



Financial Incentive Program Mobile, Alabama, May 2010

- 1. Retail Forgivable Loan Program** for qualifying applicants offers up to \$20,000 to first floor retail tenants along Royal Street from Government Street to St. Louis Street, and along Dauphin Street from Water Street to Cedar Street. Money may be used for tenant improvements. The loan requires a dollar for dollar match from the Borrower.
- 2. 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.
- 3. 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: www.downtownmobile.org/incentives.php
- 4. Alabama State Entertainment Industry Incentive Act of 2009 (“EIIA 2009”)** Contact Courtney Murphy at (334) 242-3989 courtney.murphy@tourism.alabama.gov or **Alabama Film Office** at (334) 242-4195. Local Mobile Contact: Eva Golson (251) 438-7102
 - a. Alabama Film Office approved production companies get:
 - i. AL State income tax rebate of 25% of payroll for non AL residents
 - ii. AL State income tax rebate of 35% of payroll for AL residents
 - iii. Production costs > \$500,000 < \$10,000,000 (May include a single TV series episode.)
 - iv. Includes a motion picture soundtrack with costs > \$50,000 < \$300,000
 - b. AFO approved production companies intending to spend \$150,000 or more over a consecutive 12 month period,
 - i. Exempt from state sales, use, and lodging taxes.
 - c. Cap on ALL approved production company INCENTIVES:
 - i. FYE September 30, 2009 - \$5,000,000
 - ii. FYE September 30, 2010 - \$7,500,000
 - iii. FYE September 30, 2011 - \$11,000,000
- 5. Gulf Opportunity Zone Act of 2005 (“GO Zone”)** Tax exempt bond financing is available for commercial projects, approved by the Governor with support from a local Issuer, City Council, and the Mayor, through 12/31/2010. One of the local Bond Issuer’s is the Mobile Downtown Redevelopment Authority. The GO Zone bonds may be used in **Mobile and Baldwin Counties**. The Bond incentives are summarized below:

- d. **GO Zone Tax Exempt Bond** availability
 - i. \$2.1 billion private activity bonds
 - ii. Applications must be approved by the Governor,
 - iii. Issued between December 21, 2005 through January 1, 2011,
 - iv. At least 95% of the proceeds must fund qualified project costs.
 - v. **Bond financing may be used for:**
 1. income qualified *residential rental* minimum of either
 - a. 20% of units @ 60% of Area Median Gross Income (\$23,760/\$594 for a family of 2), or
 - b. 40% of units @70% of AMGI (\$27,720,\$693 for a family of 2)
 - c. For more info. see HUD limits & calculator at:
 - d. <http://www.novoco.com/products/rentincome.php>
 2. the acquisition, construction, reconstruction, and renovation of *non residential real property*
 3. must have rehabilitation costs in excess of 50% of the acquisition cost

6. **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. Tax Exempt bond incentives for private activity (businesses) available currently include:

- e. **GO Zone Bond financing through 12/31/2010**
- f. **Recover Zone Facility Bond financing through 12/31/2010**

7. **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:**

- g. Small Business Additions (additions to existing facilities and which investing company has 100 or fewer full-time employees in Alabama prior to date the addition is placed in service):
 - i. Creation of 15 new jobs;
 - ii. Investment of \$1,000,000.
- h. All other Businesses (new and expanding):
 - i. Creation of 20 new jobs;
 - ii. Investment of \$2,000,000.
- i. Headquarters Facilities:
 - i. Creation of 20 new jobs;
 - ii. Investment of \$2,000,000.
- j. A Project (new and expanding) located in an Alabama Enterprise Zone:
 - i. Creation of 5 new jobs;
 - ii. Investment of \$500,000
- k. All Businesses:
 - i. 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

- a. at which the predominate trade or business activity conducted will constitute industrial, warehousing, or research activities, or development and testing service providers.
- a) 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 certain other incentives to notify the Director of the Alabama Development Office (the Director) of the general parameters of the Qualifying Project (Project). The Act requires the Director to transmit a letter acknowledging receipt of the notification (Notification Acknowledgement Letter).

Infrastructure funds are available for extension of water, sewer and road facilities. Programs include the *Alabama Infrastructure Grant Program* and other funding through Alabama Department of Economic and Community Affairs, Community Development Block Grants, and state/federal governments.

The *Alabama Industrial Access Road and Bridge Program* provides financial assistance to communities for industrial access to new and expanding industries. The program allows for the construction of roads, bridges, etc. on public right-of-ways in conjunction with industrial projects.

Industrial Revenue Bonds

In Alabama, Industrial Revenue Bonds (“IRBs”) 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 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.

8. New Markets Tax Credits (“NMTC”) may be used for community development in areas plagued by economic blight. **Downtown Mobile and the waterfront qualify for NMTC’s.**

- ii. Community Development Entities (“CDE”) solicit investors who provide a loan & get tax credits equating to 39% of their investment.
 1. CDE’s use the proceeds to invest via loans or equity investments in Qualified Active Low –Income Community Businesses (“QALICBs”).

