



Financial Incentive Program Mobile, Alabama, January 2014

Federal Programs

New Markets Tax Credits (“NMTC”) may be used for community development in areas plagued by economic blight.

- **Downtown Mobile qualifies for NMTC’s**
- Community Development Entities (“CDE”) solicit investors who provide a loan & get tax credits equating to 39% of their investment
 - CDE’s use the proceeds to invest via loans or equity investments in Qualified Active Low –Income Community Businesses (“QALICBs”)
- Firms with 2012 NMTC allocations:
<http://cdfifund.gov/docs/2012/nmtc/2012%20NMTC%20Award%20Book.pdf>

Historic Tax Credits (“HTC”) may be used to assist with rehabilitation of certified historic structures and buildings constructed prior to 1936. The project is subject to approval and administered by the Alabama Historical Commission, www.preserveala.org, with the local contact being the Mobile Historical Development Commission, <http://www.mobilehd.org>.

- Dollar for dollar credit against federal income tax
- Must substantially renovate the property
- All HTC’s are exempt from the Alternative Minimum Tax, allowing business owners/developers to use the tax credits
- A certified historic building is eligible for a 20% rehabilitation tax credit. The 20% HTC may be used for tax exempt projects, commercial and residential rental projects
- The applicable credit for buildings constructed prior to 1936 is 10%. The 10% HTCs are available for non-residential buildings

Low Income Housing Tax Credits (“LIHTC”) allocated to Alabama may be used for the development of affordable/workforce rental housing.

- LIHTC’s are administered and awarded by the Alabama Housing Finance Authority, www.ahfa.com
- In some instances, Community Development Block Grant, (“CDBG”) funds may be combined with LIHTC
- LIHTC are not subject to the Alternative Minimum Tax as written in the Housing & Economic Recovery Act of 2008

State of Alabama Programs

The Alabama State New Markets Tax Credit is a state match to the Federal New Markets Tax Credit program. A tax credit against state income, financial institution excise, and insurance premium tax is available to business owners and real estate developers who invest in commercial projects in qualifying census tracts.

- **Downtown Mobile and the waterfront qualify for State of Alabama NMTC's**
- Community Development Entities ("CDE") solicit investors and provide project funding in exchange for a 50% credit.
- Firms with 2012 NMTC allocations may be found at the Alabama Department of Commerce website at <http://www.madeinalabama.com/assets/2013/02/CAPCO-Contacts-01-08-13.pdf>.

The Alabama State Historic Tax Credit provides a tax credit against state tax liability for the rehabilitation and development of historic structures.

- Single-family homeowners are eligible for the state historic tax credit.
- Tax credit is usable beginning in the taxable year the project is placed in service.
- The project is subject to approval of a rehabilitation plan and administered by the Alabama Historical Commission.
- The state regulations can be viewed here:
http://preserveala.org/taxcredits.aspx?sm=i_b&utm_source=ATHP+eNews+Sept
- At the municipal level, the Mobile Historical Development Commission administers the program, www.mobilehd.org.
 - Credit are equal to 25% of the Qualified Rehabilitation Expenditures (QRE's) for certified historic structures.
 - Credit are equal to 10% of the QRE's for qualified pre-1936 non-historic structures.
 - The maximum number of credits issued by the state annually: \$20 million
 - The maximum credit for a commercial project is \$5 million
 - The maximum credit for a residential project is \$50,000.
 - The first date that an application can be submitted to the AHC is October 1, 2013.

