides eligible Texas Main Street communities with matching grants to expand or enhance public infrastructure in historic Main Street districts. The program aids in eliminating handicap barriers and deteriorated conditions in the downtown. Grants range from \$50,000 to \$150,000 per community. Through this partnership with the Texas Department of Agriculture, designated Main Street Programs have received more than \$11.1 million in grants and leveraged more than \$23.7 million in projects.

For more information:

<http://texasagriculture.gov/GrantsServices/RuralEconomicDevelopment/TexasCapitalFund/MainStreetImprovementProgram.aspx>

**2. Texas Department of Agriculture, Infrastructure Development Program**

This program provides grants for infrastructure development to create or retain permanent jobs in primarily rural communities and counties. The funds are for public and private infrastructure projects and are intended to encourage new business development and expansion. Applications are accepted on the 20<sup>th</sup> of each month. These grants, which are available to non-entitlement communities as defined by the federal government or to county governments, range from \$50,000 to \$1.5 million. For more information:

<http://texasagriculture.gov/GrantsServices/RuralEconomicDevelopment/TexasCapitalFund/InfrastructureDevelopment.aspx>

**3. Texas Department of Agriculture, Real Estate Development program**

This program provides zero-interest loans to fund real estate acquisition or improvements to create or retain permanent jobs in primarily rural communities and counties. Funds can be used for acquisition, new construction or rehabilitation. Loan amounts range from \$50,000 to \$1.5 million. Applications are due the 20<sup>th</sup> of each month.

For more information:

<http://www.texasagriculture.gov/grantsservices/ruraleconomicdevelopment/texascapitalfund/realestatedevelopment.aspx>

**4. Economic Development Sales Tax**

(Type A; Type B)

Allowed under the Industrial Development Corporation Act of 1979, a city in Texas can adopt by community election a Type A or a Type B economic development sales tax on top of existing sales taxes, as long as the total local sales tax option does not exceed 2%. (State sales tax rate of 6.25%; local rate up to 2% for a total sales tax of 8.25%.) Type A economic development corporations are typically created to fund industrial development projects but have been used for downtown economic development efforts for a project with a primary employer. Type B is more often used for Main Street projects and activities. In

Section 505.158 of the Local Government Code, municipalities under 20,000 in population may also use the Type B tax “to promote new or expanded business development.” Both are dependent on a variety of factors such as the Act itself, the type of tax adopted locally, the ballot language under which it was adopted and the specific economic development expenditures, activities and projects of the Main Street program.

The Texas Comptroller of Public Accounts provides an overview of the Type A tax here:

[http://www.texasahead.org/tax\\_programs/typeab/](http://www.texasahead.org/tax_programs/typeab/)

The statute for the Type A tax can be found here:

<http://www.statutes.legis.state.tx.us/Docs/LG/htm/LG.504.htm>

The statute for the Type B tax can be found here:

<http://www.statutes.legis.state.tx.us/Docs/LG/htm/LG.505.htm>

*Note: a community can also have both Type A and Type B taxes in place as long as the total option remains at 2% or below.*

## **5. Hotel Occupancy Taxes (HOT)**

Authorized through the Texas Tax Code and implemented through local ordinance, the categories for use are outlined in Sec. 351.101 of the code and include as an allowable use: “historical restoration and preservation projects or activities or advertising and conducting solicitations and promotional programs to encourage tourists and convention delegates to visit preserved historic sites or museums...”

The statutes can be found here:

<http://www.statutes.legis.state.tx.us/Docs/TX/htm/TX.156.htm>

<http://www.statutes.legis.state.tx.us/Docs/TX/htm/TX.351.htm>

## **6. Chapter 380 Agreements**

Chapter 380 of the Local Government Code allows for the governing body of a municipality to “establish and provide for the administration of one or more programs, including programs for making loans and grants of public money and providing personnel and services of the municipality, to promote state or local economic development and to stimulate business and commercial activity in the municipality.”

The statute is here:

<http://www.statutes.legis.state.tx.us/Docs/LG/htm/LG.380.htm>

## **7. Tax Increment Financing/Tax Increment Reinvestment Zone (TIF/TIRZ) and management/improvement districts**

Authorized under the Tax Increment Financing Act and described in Chapter 311 of the Texas Tax Code, tax increment financing through a reinvestment zone is a tool used to restore areas that “constitute an economic or social liability.” By creating a TIF/TIRZ, a municipality creates a baseline value. In ensuing years as values rise, the increment between the baseline and current values is returned to the district to fund improvements. Additional taxes are not paid by property owners in the district, nor does it adversely impact the taxes being collected by other taxing authorities. Numerous Main Street communities have created TIF/TIRZ districts in their downtown. As downtown activity increases, the increments can be used for a variety of downtown projects including infrastructure and building improvements. In a public improvement or municipal management district, there is an extra assessment levied to property owners.

Informational web links for tax increment financing:

[http://www.texasahead.org/tax\\_programs/increment\\_finance/](http://www.texasahead.org/tax_programs/increment_finance/)

Statute for tax increment financing - <http://www.statutes.legis.state.tx.us/Docs/TX/htm/TX.311.htm>

Statute for public improvement districts - <http://www.statutes.legis.state.tx.us/Docs/LG/htm/LG.372.htm>

Statute for municipal management districts - <http://www.statutes.legis.state.tx.us/Docs/LG/htm/LG.375.htm>

## **8. Texas Historical Commission Certified Local Government Program (CLG)**

CLG grants provide funding to participating city and county governments to develop and sustain an effective

local preservation program critical to preserving local historic resources. The grants can be used for local historic preservation projects, including surveys of historic properties/districts, preparation of nominations to the National Register of Historic Places and other community-based preservation projects.

