



Alabama Financing Programs

Revised 08/13/2015 – Alabama Department of Commerce

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 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 CEOs to increase the volume of its lending and investing activities; and rewards investors with a significant 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

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AlabamaSAVES™

AlabamaSAVES™ is an innovative financing program that leverages funds from private lenders to provide an estimated pool of \$65 million for low interest rate loans to implement energy efficiency improvements and install renewable energy systems at existing private commercial, industrial and institutional facilities in Alabama. Allowable expenditures for loan funds include equipment and equipment installation labor costs for energy efficient fixtures and retrofits and renewable energy systems. Funding from the program

is for retrofits of existing properties and not for new construction. AlabamaSAVES™ offers subsidies for approved borrowers in the form of an interest rate buy down to a current floor of 1% for loans from participating lenders or a direct loan with a fixed interest rate, currently at 2%.

- Loan term: The blended useful life of improvements 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

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Certified Capital Company Program (CAPCO)

The Alabama Certifies Capital Company program, commonly referred to as CAPCO, is bringing new investment, 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 and 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

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Community Development Block Grant/ Economic Development Fund

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 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 cycle.

For more information on CDBG applications, funding, and requirements, please visit the FAQs - More Information on CDBG Programs page.

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Industrial Revenue Bonds

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.).
- Political subdivision issuing in the IRB retains ownership of the bond-financed facility and leases it back to the company at a rate sufficient to pay the principal and interest on the bonds.
- Tax-exempt IRBs issued at rates lower than conventional sources because the interest paid on the bonds is exempt from both federal and state income tax.

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: Varies by local developer <http://www.madeinalabama.com/small-business-resources/local-development/>

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 to 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
<http://alarc.org/development/>

State Small Business Credit Initiative (SSBCI)

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 the Alabama Department of Economic and Community Affairs (ADECA) is responsible for implementing and managing the SSBCI program in Alabama.

The loan guaranty is the most popular among the state's lenders. The State Loan Guaranty Program is designed to enable lenders to make term loans or provide lines of credit to new or existing small businesses. The State guarantee will be for 50 percent of the principal value of the loan, and the State will share equally with the lender in losses resulting from loan defaults. The lender will pay a loan guarantee fee of 1 percent on the guaranteed portion of the loan.

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FINANCING PROGRAMS BY REGION:

Appalachian Regional Commission

Alabama’s Appalachian Region includes the 37 northern-most counties. 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. The goal of the ARC program is to create opportunities for self-sustaining economic development and improved quality of life.

Alabama’s Appalachian Region	
1. Bibb	20. Lamar
2. Blount	21. Lauderdale
3. Calhoun	22. Lawrence
4. Chambers	23. Limestone
5. Cherokee	24. Macon
6. Chilton	25. Madison
7. Clay	26. Marion
8. Cleburne	27. Marshall
9. Colbert	28. Morgan
10. Coosa	29. Pickens
11. Cullman	30. Randolph
12. DeKalb	31. St. Clair
13. Elmore	32. Shelby
14. Etowah	33. Talladega
15. Fayette	34. Tallapoosa
16. Franklin	35. Tuscaloosa
17. Hale	36. Walker
18. Jackson	37. Winston
19. Jefferson	

ARC Designation	Funding Eligibility
Attainment Counties	ineligible for ARC funding
Competitive Counties	30% ARC funding
Distressed Counties	80% ARC funding
At-risk Counties	up to 70% ARC funding
Transitional Counties	50% ARC funding

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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.

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Tennessee Valley Authority

TVA's Economic Development Fund is multimillion-dollar revolving loan program designed to stimulate job creation and investment in the TVA region. Loans must be co-sponsored by a power distributor, local government, or economic development agency and are made available to new and expanding industrial companies for fixed assets such as buildings, machinery, and equipment and industrial park development.

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