The Alabama Capital Tax Credit Program is a State income tax credit for **Businesses** that create jobs. The tax credit may not exceed 5% of the initial capital cost annually and must be taken within 20 years of the placed in-service date. Prior to the date the qualifying project is "placed in service," the company must notify the Alabama Department of Revenue of its intent to claim the incentives under Section 40-18-190 et. seq. Code of Alabama 1975. Effective June 4, 1999, the "written statement of intent" to claim the capital credit (Form INT) must "include the notification acknowledgment letter from the director" (of the Alabama Development Office) per Section 41-9-202.1, Code of Alabama 1975. **Criteria for businesses to qualify for the capital credit incentive are:**

- Small Business Additions (additions to existing facilities and which investing company has 100 or fewer full-time employees in Alabama prior to the date the addition is placed in service):
 - Creation of 15 new jobs
 - Investment of \$1,000,000

- All other Businesses (new and expanding):
 - Creation of 20 new jobs
 - Investment of \$2,000,000
- Headquarters Facilities:
 - Creation of 20 new jobs
 - Investment of \$2,000,000
- A Project (new and expanding) located in an Alabama Enterprise Zone:
 - Creation of 5 new jobs
 - Investment of \$500,000
- All Businesses:
 - An average wage requirement of \$8.00 per hour or an average total compensation of not less than \$10.00 per hour, including benefits, is required. There is an exception for direct processors of agricultural food products

Industrial Development Grant Program (Site Preparation) *Alabama Act Number 91-635*, as amended by *Alabama Act Numbers 97-645, 99-590 and 99-591*, authorizes the State Industrial Development Authority to sell bonds to make grants to counties, municipalities, local industrial development boards, or authorities or economic development councils, or authorities, airport authorities, port authorities or public corporations to pay for site preparation for land owned or possessed by lease, by these entities.

- In order to be eligible for an industrial development grant, the activity occupying the project site must be a **Qualifying Project**. **Qualifying Project** is defined as a project to be sponsored or undertaken by one or more investing companies:
 - At which the predominate trade or business activity conducted will constitute industrial, warehousing, or research activities or development and testing service providers
 - Which qualifies as a **Headquarters** facility
- The size of the grant depends upon the amount of capital investment:

Capital Costs	Percentage of Capital Cost
Less than \$ 200,000	5.0%
\$ 200,000 to \$ 499,999	3.5% (minimum \$10,000)
\$ 500,000 to \$ 999,999	2.5% (minimum \$20,000)
\$ 1,000,000 to \$ 1,999,999	1.5% (minimum \$28,000)
\$ 2,000,000 to \$ 9,999,999	1.0% (minimum \$32,000)
\$10,000,000 to \$24,999,999	0.75% (minimum \$100,000; maximum \$150,000)
\$25,000,000 or greater	Maximum \$150,000

- Act 99-351 (the Act) requires entities seeking an Industrial Development Grant or other incentives to notify the Director of the Alabama Development Office of the general parameters of the Qualifying Project. The Act requires the Director to transmit a letter acknowledging receipt of the notification (Notification Acknowledgement Letter).

Sales & Use Tax Exemptions: Credit is permitted for sales and use taxes paid to another state or subdivision thereof. The total credit allowed cannot exceed the amount of state or local sales and use tax liability. Exemptions are available on the purchases of construction materials, machinery, and equipment purchased for the new facility, as well as materials or products that become an ingredient or component part of products sold by a manufacturer. The Sales & Use Tax Exemption and Abatements are administered by the Alabama Department of Revenue. For more information see their site:

<http://www.ador.state.al.us/Taxincentives/sales&useincentives.htm>.

Alabama State Entertainment Industry Incentive Act of 2009 (“EIIA 2009”) Contact Brenda Hobbie brenda.hobbie@film.alabama.gov or **Alabama Film Office** at (334) 242-4195. Local Mobile Contact is Eva Golson, (251) 438-7104.

- Alabama Film Office approved production companies get:
 - AL State income tax rebate of 25% of payroll for non AL residents
 - AL State income tax rebate of 35% of payroll for AL residents
 - Production costs > \$500,000 < \$20,000,000 (May include a single TV series episode)
 - Includes a motion picture soundtrack with costs > \$50,000 < \$300,000
- AFO approved production companies intending to spend \$150,000 or more over a consecutive 12 month period,
 - Exempt from state sales, use, and lodging taxes.
- Cap on ALL approved production company INCENTIVES:
 - FYE September 30, 2013 - \$15,000,000
 - FYE September 30, 2014 - \$15,000,000
 - FYE September 30, 2015 and each year thereafter - \$20,000,000

Industrial Revenue Bonds: In Alabama, Industrial Revenue Bonds (“IRBs”) may be used as long-term financing of up to 100% of a large commercial 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 an equivalent maturity US Treasury rate 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.

