

ALABAMA DEPARTMENT OF ECONOMIC AND COMMUNITY AFFAIRS  
PLANNING AND ECONOMIC DEVELOPMENT DIVISION  
ADMINISTRATIVE CODE

CHAPTER 305-5-5  
ADECA SMALL BUSINESS INCUBATOR POLICY

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305-5-5-.01      Purpose.

The purpose of the Act is to promote and establish successful small business incubators and entrepreneurial services by making grants through the Alabama Department of Economic and Community Affairs to legal entities of state, regional, municipal or county governments.

**Author:** Don Reid and Harris Cooper

**Statutory Authority:** Code of Ala. 1975, 1993 Ala. Acts 543.

**History: New Rule:** Filed November 29, 1993; Effective January 3, 1994.

305-5-5-.02      Definitions.

Definitions shall be as indicated in Act 93-543 passed by the Alabama Legislature. The following definitions not found in such Act are added for clarification.

(1) Advisory Council. A subcommittee of the committee.

(2) Base Funds. Any money not appropriated pursuant to this act, that is used to match the state funds. Base funds may be federal, local, private, foundation grants, or money derived from any other source.

(3) Capital Outlay Costs. The cost of building(s) or equipment valued at \$2500 or more which are used for an incubator.

(4) Committee. The Regional Revolving Loan Policy Committee established by 1990 Ala. Acts 650, 1990 Regular Session.

(5) Contractual Services. Any services necessary for the implementation of and the administration of this act.

(6) Department. The Alabama Department of Economic and Community Affairs.

(7) Incubator. A multitenanted facility characterized by shared business services, equipment, space, and access to on-premises business consultants.

(8) Legal Entity. Any authority, agency, regional planning and development commission, city government, county government or subdivisions thereof to which the state may grant funds.

(9) Operational Costs. Day to day costs of operating an incubator including salaries of staff, power bills, necessary services, supplies and equipment costing less than \$2500.

(10) Sponsor. Any entity that qualifies to make application for state funds and that enters into a written agreement with the committee to establish, operate, and administer a small business incubator or to provide funding to an organization that operates as a small business incubator.

(11) State Funds. The allocation of monies from the State General Fund to the department for the purposes of this policy.

(12) Tenant. A sole proprietorship, partnership, or corporation that operates in a small business incubator.

(13) Total Project Costs. Costs of all project activities in the category of funds applied for under 1993 Ala. Acts 543. If the application is for funds for a feasibility study, then the total project cost is the total cost of the feasibility study. If the application is for capital outlay and/or operational funds, then the total project cost is the total cost of proposed capital outlay and operational cost.

**Author:** Don Reid and Harris Cooper

**Statutory Authority:** Code of Ala. 1975, 1993 Ala. Acts 543.

**History: New Rule:** Filed November 29, 1993; Effective January 3, 1994.

**305-5-5-.03      Policy And Procedure For Accountability.**

(1) Successful applicants will be required to ensure that their financial systems, as well as those of any subrecipients, provide fiscal control and accounting procedures which:

- (a) Are in accordance with generally accepted accounting principles;
- (b) Contain effective internal controls to safeguard assets and assure proper use of funds and assets;
- (c) Maintain source documentation to support accounting records; and
- (d) Are sufficient to permit preparation of any reports required to document job creation and capital investment resulting from the program.

(2) Recipients of funds will also be required to have audits performed in accordance with the Alabama Department of Economic and Community Affairs Audit Policy, as revised.

**Author:** Don Reid and Harris Cooper

**Statutory Authority:** Code of Ala. 1975, 1993 Ala. Acts 543.

**History: New Rule:** Filed November 29, 1993; Effective January 3, 1994.

**305-5-5-.04      Types Of Grants.**

The following grant programs will be established:

- (1) Feasibility study matching grants as described in 1993 Ala. Acts 543.
- (2) Technical assistance grants as described in 1993 Ala. Acts 543.
- (3) Capital Outlay and operational matching grants as described in 1993 Ala. Acts 543.
- (4) Start-ups or expansion grants to provide for the renovation of buildings for start-ups or expansions of space in buildings determined to be suitable for small business purposes. The expansion of space may include providing for the cost of equipment and furnishings necessary to use that space, but such expenses must be reviewed on a case by case basis. The maximum participation for state funds in start-up or

expansion projects is 30 percent of the project amount not to exceed two hundred thousand dollars (\$200,000) per grant.

