

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

A strong organizational structure, ongoing commitment from city leaders, and a suitably-robust budget—this is the formula for a successful downtown revitalization effort. Without these things, a program may chronically struggle or even fail.

A Main Street budget includes monies for basic operations, as well as monies earmarked for special projects and activities under the Four Point framework of economic vitality, design, promotion, and organization.

In Texas, Main Street programs receive most of their funding from local government. Many programs also seek out additional funding to supplement their budget and boost their impact.

Caution: 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.

Texas Main Street Structure

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.

The state Main Street program does NOT fund operations of local Main Street programs. Main Street is a grass roots, self-help model: each community must fund its own program.

An Essential Piece: Local Government Support

Regardless of whether it is a small-city or self-governing, non-profit urban program, each local program needs to receive significant financial support from local government (and in some cases, the county government as well). Main Street is an appropriate use of government funds since a strong downtown contributes to the community's overall economic health and quality of life.

Recommended: Multiple Funding Sources

A local Main Street program should also seek funding from other sources. A multi-pronged approach avoids the pitfalls of 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, the local program must be accountable to its funders, demonstrating that dollars are used to achieve stated objectives.

Regular reporting is important. Progress reports to city council and city manager; updates on projects to the economic development organization; regular stakeholder meetings; annual reports to the public—all of these reporting practices can be employed to demonstrate accountability and also build excitement about the Main Street program.

Note: all funding must be used under relevant guidelines and policies. Hotel Occupancy Taxes, for example, have strict use guidelines. Legal advice should always be sought to ensure that uses of funding are appropriate and legal.

Whose Job Is It to Raise Funds?

In the non-profit (urban) Main Street programs in Texas, the governing board should take on the bulk of fundraising efforts so staff can tend to the administrative and operational aspects of their position.

In a city-based program, board leadership will not have direct responsibility for or authority over the program's operational budget, but they can still have influence over it in several ways: 1) Board members will serve as advocates for the program, ensuring adequate funding for the program through each budget cycle; and 2)Board members take leadership roles in hosting fundraising events, securing sponsors, and engaging in other fundraising efforts.

The table that follows explains various sources of funding for general operations and special programs.

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 will also come from these municipal sources. Funding may come solely from the city’s general fund or may be 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.
Main Street Revitalization Grant-Texas Department of Agriculture	Funds major 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. Eligible applicants are “nonentitlement” communities; these are located primarily in rural areas and are cities with populations less than 50,000. 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>The Texas Main Street Program offers local property owners access to a zero-interest revolving loan fund in partnership with MSA and the 1772 Foundation.</p> <p>Anice Read Fund, administered by Texas Downtown. The fund was created in 1999 to honor the legacy of Anice Read, the first coordinator of the Texas Main Street Program and champion of downtown revitalization. Grants have been awarded for small business workshops, public art, streetscape projects, historic resource surveys, and other initiatives. Award amounts range from \$500 to \$5,000.</p> <p>T-Mobile Grant, offered by T-Mobile in partnership Main Street America and Smart Growth America. Launched in 2021, the T-Mobile grant programs is a 5-year initiative to support small towns. Quarterly application process. Up to \$50,000 for community development projects spanning technology, education, environment, and health care.</p> <p>Main Street America, the national partner of Texas Main Street, sometimes offers special-purpose grants general awarded directly to businesses in the district or to local Main Street programs.</p> <p>National Trust for Historic Preservation also has a variety of grant programs for historic properties and projects.</p> <p><u>Foundation grants</u>: 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><u>Memberships/Sponsorships/Donations</u>: 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><u>Fundraising Events & Sponsorships</u>: 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><u>Local Partnering Organizations</u>, 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>