Alabama Industrial Development Training (AIDT): can deliver a wide range of customized technical pre-employment and on-the-job training programs - from welding to software engineering - at no cost to a qualifying business.

These services are developed with user needs in mind and are provided at no charge if criteria is met for starting wages and number of jobs created. Support for on-the-job training is available to companies that meet other criteria. For further information, or to request AIDT's services, please contact Gary Weaver, 334-280-4426.

Mobile County Enterprise Zone: Mobile County is an Alabama State Enterprise Zone whereby State Tax Incentives are available for businesses located or locating within the Boundaries of the Enterprise Zone. For an outline of the state tax incentives go to the Alabama Department of Economic and Community Affairs ("ADECA") website at: <http://www.adeca.alabama.gov/Divisions/ced/cdp/Pages/Enterprise-Zone.aspx>. For more information contact the Enterprise Zone Coordinator at (334) 242-0492.

Alabama Saves: is the state's only energy revolving loan program for existing industry. The program is available to all companies who are conducting business and own or operate one or more existing commercial or industrial facility in the state of Alabama and meet certain minimum credit standards. The low-interest loan funds may finance:

- Purchase and installation of renewable energy systems and energy-efficient fixtures
- Retrofits installed on property owned by an eligible business

Eligible renewable energy systems may include:

- Solar
- Biomass
- Biofuels
- Geothermal
- Micro-hydroelectric
- Methane capture and use
- Fuel cell technologies

For more information visit www.alabamasaves.com.

City of Mobile, Mobile County and Regional Programs

Tax Increment Financing ("TIF") grant assistance is available for qualifying economic development and redevelopment projects. Awards of up to \$45,000 per project may be given to investors for reimbursement of costs associated with sidewalks and lighting. Applications are considered for approval by the Board, as needed. For more information call Barbara Malkove, City Finance Director, at (251) 208-7804. For an application see the TIF section at: http://www.downtownmobile.org/business_incentives.html.

Mobile Downtown Redevelopment Authority may be bond issuer for projects within the Central Business District ("CBD"), 3 miles out along major arteries, and the east side of the Mobile river. CBD boundaries are Water Street, St. Louis Street, Broad Street; Church Street. Downtown Mobile offers the use of Tax Exempt and Taxable Bond financing for projects (1) greater than \$5 million in size, (2) within our boundaries, (3) supported by a bank letter of credit; (4) owner occupied real estate. Through the Downtown Mobile Alliance, the Downtown Mobile Redevelopment Authority may act as bond issuer for your taxable and tax exempt issues. The Downtown Mobile Redevelopment Authority was created in 1965 by action of the City Council

to encourage and facilitate economic development downtown and along both sides of the waterfront.

Ad Valorem Assessment for Historic Buildings (Lid Bill): Income Producing Historic Buildings, commercial, rental, or industrial property may be assessed at the residential rate if the property is deemed historical. The Commercial Ad Valorem tax rate of 20% is reduced to 10%. **This equals a 50% property tax reduction.** The reduction is applied during the entire term of your ownership.

Example:

Assessed Value Of Property	\$2,000,000
Taxes At 20% Commercial Assessment	\$27,800 (\$2 Million X 20% X .0695 Tax Assessment Rate)
Taxes With Wallace Tax Relief Act	\$13,900 (\$2 Million X 10% X .0695 Tax Assessment Rate)
Tax Savings	\$13,900

For more information see the Alabama Historical Commission's webpage on the Alabama Property Tax Incentive:

http://preserveala.org/pdfs/TAX_CREDIT/Fact_Sheet_Tax_Credit.pdf or contact Chloe Mercer by email chloe.mercer@preserveala.org or phone (334)230-2669.

