Revised October 28, 2026 © Alabama League of Municipalities

Commercial Development Authorities

Commercial development authorities are intended to mirror industrial development authorities, which already existed prior to the Commercial Development Authority legislation to promote industrial concerns. With the transition from an industrial economy to a service economy, the legislature recognized the need to promote commercial development, an area not covered by industrial development statutes. The Commercial Development Authority Act is codified in Section 11-54-170 through Section 11-54-192, Code of Alabama 1975.

It was the intent of the legislature to allow the incorporation, in any municipality, of non-profit commercial development authorities to acquire, own, and lease projects to promote trade and commerce by inducing commercial enterprises to locate new facilities and expand existing facilities. It was not the intent of the legislature to allow any commercial development authority itself to operate any commercial enterprise.

What is a Commercial Project?

A "project" is defined in the act as any land and any building or other improvement thereon and all real and personal properties deemed necessary in connection therewith, whether or not now in existence, suitable for the following enterprises:

- any commercial enterprise engaged in the manufacturing, processing, assembling, storing, warehousing, distributing, or selling of any products of agriculture, mining or industry;
- any enterprise for the purpose of research in connection with either the development of new products or new processes, the improvement of existing products or known processes, or the development of facilities for the exploration of outer space or promotion of the national defense;
- any commercial enterprise engaged in selling, servicing, providing or handling any policies of insurance or any financial services.

In addition, the act further defines project as any land, building or other improvement thereon and all real and personal property deemed necessary in connection therewith, whether or not now in existence, which shall be suitable for use as all or any part of the following:

- a ship canal, port or port facility, off-street parking facility, dock or dock facility, harbor facility, railroad, monorail or tramway, railway terminal or railway belt line and switch;
- an office building or buildings;
- a planetarium or museum;
- a pollution control facility;
- a hotel, including parking facilities, facilities for meetings and facilities suitable for rental to persons engaged in any business, trade, profession, occupation or activity;
- a shopping center or similar facility suitable for use by two or more commercial enterprises engaged in any business, trade, profession, occupation or activity, provided that a project shall not include facilities, other than office buildings or other buildings suitable for use as corporate headquarters, designed for the sale or distribution to the public of electricity, gas, water, telephone or other services commonly classified as public utilities. Section 11-54-171, Code of Alabama 1975.
- A single commercial enterprise engaged in any business, trade, profession, occupation, or activity including, but not limited to, retail, restaurant, professional office or other commercial enterprises deemed beneficial for job creation, workforce development, financial investment, and other beneficial purposes identified in the redevelopment plan of the authority.

How to Form a Commercial Development Corporation

To form a commercial development authority, Section 11-54-173, Code of Alabama 1975, stipulates that any number of persons shall first file a written application with the city council. Every such application shall be accompanied by such supporting documents or evidence as the applicants may consider appropriate. As promptly as may be practicable after the filing of the application in accordance with the provisions of this section, the governing body of the municipality with which the application was filed shall review the contents of the application, and shall adopt a resolution either (i) denying the application or (ii) declaring that it is wise, expedient, and necessary that the proposed authority be formed and authorizing the applicants to proceed to form the proposed authority by the filing for record of a certificate of incorporation in accordance with the provisions of Section 11-54-174. The governing body with which the application is filed shall also cause a copy of the application to be spread upon or otherwise made a part of the minutes of the meeting of such governing body at which final action upon said application is taken. Section 11-54-173, Code of Alabama 1975.

Within 40 days after the council adopts the resolution assenting to the incorporation, the applicants must file a certification of incorporation in the office of the probate judge. The certificate shall state:

- The names of the persons forming the authority;
- The name of the authority and;
- The duration of the authority;
- The name of the authorizing municipality together with the date on which the council adopted the authorizing resolution;
- The location of the principal office of the authority, which shall be within the corporate limits of the municipality;
- The authority is organized pursuant to the pertinent provisions of Section 11-54-170 through Section 11-54-192, Code of Alabama 1975; and
- Any other matters the incorporators may choose to insert not inconsistent with the enabling statute. Section 11-54-174, Code of Alabama 1975.