(5) Construction grants as described in 1993 Ala. Acts 543.

**Author:** Don Reid and Harris Cooper

**Statutory Authority:** Code of Ala. 1975, 1993 Ala. Acts 543.

**History: New Rule:** Filed November 29, 1993; Effective January 3, 1994.

**305-5-5-.05      Applications.**

(1) Application forms for funding may be obtained from the Planning and Economic Development Division of the Alabama Department of Economic and Community Affairs at the address listed below

**Mr. Harris Cooper Small Business Incubator Program Alabama  
Department of Economic and Community Affairs Post Office Box  
5690 401 Adams Avenue Montgomery, Alabama 36103-5690 (205)  
242-5434**

(2) Requests for application forms shall indicate the type of incubator funding to be sought. The Department and the Regional Revolving Loan Policy Committee reserve the right to establish application deadlines.

**Author:** Don Reid and Harris Cooper

**Statutory Authority:** Code of Ala. 1975, 1993 Ala. Acts 543.

**History: New Rule:** Filed November 29, 1993; Effective January 3, 1994.

**305-5-5-.06      Criteria For Funding Technical Assistance Grants.**

Funding decisions on applications for technical assistance grants will be made by the Committee based on the criteria listed below:

(1) Reasons why technical assistance is needed:

(a) Problems with incubator

(b) Unique opportunities

(c) Opportunities for networking

(d) Other.

(2) Background of expected provider.

(3) Proximity of expected provider.

(4) Expected results from technical assistance.

**Author:** Don Reid and Harris Cooper

**Statutory Authority:** Code of Ala. 1975, 1993 Ala. Acts 543.

**History: New Rule:** Filed November 29, 1993; Effective January 3, 1994.

**305-5-5-.07      Criteria For Funding Feasibility Study Grants.**

Funding decisions on applications for feasibility study grants will be made by the Committee based on the criteria listed below:

(1) Critical mass potential for incubator based on factors listed in "A Project to Explore the Feasibility of a Statewide Network for Entrepreneurial Economic Development" (University of Alabama: July, 1990).

(2) Experience and track record of expected provider.

(3) Reasons why feasibility is felt to be strong:

(a) Population base

(b) Proximity of technical assistance

(c) Base of potential entrepreneurs

(d) Leadership potential/community support

(e) Other.

**Author:** Don Reid and Harris Cooper

**Statutory Authority:** Code of Ala. 1975, 1993 Ala. Acts 543.

**History: New Rule:** Filed November 29, 1993; Effective January 3, 1994.

**305-5-5-.08      Criteria For Funding Construction And Renovation Or Expansion Grants.**

Funding decisions on applications for funding construction and renovation or expansion grants will be made by the Committee based on the criteria listed below:

(1) Purpose or mission of incubator.

(2) Match:

(a) Amount of match

(b) Percent of match relative to total project cost

- (c) Certainty of match
- (d) Nature of match.
- (3) Suitability of community for incubator:
  - (a) Critical mass based on factors listed below:
    - 1. Population base
    - 2. Proximity of technical assistance
    - 3. Base of potential entrepreneurs
    - 4. Leadership potential/community support
  - (b) Relationship to other communities in incubator network if part of network.
- (4) Suitability of building:
  - (a) Location
  - (b) Characteristics of building:
    - 1. Size
    - 2. Structural soundness
    - 3. Internal configuration/layout
    - 4. Quality of space
    - 5. Adaptability of building
    - 6. Cost
    - 7. Other
  - (c) Appropriateness of proposed building in relation to mission of incubator.
  - (d) Expected results from activity:
    - 1. Increased jobs
    - 2. Operational efficiency
    - 3. Effectiveness
    - 4. Improved business environment
    - 5. Other.