Mobile Historic Development Commission (MHDC) Façade Easement Program allows a property owner to donate an easement on historic property for a charitable contribution that results in a tax benefit between 10% to 15%.

- Read about the program here:
http://preserveala.org/easementprogram.aspx?sm=i_c
- In Mobile contact MHDC (251) 208-7281 or www.mobilehd.org

South Alabama Regional Planning Commission, Revolving Loan Fund: makes loans to small businesses and industries with a primary goal of job creation. Loan sizes: \$10,000 to \$125,000 with one job for every \$10,000. No more than 30% of a loan may be used for working capital. For further details see SARPC's website: <http://www.sarpc.org/rlf.asp> or call Terri Pringle at (251) 652-0585.

Alabama Power's Community Redevelopment Incentive: Power customers may be eligible for a 15% rate reduction for opening in a building that has been vacant for at least 6 months. For more information visit Alabama Power's website:

<http://www.alabamapower.com/business/economic-development/incentives.asp>.

Downtown Mobile Alliance's Programs

Low-Interest Retail Loan Program: Startup, expanding and relocating retailers may be eligible for a 2% loan for targeted retailers along Dauphin Street between Water and Cedar Streets and along Royal Street between Government and St. Louis Streets. Details can be found by visiting: http://www.downtownmobile.org/pdf/DMA_Low_Int_Retail_Loan_Prog.pdf.

Signage Grant Program offers up to \$8,000 for downtown Mobile retailers for signage and sign-related lighting improvements to storefronts. The boundaries are limited to those required in the Retail Forgivable Loan program listed above. For overview and application see: <http://www.downtownmobile.org/pdf/SignageImprovementGrantProgram.pdf>.

Other Resources

Mobile Area Chamber of Commerce. A New Business Development Incentives Summary may be viewed at www.mobilechamber.com/incentives.asp.

Center for Entrepreneurial Excellence (“CEE”). www.ceeibic.org The CEE is a Business Incubator offering entrepreneurial training and assistance programs since 1986. The CEE is sponsored by the City of Mobile, the County of Mobile and the Mobile Area Chamber of Commerce. The major objective of the Center for Entrepreneurial Excellence is as a national focal point for idea formulation and exchange concerned with economic development through entrepreneurial efforts.

Southern Development Council (“SDC”) Loan and New Markets Tax Credits Programs. http://www.sdcinc.org/504_program.html SDC is a Community Development Corporation (“CDC”) authorized by the Small Business Administration (“SBA”) to package and service SBA 504 loans for Alabama. SDC works with the Community Reinvestment Fund in Minneapolis, MN who buys loans from SDC structured similarly to SBA 504 loans, provides New Markets Tax Credits, and increases the lending capacity of the SDC to \$4 million. **Contact Person: Beau Strong at (334) 318-1448**

Community Equity Investments, Inc. (“CEII”) is a 34 year old not-for-profit Community Development Corp. (CDC) whose primary mission is that of investing in business and housing enterprises. <http://www.ceii-cdc.org/contact.html> CEII is active in all phases of small and micro business lending as well as affordable rental and ownership housing. CEII offers secured loans to start-up and expanding business enterprises ranging from \$2,500 to \$150,000. CEII leverages their financing with funding from the Community Reinvestment Fund in Minneapolis, MN. CEII operates in the 30 Southern most counties of Alabama. **Contact person: Dan Horvath at (850) 595-6234** or <http://www.ots.treas.gov/docs/4/48049.pdf>

Women’s Business Center is a “technical provider” of loans up to \$50,000, through private banks with SBA support. Local Contact: Sylvia Browder at (251) 660-2725.

