



CONFLICT OF INTEREST AND MAIN STREET PROGRAMS

Compiled by the National Main Street Center of the
National Trust for Historic Preservation

What is a Conflict of Interest?

Boards of directors, committee members and staff of non-profit organizations must adhere to certain standards of conduct. One of these standards is to avoid conflicts of interest. Aside from the possible legal implications, even the appearance of a conflict of interest can cause irreparable damage to an organization's credibility. The board's written policy about conflicts of interest should be explained to each current and prospective volunteer, committee member, board member and staff member during their orientation.

It is not automatically an unacceptable conflict of interest for a board member, committee member or staff of a Main Street program to derive personal or professional benefit from a Main Street activity. Many Main Street participants stand to gain some benefit from their service in the Main Street program, such as downtown businesses and property owners. Such indirect benefit is entirely proper and is not usually an unacceptable conflict of interest with the Main Street program.

An unacceptable conflict of interest may arise if a board member, committee member or staff:

Has a personal or business 'interest' which is in conflict with the best interest of the Main Street program. A participant is usually considered to have an 'interest' in an activity if they, or an immediate family member:

- has a substantial financial interest in the activity
- has a substantial financial interest in any organization involved in the activity
- holds a position as a trustee, director, general manager or principal officer in an organization involved in the activity
- Uses 'inside information' for personal benefit or to the detriment of the Main Street program. 'Inside information' is information which has not become public information and which was obtained through the participant's work with the Main Street program. One way to avoid conflicts of interest involving 'inside information' is to make the public aware of all such information and make that information available.
- Uses his or her position with the Main Street program to the detriment of the Main Street program.
- Uses his or her position with the Main Street program for personal or business benefit which is in conflict with the best interest of the Main Street program.
- In all cases where a potential conflict of interest may exist, the participant with the potential conflict should disclose all relevant information to the board chair, the committee chair and the staff. If there is a question whether there is a conflict of interest, it is always better to make a full disclosure. The disclosure form used by Advisors to the National Trust for Historic Preservation is attached as an example.

Managing Conflicts of Interest

When a potential conflict of interest is disclosed, the board chair and the committee chair may agree on a solution or may wish to refer the issue to the entire board of directors. Any activity in which a board member, committee member or staff has a potential conflict of interest must be carefully reviewed to determine whether the activity is in the best interest of the Main Street program. The board chair or the full board should consult with a local attorney regarding any potential conflict of interest. However, generally, if there has been disclosure, the benefit to the participant is not detrimental to the Main Street program and there was no use of inside information, there should not be an unacceptable conflict of interest.

If there is an unacceptable conflict of interest, the board chair or the full board may wish to make certain recommendations, such as requiring that the board member, committee member or staff with an unacceptable conflict of interest in an activity:

- is not counted for the purposes of a quorum when meeting to decide whether to pursue the activity that presents the conflict;
does not actively participate in the decision about the activity, except to answer questions or state his or her views;
- does not vote on the matter; in fact, he or she should leave the room prior to final deliberation and the vote;
- in some cases, is asked to resign a board or committee position for the time that the conflict exists.

The documents disclosing all conflicts of interest and the subsequent recommendations concerning the conflicts of interest should be made a part of the meeting record or minutes. It is impossible to list all the possible conflicts of interest which might occur in a typical Main Street program; however, a few common examples include:

- A property or business owner competing for financial incentives offered or approved by the Main Street program and serving on the committee or board which develops, awards or monitors the incentives.
- A contractor making a bid to perform services offered by or through the Main Street program and serving on the committee or board that develops or awards the bid.
- Media representatives participating in a committee or board decision to purchase or recommend the purchase of advertising.
- Main Street staff managing, leasing and/or selling downtown property in an individual capacity and for private compensation. This does not preclude Main Street staff assisting property owners and Realtors by showing or providing information about downtown properties. It is usually acceptable to be involved in preliminary discussions about activities which have not yet focused on specific terms unless the participant is not putting the best interests of the Main Street program first.

Funding Sources and Conflict of Interest

Most Main Street programs rely on multiple sources of funding. Often, these sources have their own standards and remedies for conflicts of interest. If the Main Street organization is the recipient of any state-granted funds, or has received a Community Development Block Grant

award from the U.S. Department of Housing and Urban Development, then additional rules regarding conflict of interest apply. It is critical that the organization be aware of these rules -- and be prepared to conform to them -- before applying for or receiving funds from these sources. Non-compliance with any rule or regulation regarding government grants can result in cancellation of the grant and potential repayment of funds.

Conclusion

Avoiding conflicts of interest is the best policy for a Main Street organization. However, when potential conflicts arise, the organization -- its leaders, volunteers and staff -- must be prepared and willing to address the issue and apply the appropriate remedy. Education and a written policy is the best safeguard against embarrassing and/or damaging charges of conflict of interest.