- (5) Services to be provided to clients:
  - (a) Type of services to be provided
  - (b) Quality of services
  - (c) Suitability of services
  - (d) Expected cost of operation.
- (6) Technical assistance and consulting services:
  - (a) Type of assistance to be provided tenants
  - (b) Quality of assistance to be provided tenants:
    - 1. Background of provider
    - 2. Proximity of provider
    - 3. Expected cost of assistance
  - (c) Appropriateness of technical assistance and consulting services to be provided.
- (7) Appropriateness of operational policies:
  - (a) Business plan for incubator
  - (b) Entrance policies for incubator
    - 1. Business plan for applicants
    - 2. Method of determining:
      - (i) Viability of business concept
      - (ii) Viability of marketing strategy
      - (iii) Soundness of principals:
        - (I) Financial history
        - (II) Business history
  - (c) Level of subsidy to be provided tenants:
    - 1. Basis for determination
  - (d) Graduation policies:
    - 1. Time frame

2. Profitability and soundness of company

3. Exceptional cases.

(8) Nature of policy making board of incubator:

(a) Make-up of board

(b) By-laws

(c) How elected or appointed

(d) Conflict of interest provisions.

**Author:**

**Statutory Authority:**

**History:**

**305-5-5-.09**

**Criteria For Funding Capital Outlay And  
Operational Grants.**

Funding decisions on applications for funding capital outlay and operational grants will be made by the Committee based on the criteria listed below:

(1) Purpose or mission of incubator.

(2) Match:

(a) Amount of match

(b) Percent of match relative to total project cost

(c) Certainty of match

(d) Nature of match.

(3) Suitability of community for incubator:

(a) Critical mass based on factors listed below:

1. Population base

2. Proximity of technical assistance

3. Base of potential entrepreneurs

4. Leadership potential/community support

(b) Relationship to other communities in incubator network if part of network.



- (4) Suitability of building:
  - (a) Location
  - (b) Characteristics of building:
    - 1. Size
    - 2. Structural soundness
    - 3. Internal configuration/layout
    - 4. Quality of space
    - 5. Adaptability of building
    - 6. Cost
    - 7. Other characteristics.
- (5) Services being provided or to be provided to clients:
  - (a) Type of services to be provided
  - (b) Quality of services
  - (c) Suitability of services
  - (d) Expected cost of operation.
- (6) Technical assistance and consulting services:
  - (a) Type of assistance provided or to be provided tenants
  - (b) Quality of assistance provided or to be provided tenants:
    - 1. Background of provider/resume'
    - 2. Proximity of provider
    - 3. Expecte
  - (c) Appropriateness of technical assistance and consulting services to be provided.
- (7) Appropriateness of operational policies:
  - (a) Business plan for incubator
  - (b) Entrance policies for incubator:
    - 1. Business plan for applicants

- 2. Method of determining:
  - (i) Viability of business concept
  - (ii) Viability of marketing strategy
  - (iii) Soundness of principals:
    - (I) Financial history
    - (II) Business history
- (c) Level of subsidy to be provided tenants:
  - 1. Basis for determination
- (d) Graduation policies:
  - 1. Time frame
  - 2. Profitability and soundness of company
  - 3. Exceptional cases
  - 4. Other.
- (8) Nature of policy making board of incubator:
  - (a) Make-up of board
  - (b) By-laws
  - (c) How elected or appointed
  - (d) Conflict of interest provisions.
- (9) Reasons capital outlay assistance is needed:
  - (a) Type of capital outlays to be made
  - (b) Purpose of outlay
  - (c) Reasons outlay is needed
  - (d) Expected result of outlay:
    - 1. Jobs
    - 2. Operating efficiency
    - 3. Effectiveness of incubator
    - 4. Cash flow of incubator

5. Other.

(10) Reasons operational assistance is needed:

- (a) Type of operational assistance needed
- (b) Purpose of operational expenditures
- (c) Reasons assistance is needed
- (d) Expected result of operational assistance:
  - 1. Additional jobs
  - 2. Operational efficiency
  - 3. Effectiveness of incubator
  - 4. Cash flow of incubator

5. Other.

**Author:** Don Reid and Harris Cooper

**Statutory Authority:** Code of Ala. 1975, 1993 Ala. Acts 543.

**History: New Rule:** Filed November 29, 1993; Effective January 3, 1994.

NOTE: When referencing the ADECA Small Business Incubator Policy in publications, please reference it as follows:

ADECA Small Business Incubator Policy, Alabama Administrative Code, Alabama Department of Economic and Community Affairs, Rule 305-5-5-.01 through -.09 (1993).