The Greater Mobile Development Corp. is a Certified Development Company (“CDC”) and offers **Small Business Administration (“SBA”) Financial Assistance Programs for Alabama.** Local Contact: **Teresa Sands (251) 650-0826.** Programs include:

- SBA 7(a) Business Loans – for profit businesses needing loans for fixed assets, working capital or to finance start-ups. Guarantee up to 85% on loans below \$150,000. Loans over \$150,000 may be guaranteed up to 75%.

- SBA (504) Loans – for profit businesses needing loans on fixed assets only. SBA lends up to 40% of cost with a maximum of \$1.5 million (in certain instances limit increased to \$2 million).
- SBAExpress – maximum guarantee of 50% and maximum loan amount of \$2 million.

Mobile U.S. Foreign Trade Zone No. 82. Mobile, Alabama has a foreign trade zone. The Grantee is the City of Mobile and the Operator is the Mobile Airport Authority. Contact: Foreign-Trade Zone Corp. Greg Jones at (251) 471-6725 x-315 <http://www.ftzcorp.com> <http://www.ia.ita.doc.gov/ftzpage/letters/ftzlist.html> and <http://ia.ita.doc.gov/ftzpage/info/summary.html>

- **What are the benefits to a zone user?**
 - **Duty Exemption.** No duties on or quota charges on re-exports.
 - **Duty Deferral.** Customs duties and federal excise tax deferred on imports.
 - **Inverted Tariff.** In situations where zone manufacturing results in a finished product that has a lower duty rate than the rates on foreign inputs (inverted tariff), the finished products may be entered at the duty rate that applies to its condition as it leaves the zone -- subject to public interest considerations.
 - **Logistical Benefits.** Companies using FTZ procedures may have access to streamlined customs procedures (e.g. "weekly entry" or "direct delivery").
 - **Other Benefits.** Foreign goods and domestic goods held for export are exempt from state/local inventory taxes. FTZ status may also make a site eligible for state/local benefits which are unrelated to the FTZ Act.
- **What Activity is Permitted in Zones?**
 - Merchandise in a zone may be assembled, exhibited, cleaned, manipulated, manufactured, mixed, processed, relabeled, repackaged, repaired, salvaged, sampled, stored, tested, displayed and destroyed.
 - Manufacturing, processing and any activity that results in a change of the tariff classification must be specifically approved by the FTZ Board.
 - Retail trade is prohibited in zones.

Community & Economic Development programs including CDBG funds are administered by the City of Mobile, Community Planning & Development. For more information contact Alex Ikefuna, Director, (251) 208-6293

Alabama CAPCO venture capital investment funds provide growth and expansion capital for businesses located in Alabama. \$100 million in Alabama state legislated tax credits were allocated to six Venture Capital firms who, in turn, sold the credits to insurance companies doing business in Alabama. The proceeds are being invested in Qualified Technology Businesses. For a list of CAPCO venture capital firms investing in Alabama businesses go to the Alabama Department of Commerce (“ADC”) website at:

<http://www.madeinalabama.com/divisions/business-development/>. The program is administered through, and guidelines are available at, the ACO.

Alabama's state legislature enacted the **Alabama Land Recycling and Economic Redevelopment Act** ("ALRERA") giving a statutory framework for "non-responsible" prospective purchasers and "responsible" owners to voluntarily assess and remediate contaminated property, including Brownfield's, with confidence that no further cleanup would be required later. A "Brownfield" property is one where expansion, redevelopment or reuse is complicated by the presence or potential presence of a hazardous substance, pollutant or contaminant, according to the U.S. EPA. To advance economic incentives, the **Alabama Brownfield Development Tax Abatement Act of 2004** enabled "private users" with approved voluntary cleanup plans to petition city or county government to abate non-educational city and county sales and use taxes and non-educational state, city and county property taxes for a period of up to 20 years. See details at the following site:

<http://www.adem.state.al.us/alEnviroReglaws/default.cnt> or **Contact: Angela Till, Abatement Program Administrator with the Alabama Department of Revenue.**
<http://revenue.alabama.gov/taxincentives/>