- iii. Firms with 2008 NMTC allocations:
www.cdfifund.gov/docs/2008/nmtc/2008NMTCListofAllocations.pdf

- 9. Low Income Housing Tax Credits (“LIHTC”)** allocated to Alabama may be used for the development of affordable/workforce rental housing,
- iv. LIHTC’s are administered and awarded by the Alabama Housing Finance Authority, www.ahfa.com.
 - v. Properties placed in service in the GO Zone in 2007, 2008, 2009; 2010 are considered Difficult to Develop Areas (“DDA’s”) and receive a 30% increase in eligible basis.
 - vi. In some instances, CDBG funds may be combined with LIHTC.
 - vii. LIHTC are not subject to the Alternative Minimum Tax as written in the Housing & Economic Recovery Act of 2008.

- 10. Historic Tax Credits (“HTC”)** may be used to assist with rehabilitation of certified historic structures and buildings constructed prior to 1936. Administered by the Alabama Historical Commission www.preserveala.org Local Contact: Mobile Historical Development Commission at (251) 208-7281

- viii. All HTC’s are exempt from the Alternative Minimum Tax, allowing business owners/developers to use the tax credits.
- ix. The applicable credit for certified historic structures & buildings is 26% through 12/31/2009, and reverts back to the standard 20% after that period. The 20% HTC may be used for tax exempt projects, commercial and residential rental projects.
- x. The applicable credit for buildings constructed prior to 1936 is 13% through 12/31/2009, and reverts back to the standard 10% after that period. The 10% HTC are available for non-residential buildings.

Other Resources and Incentives include:

- 11. Mobile Historic Development Commission** (251) 208-7281 www.mobilehd.org

- 1. Façade easement property tax benefit of 10% to 15%

- 12. 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.

- 13. Southern Development Council (SDC) Loan and New Markets Tax Credits Programs.** http://www.sdcinc.org/504_program.html SDC is a CDC authorized by the 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**

- 14. 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>
- 15. 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.
- 16. South Alabama Regional Planning Commission** at www.sarpc.org administers: **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. <http://www.sarpc.org/newsframe.htm> Local Contact: Terri Pringle at (251) 652-0585.
- 17. Mobile Area Chamber of Commerce.** A New Business Development Incentives Summary may be viewed at www.mobilechamber.com/incentives.asp
- 18. 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:
 - m. 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%.
 - n. 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).
 - o. SBAExpress – maximum guarantee of 50% and maximum loan amount of \$2 million.
- 19. 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 Economic Development Partnership of Alabama website at: <http://www.edpa.org/docs/state-enterprise-zones.pdf> For more information contact

Jessica Dent, Enterprise Zone Coordinator, Alabama Department of Economic & Community Affairs, at (334) 353-5682 or go to: www.adeca.alabama.gov Tab: Resources for Economic Assistance

20. 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>

p. What are the benefits to a zone user?

- i. **Duty Exemption.** No duties on or quota charges on re-exports.
- ii. **Duty Deferral.** Customs duties and federal excise tax deferred on imports.
- iii. **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.
- iv. **Logistical Benefits.** Companies using FTZ procedures may have access to streamlined customs procedures (e.g. "weekly entry" or "direct delivery").
- v. **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.

a. What Activity is Permitted in Zones?

- a. Merchandise in a zone may be assembled, exhibited, cleaned, manipulated, manufactured, mixed, processed, relabeled, repackaged, repaired, salvaged, sampled, stored, tested, displayed and destroyed.
- b. Manufacturing, processing and any activity that results in a change of the tariff classification must be specifically approved by the FTZ Board.
- c. Retail trade is prohibited in zones.

21. Community & Economic Development programs including CDBG funds are administered by the Alabama Department of Economic and Community Affairs. For more information contact Steve Korman, Mobile Housing Board (251) 434-2219: www.adeca.alabama.gov/Community%20Development%20Block%20Gr/default.aspx

22. 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 Development Office (“ADO”) website at: www.ado.state.al.us. The program is administered through, and guidelines are available at, the ADO.

23. The Energy Policy Act of 2005 provides for **Federal Tax Incentives** available to businesses. For details see: Department of Energy – Homepage, Internal Revenue Service, www.energytaxincentives.org, or contact the Alabama Department of Economic and Community Affairs (ADECA) - Energy, Weatherization and Technology Division at (800) 392-8098. These tax credits are available **through 2007** and include:

- q. Credit for business installation of qualified fuel cells (30% tax credit on purchase price), qualified stationary micro-turbine power plants (10% tax credit), and qualified solar equipment (30% tax credit).
- r. **Business tax credit** for developer/contractors developing **qualified energy-efficient new homes that save 50%** on energy costs compared to the EPACT standard. Manufactured and other homes meeting Energy Star criteria saving 30% on energy costs, qualifies too.
- s. Tax deduction for **energy-efficient commercial buildings** that reduce annual energy and power consumption by 50% compared to the American Society of Heating, Refrigeration, and Air Conditioning Engineers (ASHRAE) 2001 standard. The tax deduction would equal the cost of energy-efficient property installed during construction, with a maximum deduction of \$1.80 per square foot. Additionally, a partial deduction of 60 cents per square foot would be provided for building subsystems.

24. In 2001, 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. **Contact: Angela Till, Abatement Program Administrator with the Alabama Department of Revenue.**

RENEWAL COMMUNITY/EMPOWERMENT ZONE