Web link: <http://www.thc.state.tx.us/preserve/projects-and-programs/certified-local-government>

### **9. Localized action: funding Main Street revitalization through general debt/bonded funding, waiving fees or abating sales/property taxes**

Under its general authority, a municipality may opt to pay for public improvements in the downtown through its tax-supported general revenue fund. There are also numerous types of bonds a city can use to fund projects, some of which require voter approval and some which do not. Projects funded in these ways may or may not result in a tax increase to the community at large. Likewise, a city has the authority under various provisions of the Texas Tax Code, Local Government Code and Government Code to abate or freeze taxes or waive fees to spur economic development activity. In the historic downtown, any private entity receiving public funds through an incentive program should be required to meet certain thresholds. They should be required to undertake the rehabilitation project in a historically sensitive manner, which is why preservation ordinances and formal design review are so important.

### **10. Preservation Tax Credits, state and national**

While not directly a funding source, preservation tax credits are an important tool for economic development in the historic downtown. There is a 20% federal income tax credit for the rehabilitation of historic, income-producing buildings and a 10% income tax credit for rehabilitation of non-historic buildings. There is also a state sales tax exemption on labor for work on buildings listed in the National Register of Historic Places. In 2014, a state franchise tax credit for preservation work was activated for up to 25% of rehabilitation costs. The owner of a historic property donating a preservation easement may also be eligible for a federal income tax deduction.

Web link: <http://www.thc.state.tx.us/preserve/projects-and-programs/preservation-tax-incentives/about-preservation-tax-incentives>

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Other programs and information that Texas Main Street participants should be aware of for downtown economic development activities:

#### **Americans with Disabilities Act (ADA) tax credits**

Can be utilized for making ADA improvements: <http://www.ada.gov/taxcred.htm>

#### **Brownfields Site Assessment (BSA) and Targeted Brownfields Assessment (TBA) programs**

These programs address underutilized properties where the property transaction is complicated by the real or perceived presence of contamination such as asbestos or lead paint. Also includes involvement with the Texas Commission of Environmental Quality (TCEQ). Region 6 is the EPA Region that includes Texas. TCEQ regions are numbered differently. Contact EPA Region 6 Main Office through: <http://www2.epa.gov/aboutepa/epa-region-6-south-central>. The Brownfields site is: <http://www.epa.gov/brownfields/>.

#### **Low-Income Housing Tax Credits.** Texas Department of Housing and Community Affairs.

Can be a viable tool for the redevelopment of large properties downtown  
<http://www.tdhca.state.tx.us/multifamily/housing-tax-credits-9pct/>

#### **Business financing: Community Banks and the Small Business Administration (SBA)**

The localized nature of community banks lead them to be good partners and connectors in Main Street communities since most of the loan needs come from very small businesses. Various SBA programs provide financial and technical assistance to small businesses in the Main Street district. In turn, helping these small businesses succeed is a critical component of the successful local economic development effort. The three primary loan products of the SBA are called the 7(a), microloan and CDC/504 programs. Assistance is

provided through SBA District Offices and Small Business Development Centers (SBDC) in each state. There are seven district offices and more than 100 sites in Texas, including the SBDC locations that provide business assistance.

Web link: [www.ibat.org](http://www.ibat.org)

Web link: [www.sba.gov](http://www.sba.gov)

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## Other State of Texas resources

### Office of the Governor

Texas Leverage Fund: [http://governor.state.tx.us/ecodev/financial\\_resources/loan\\_assistance/](http://governor.state.tx.us/ecodev/financial_resources/loan_assistance/)

### Texas Department of Agriculture

Community Development Fund

<http://www.texasagriculture.gov/GrantsServices/RuralEconomicDevelopment/RuralCommunityDevelopmentBlockGrant%28CDBG%29/CDBGResources/Applications/CommunityDevelopmentFundApplicationGuide.aspx>

The Go TEXAN Partner Program (market and promote agricultural products)

<http://www.gotexan.org/ForMembers/GOTEXANPartnerProgram.aspx>

Planning and Capacity Building Program

[http://www.texasagriculture.gov/GrantsServices/RuralEconomicDevelopment/RuralCommunityDevelopmentBlockGrant\(CDBG\)/PlanningandCapacityBuildingFund.aspx](http://www.texasagriculture.gov/GrantsServices/RuralEconomicDevelopment/RuralCommunityDevelopmentBlockGrant(CDBG)/PlanningandCapacityBuildingFund.aspx)

### Texas Enterprise Zone

The Texas Enterprise Zone Act (Government Code, Chapter 2303) established “a process that clearly identifies severely distressed areas of the state and provides incentives by state and local government to induce private investment in those areas by removing unnecessary governmental regulatory barriers to economic growth and to provide tax incentives and economic development program benefits”.

[http://www.window.state.tx.us/taxinfo/enterprise\\_zone/ez\\_program.html](http://www.window.state.tx.us/taxinfo/enterprise_zone/ez_program.html)

Statute - <http://www.statutes.legis.state.tx.us/Docs/GV/htm/GV.2303.htm>

**Neighborhood Empowerment Zone:** <http://www.statutes.legis.state.tx.us/Docs/LG/htm/LG.378.htm>

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*The State Agency for Historic Preservation*

[www.the.state.tx.us](http://www.the.state.tx.us)