FINANCING PROGRAMS

>ALABAMA NEW MARKET TAX CREDIT

The New Market Tax Credit attracts investment capital to low-income communities by permitting individual and corporate investors to receive a tax credit against their federal income tax return in exchange for making equity investments in specialized financial institutions called Community Development Entities (CDEs).

The NMTC Program offers significant economic benefits for all parties involved. It enables low-income communities to attract private investments that result in significant community benefits (e.g. jobs, community facilities, goods and services) and catalyze other private investments; provides local businesses with a flexible source of gap financing; allows CDEs to increase the volume of its lending and investing activities; and rewards investors with a significant tax benefit.

Benefits:

- Below market interest rates (or rate of return in the case of equity investments)
- Lower than standard origination fees
- Longer than standard period of interest-only loan payments
- Higher than standard loan-to-value ratio
- Longer than standard amortization period
- More flexible borrower credit standards
- Non-traditional forms of collateral
- Lower than standard debt service coverage ratio
- Subordination

Contact: Linda Swann, Alabama Department of Commerce, 334-353-0221, linda.swann@commerce.alabama.gov.

>ALABAMA SAVES

The AlabamaSAVES™ program provides an estimated pool of $60 million for low interest rate financing for renewable energy systems and energy efficiency improvements at existing private commercial, industrial and institutional facilities. Allowable expenditures for loan funds include equipment and equipment installation labor costs for appropriately sized renewable energy systems and energy-efficient fixtures and retrofits. Funding from the program is for retrofits of existing properties and not for new construction of buildings and factories.

Loan terms:

- Interest rate: Two percent (fixed), per annum
- Loan term: The blended useful life of imporvements up to a maximum of 10 years
- Loan range: $50,000-$4,000,000
- Use of proceeds: Loan funds can be used for up to 100% of costs remaining after applicable tax credits, grants or other subsidies.

Contact: Terri Adams, Alabama Department of Economic and Community Affairs, 334.242.5290 or www.alabamasaves.com.

>BIOMASS PROGRAM

The Alabama Biomass Program provides up to $75,000 in interest subsidy payment on loans to install biomass energy systems as a replacement for traditional fossil fuels. Eligible applicants include industrial, commercial, and institutional facilities, as well as agricultural property owners and city, county, and state entities.

Contact: Kathy Hornsby, Alabama Department of Economic and Community Affairs, 334.242.5284 or www.alabamabiomassprogram.com.

>CERTIFIED CAPITAL COMPANY PROGRAM (CAPCO)

The Alabama Certified Capital Company program, commonly referred to as CAPCO, is bringing new investments, jobs and opportunity to small businesses and communities across the state. Businesses that request CAPCO investment funding must meet certain criteria and requirements set by the Alabama Department of Commerce, which administers the program. CAPCO financing, an alternative to conventional bank financing, can accommodate a slightly higher risk profile an provide a more flexible structure for growing businesses.

Alabama Companies being considered for CAPCO financing must meet the eligibility requirements established by the State listed below.

- Headquartered in Alabama or will be relocated to Alabama
- Principal business operations in Alabama or will be relocated to Alabama
- Have no more than 100 full-time employees, and 80% of employees are in Alabama or 80% of payroll is paid to employees in Alabama.

Industries that qualify for the CAPCO program may include:

- Manufacturing, processing, or assembling products
- Conducting research and development
- Providing services

Contact: CAPCO Contacts listed at http://commerce.alabama.gov/content/capco/capco1.aspx.

>FLOAT LOANS

Since 1982, ADECA has administered the state's Community Development Block Grant (CDBG) program with funding provided by the U.S. Department of Housing and Urban Development. The program is available to all Non-Entitlement communities that meet applicable threshold requirements. All projects must meet one of the National Objectives of the program – projects must benefit 51 percent low- and moderate-income people, aid in the prevention or clearance of slum and blight, or meet an urgent need.

There are four types of program funds:

- Competitive Fund
- Community Enhancement Fund
- Planning Fund
- Economic Development Fund

The **Economic Development Fund** is available to all eligible communities for projects supporting the creation or retention of jobs. Generally, applicants for ED assistance should have a commitment from the business to create or retain 15 or more jobs. The business should fall within the SIC codes 20-39 or provide a significant economic benefit. Projects must not include intrastate relocation. The program is available on a continuous funding cycle. The Grant Ceiling varies depending on the type of project. A 20% local match is required, and construction cannot begin prior to grant award or release of environmental conditions.

Typical activities:

- Economic Development Incubator ($250,000)
- Economic Development Float Loans ($10 million)
- Economic Development Grants ($200,000 subject to waiver)

Contact: Shabbir Olia, Alabama Department of Economic and Community Affairs, 334.242.5468, shabbir.olia@adeca.alabama.gov.

>INDUSTRIAL REVENUE BOND (IRB)

In Alabama, Industrial Revenue Bonds may be used as long-term financing of up to 100% of a project for:

- Acquisition of land, buildings, site preparation and improvements;
- Construction of buildings;
- Acquisition and installation of furnishings, fixtures and equipment;
- Capitalizable soft costs (e.g., architectural and engineering, interest incurred during construction, cost associated with bond issuance, etc.).

