

Alabama Small Deal Fund – Pilot Program

A Partnership of Main Street Alabama, Opportunity Alabama, and Main Street America Program Information and Guidelines

About the Program

Reactivating vacant and underutilized buildings is at the core of Main Street Alabama's work to bring jobs, dollars, and people back to Alabama's historic communities. Transforming vacant and underutilized structures in Alabama's downtowns is essential to providing space for new business creation, the expansion of existing businesses, community facility development, and new housing generation.

Yet numerous factors make it difficult to adaptively reuse Main Street buildings; a fall 2022 survey of Main Street America leaders identified a lack of access to capital as one of three major barriers to downtown development projects. In response to this challenge, Main Street Alabama, Opportunity Alabama (OPAL), and Main Street America are joining forces to create the Alabama Small Deal Fund Pilot Program. This partnership will bring investment capital to 3-5 small-scale real estate development projects in Alabama's Main Streets. For purposes of this pilot program, small-scale projects are defined as those under \$5M in total project size.

This pilot program supports high-impact Main Street projects that will not "pencil" at conventional rates of return by cultivating [Program Related Investments](#) (PRI) or PRI-Like investments from charitable institutions (foundations, hospitals, universities, etc.) These PRI or PRI-Like investments may be made by national, multi-state, or Alabama-based foundations and non-profits or some combination thereof.

Program Intent

- To strengthen Alabama downtowns by providing capital to support adaptive reuse projects that reactivate vacant or underutilized buildings.
- To strengthen the public use of Alabama downtown districts.
- To create a stronger tax base for Alabama communities
- To grow the Alabama PRI ecosystem to support more future investment in small deals
- To develop a replicable model that can be deployed in other Main Street America regions to grow investments in small deals.

Project Eligibility

While the pilot program is designed to be flexible and can support a variety of project types, to be considered for investments projects must meet the following requirements:

- Projects must be located in an Alabama downtown or neighborhood commercial district, with a strong priority preference for projects located in a Main Street Alabama community or a community that plans to join MS Alabama in the future.
- Total project costs should be under \$5MM; under exceptional circumstances, larger projects may be considered.
- The primary goal of this program is to support adaptive reuse projects downtown; on a limited basis, new construction projects may be considered if they are likely to provide exceptional benefit to a Main Street community.

- Single-family home rehabilitation projects are ineligible for this program.
- It is expected that up to 25% of project costs may be funded through the Alabama Small Deal Fund. Project sponsors must obtain at least 75% of project financing from other sources, whether bank, equity, grants, or other sources.

Other Project Priorities

Highly desirable pilot projects are those that also include one or more of the following components.

- Projects located in low or moderate-income communities.
- Projects that directly serve communities of color.
- Projects undertaken by developers of color, women, or other under-represented groups.
- Projects including a housing component (especially reactivation of vacant upper floor space).
- Projects which include the participation of local community lender(s).

Funding Guidelines

- The Alabama Small Deal Pilot Program project team is currently fundraising to support this project; it is expected that a total of \$1MM-\$2MM of investment capital will be placed in 3-5 pilot projects.
- These funds will be structured as below-market rate, low-interest **loans** to cover up to 25% of a project's total development cost. This capital is intended to be highly flexible and the interest rate, term, and payback structure will be customized to meet the needs of each borrower.
- **All loans are contingent on the availability of funding for this program.**
- Eligible uses of funds are included below:
 - Property acquisition
 - Architectural or engineering expenses
 - Historic Tax Credit fees and consulting costs
 - Construction labor or materials

Ineligible use of funds

- Projects that support commercial enterprises selling/trading tobacco, gambling, sex-related industries, and weapons.
- Any project that does not meet Main Street design criteria outlined in the Main Street Alabama design guidelines.
- Demolition of historic structures.

Evaluation and Selection Process

Main Street America, Main Street Alabama, and OPAL have established the Alabama Small Deal Fund Review Committee ("Committee"), which will review applicants for funding on a quarterly basis. The Committee will include staff representatives from Main Street America, Main Street Alabama, and Opportunity Alabama, and may include other volunteer representatives with experience in real estate development, financial underwriting, Main Street revitalization, or economic development. Funders may also be involved in the review of applications alongside the Committee.

Applicants can request funds through a two-step process.

Step 1: Letter of Interest

Applicants for funding must first submit a Letter of Interest (LOI), which can be accessed through the Opportunity Alabama and Main Street Alabama websites. The LOI will be made available to prospective applicants on a quarterly basis and must be submitted within 30 days for consideration by the Committee. These dates will be publicly posted by both Main Street Alabama and Opportunity Alabama. As part of the LOI review process, the Review Committee may request a walkthrough of the building(s) included in the project.

The Committee will review all LOI submissions once per quarter, and a select number of promising applicants will be invited to submit a full funding application. Applicants that are not invited to the second-round application process will be provided with feedback about their project and can re-submit an LOI during a future funding round.

Step 2: Full Funding Application

Only invited applicants will be able to submit a full application for funding from the Alabama Small Deal Fund. The application form will be available on the Main Street Alabama and Opportunity Alabama website. Applicants will have 30 days to submit the full funding application. LOIs and full funding applications will be reviewed by the Review Committee at their quarterly meeting.

All applications will be evaluated based on the following criteria:

1. Viability of Project
2. Adherence to Main Street Four Point Approach
3. Community Impact of Project
4. Replicability Across Main Street Districts