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## New tax credit sparking Birmingham development projects



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A new state tax credit program designed to encourage investment in low-income areas is already proving to work in the Birmingham business community.

**ServisFirst Bank** has jumped on board with two Alabama New Markets Tax Credit deals, including completing a transaction on April 11 with Iron City, a new local music venue in the University of Alabama at Birmingham area, and the bank is finishing a deal with the Birmingham School of Law.

[Paul Schabacker](#), executive vice president and commercial sales manager at ServisFirst Bank, said the program is a win for the bank, its clients and the community.

"It really gets us excited to have the opportunity to be active in the redevelopment of the downtown district," he said.

Birmingham School of Law will be provided tax credit for redevelopment of its new campus at 22nd Street South and Third Avenue South.

Construction on the project began in February and is scheduled to be completed later this year.

"I believe the Alabama New Markets Tax Credit is really going to help get projects going in some of the areas of Birmingham and throughout Alabama," said [David Fleenor](#), a managing partner in Hugh Locke Holdings and a grandson of school founder Judge [Hugh A. Locke](#). "It should make it possible, not only for some of the historic buildings like the one we're moving into, but other buildings to be renovated and refurbished."

The Alabama New Markets Tax Credit is designed to spur investment in low-income communities. Investors in community development entities that provide funding to

businesses that locate in qualified areas will receive state income, financial institution excise or premium tax credits.

“This provides an incentive for businesses to locate in the high poverty areas, and it makes financing the business somewhat easier,” said [Paul Compton Jr.](#), partner at **Bradley Arant Boult Cummings LLP**. “It won’t make an unviable business viable, but it can make a business that is borderline very successful.”

Legislation to establish the state tax credit was adopted in 2012. The Alabama Department of Commerce determines the availability of the credits, which have a cap of \$20 million per year. That could support more than \$200 million in initial investment, Compton said.

The Alabama program mirrors the federal New Markets Tax Credit program.

Compton said the Alabama New Markets Tax Credit will play an important role in encouraging investments in development throughout the state because it will – in many cases – provide an incentive for startup businesses compared to some of the state’s other economic incentive programs.

“For instance, Alabama has the capital credit program, which started out with Mercedes-Benz, and it provides an incentive for large businesses that already have a lot of tax liability to expand their facilities in Alabama,” he said. “However, that’s not very attractive to a new startup business that doesn’t have any existing liability.”

Several neighboring states, including Mississippi, Florida and Louisiana, have New Market Tax Credit programs, according to national certified public accounting firm Novogradac & Co. LLP.

Antrenise Cole covers banking, finance, small business lending, venture capital, accounting and law for the Birmingham Business Journal. [Click here to follow her on Twitter.](#)