



Main Street Organizational Structures: Definition, Strengths, Challenges

Qualifying as a Publicly supported 501(c)(3) organization means: *An organization will qualify as publicly supported if it passes the one-third support test. If it fails that test, it may qualify under the facts and circumstances test.*

- **One-third support test.** *An organization will qualify as publicly supported if it normally receives at least one-third of its total support from governmental units, from contributions made directly or indirectly by the general public, or from a combination of these sources.*

Strengths:

- Gives separation from any perception of government control
- Most foundations make grants available to 501(c)(3)'s
- Private individuals can deduct contributions
- Non-profits can offer creative alternatives for benefits

Challenges:

- Financial records must demonstrate that funds are managed in accordance to (c)(3) guidelines
- Mission of organization and work plans must be clear & in accordance to guidelines
- Can't contribute to political campaigns & can only engage in limited lobbying
- Can't make substantial income from unrelated activities; such as consulting with other non-profits
 - IRS requires reporting any earnings over \$1,000 **there are some exceptions to this rule

A 501(c)(6) Non-Profit Organization: *Generally, trade and professional organizations and can include Business/Merchant Associations, Home Builders Associations, Chambers of Commerce, Real Estate Boards.*

Strengths:

- Enables businesses to deduct a portion of their membership dues/contributions to the organization
- Easy to obtain
- Scrutinized less closely
- Can conduct an unlimited amount of lobbying on behalf of its members (NCDDA)
- Organizations can represent their private partners more freely (business owners/property owners)

Challenges:

- Not eligible for most grant opportunities
- Donations are not completely deductible
- Individual donations not deductible
- Fundraising can be more challenging than (c)(3)
- Tendency to only market to business members when you need more broad-based support (i.e. Chambers, Business Associations)

A 501(c)(4) Non-Profit Organization: *Created to further the common good and general welfare of the people of the community. Examples: civic groups, downtown improvement associations, and social action organizations.*

Strengths:

- Can serve a wider range of beneficiaries than the (c)(6)
- Easy to obtain
- Less closely scrutinized by IRS
- Can represent their private partners more freely

Challenges:

- Same as (c)(6)
- There is no tax benefit for anyone



City Department Model: *This model incorporates the Downtown Director as a city employee. Often within:*

- Planning
- Recreation and Parks
- Public Works
- Economic Development

Strengths:

- City/town takes a leading role
- Typically hires the director
- Recognizes downtown is or should be an economic driver
- Often goals can be achieved more quickly
- Provides or offers direction to staff & Provides more stability
- More staff resources
- Can appoint a downtown advisory board
- Advisors & council can have some say in determining budget and;

Challenges:

- Downtown businesses and property owners feel they have “less” ownership
- Expectation “*the city will take care of it*” lessening the public/private partnership
- City staff may drive the program rather than cultivating citizen involvement (*easier to do it yourself mentality*)
- Coordinator often asked to “wear too many hats” serving in a variety of roles rather than focusing on downtown
- City staff can feel stifled (creativity not encouraged)
- Inability to offer creative benefit alternatives to employee (i.e. insurance, leave, bonuses)
- Political leadership changes

Quasi-Public Private: *This model has a non-profit status associated with the organization and a board of directors who will have more influence than an advisory board. Typically, the Main Street coordinator is paid by the city and/or receives city benefits. Generally, this status includes:*

- Employee paid in part/full by the city
- A non-profit employee paid by city and/or;
- Allowed to receive city benefits

Strengths:

- Demonstrates “buy-in” from city
- Employee can/be a liaison
- Funding sources generally more stable
- More flexibility

Challenges:

- Possibly imposed restraints
- Political leadership changes
- Engaging the private sector
- Maintaining volunteerism