Typically, tax-exempt IRBs have interest rates ranging from 70-85% of prime and are limited to $10 million per single issuance and $40 million total maximum per company. Taxable IRBs have an interest rate equal to conventional loans and have no limit. Terms for both are normally 10-20 years and can finance up to 100% of the project costs. The principal and interest on the bonds are paid solely from the funds derived from leasing or selling the facilities to the user company. Under most circumstances, upon complete payment of the bond issue, the lessee or user company acquires ownership of the industrial facility for a nominal sum.

Contact: Local economic developer in the community being considered. http://commerce.alabama.gov/content/ourpartners/AlabamaCommunties/alabamacommunities_main.aspx

>REVOLVING LOAN FUNDS

The Alabama Association of Regional Councils (AARC) is comprised of twelve regional councils, each a separate organization, that provides a variety of services to the communities in their area.

Each of the regional councils operates a revolving loan fund that provides supplemental financing for expanding and new businesses (located within its region) whose projects will result in the creation of new permanent jobs. RLF funds may be used in conjunction with SBA 504 and 7(a) guarantees, commercial loans, mortgage loans and other public sector revolving loans.

The advantages of using RLF funds are:

- Flexible terms
- Fixed interest rates
- Up to 90% financing

Contact: Varies by region. Please visit http://alarc.org/about-the-aarc/ for regional contacts.

>SBA CAPITAL ACCESS PROGRAMS

On September 27, 2010, President Obama signed into law the Small Business Jobs Act of 2010 to help increase credit availability for small businesses. The Act created the State Small Business Credit Initiative (SSBCI) and the state of Alabama was approved by the Treasury for $31,301,498. The Community and Economic Development (CED) Division of ADECA is responsible for implementing and managing this program in Alabama.

The Capital Access Program is based on an insuring concept. The lender participating in Alabama's CAP will set up a reserve fund to cover future losses from a portfolio of loans that the lender enrolls under the program. The special reserve will be owned and controlled by the State in the name of the lender. Each lender participating in the program will have its own earmarked reserve held at the participating bank. A lender can withdraw funds from its earmarked reserve to cover losses on loans made under the program.

For each new loan enrolled in the program, the lender makes a payment of at least two percent and no more than seven percent in lender/borrower contribution into the reserve fund. This amount is matched and deposited by the State into the reserve account. For loan activities taking place in "underserved areas," the lender/borrower contribution and the State match can be up to seven percent each, for a total of 14 percent.

Contact: Alabama Department of Economic and Community Affairs, 334.242.0492 or http://www.adeca.alabama.gov/Divisions/ced/cdp/Pages/SSBCI.aspx.

>OTHER FUNDING PROGRAMS BY REGIONS:

Tennessee Valley Authority- TVA's Economic Development Funds were established to stimulate economic development and leverage capital investment in the TVA power service area. TVA uses them to promote economic expansion and encourage job creation.

The loan funds are primarily open to manufacturing companies and other institutions in the Valley, including TVA power customers, communities, and nonprofit economic development corporations. Loans can be used to fund new industrial plant expansions or retentions, or industrial park development.

Contact: Warren Hicks, Alabama Region of TVA, 256.430.4804, wphicks@tva.gov.

Delta Regional Authority- DRA supports job creation and improves quality of life through strategic economic development investments in the Delta region's communities, families and businesses. The Alabama counties in the DRA include Barbour, Bullock, Butler, Choctaw, Clarke, Conecuh, Dallas, Escambia, Greene, Hale, Lowndes, Macon, Marengo, Monroe, Perry, Pickens, Russell, Sumter, Washington and Wilcox.

At least 75 percent of the total funds allocated to the authority are invested in distressed counties and half of those funds must be earmarked for transportation and infrastructure improvements. Projects that have a regional impact receive special priority. In addition to the overall focus of the Delta Regional Authority, short, middle and long-term goals have been developed for the Alabama counties with an emphasis being placed on creating jobs and eliminating poverty.

Contact: Alabama Department of Economic and Community Affairs, 334.242.5370 or www.dra.gov.

Appalachian Regional Commission- Alabama's Appalachian Region includes the 37 northern-most counties. These counties are: Bibb, Blount, Calhoun, Chambers, Cherokee, Chilton, Clay, Cleburne, Colbert, Coosa, Cullman, DeKalb, Elmore, Etowah, Fayette, Franklin, Hale, Jackson, Jefferson, Lamar, Lauderdale, Lawrence, Limestone, Macon, Madison, Marion, Marshall, Morgan, Pickens, Randolph, St. Clair, Shelby, Talladega, Tallapoosa, Tuscaloosa, Walker, and Winston.

The usual maximum ARC funding per project is $200,000. ARC designates counties to be in one of five groups: Attainment Counties, Competitive Counties, Distressed Counties, At-risk Counties or Transitional Counties. These designations are made on an annual basis. Attainment Counties are not eligible for ARC funding. Competitive Counties are eligible for 30% ARC funding. Distressed Counties are eligible for 80% ARC funding. At-Risk Counties are eligible for up to 70% ARC funding. All other counties are Transitional Counties and are eligible for 50% ARC funding. The goal of the ARC program is to create opportunities for self-sustaining economic development and improved quality of life.

Contact: Jimmy Lester, Alabama Department of Economic and Community Affairs, 334.353.4490 or http://www.adeca.alabama.gov/Divisions/ced/Pages/Appalachian-Regional-Commission.aspx.

Drafted January 2013