The certificate of incorporation must be signed and acknowledged by the incorporators before a notary public. When the certificate is filed for record, attached to it must be a copy of the application to the city council to create the authority, a certified copy of the authorizing resolution adopted by the council, and a certificate by the Secretary of State that the name proposed for the authority is not identical to that of any other corporation organized under the laws of the state. When the certificate of incorporation and all the required documents are filed with the probate judge, the authority comes into existence as a public nonprofit corporation. Section 11-54-174, Code of Alabama 1975.

Composition of the Board of Directors

Each authority shall be governed by a board of directors. All powers of the authority shall be exercised by the board. The board shall consist of five directors who shall be elected by the city council for staggered terms. Section 11-54-176, Code of Alabama 1975.

The initial terms of office of two directors shall begin immediately upon their appointment by the council and shall end at 12:01 a.m., on March 15 of the first succeeding odd-numbered calendar year following their appointment. Section 11-54176, Code of Alabama 1975.

The initial terms of office of three directors shall begin immediately upon their respective appointments and shall end at 12:01 a.m., March 15 of the second succeeding odd-numbered calendar year following their election. Section 11-54-176, Code of Alabama 1975.

Thereafter, the term of office of each director shall be four years. Section 11-54-176, Code of Alabama 1975.

Vacancies are to be filled by the council. No officer of the state or of any county or municipality shall be eligible to serve as a director. Each director must be a duly qualified elector of the municipality. Each director shall be reimbursed for expenses actually incurred in the performance of duties as director. Any director may be impeached and removed from office as provided for in Section 175 of the Constitution of Alabama and by the general laws of the state. Section 11-54-176, Code of Alabama 1975.

The officers of the authority shall consist of a chairperson, vice chairperson, secretary, treasurer, and such other officers as its board shall deem necessary or appropriate. The offices of secretary and treasurer may, but need not, be held by the same person. Section 11-54-177 Code of Alabama, 1975.

The chairperson and vice chairperson of an authority shall be elected by the board from its membership. The secretary, treasurer and any other officers of the authority may, but need not, be members of the board and shall also be elected by the

board. The officers of the authority shall also be the same officers of the board. Section 11-54-177, Code of Alabama 1975. Meetings of the board are open to the public. Section 11-54-178, Code of Alabama 1975.

Powers of the Authority

An authority shall have the following powers:

- to have succession by its corporate name for the duration of time;
- to sue and be sued;
- to adopt and make use of a corporate seal;
- to adopt bylaws;
- to acquire, whether by purchase, construction, exchange, gift, lease or otherwise and to refinance existing indebtedness on, improve, maintain, equip and furnish one or more projects, including all real and personal properties which the board may deem necessary, regardless of whether any such projects shall then be in existence;
- to lease to others any or all of its projects and to charge and collect rent;
- to sell, purchase, exchange, donate, convey and grant options to any lessee to acquire any of its projects and any or all of its properties;
- to issue bonds for the purposes of carrying out its powers;
- to mortgage and pledge any or all of its projects or any part as security for the payment of the principal and interest on any bonds so issued;
- to execute and deliver mortgages and deeds of trust and trust indentures;
- to appoint, employ, contract with, and provide compensation of such officers, employees and agents, as the board finds necessary for the conduct of business;
- to provide for such insurance as the board deems advisable;
- to enter into such contracts, agreements, leases and other instruments and to take such other actions as may be necessary to accomplish any purpose for which the authority was organized;
- to require payments in lieu of taxes to be made by the lessee of the project to either the authority or the municipality. Section 11-54-178, Code of Alabama 1975.

Location of Projects

All projects of the authority shall be located wholly or partly within the corporate limits of the municipality and shall be wholly within the following areas: one where a redevelopment plan has been prepared; one where an urban renewal plan has been prepared; or one where it shall be included as part of the project's facilities, where an urban development action grant has been made to the project. Section 11-54-178, Code of Alabama 1975.

Exemption from Certain Taxes and Bid Law

The income of the authority, all bonds issued by the authority and the interest paid on any such bonds, all conveyances by the authority, and all leases, mortgages, and deeds of trust by or to an authority shall be exempt from all taxation by the state of Alabama. Any authority shall also be exempt from all license and excise taxes imposed for the privilege of engaging in business. Section 11-54-183, Code of Alabama 1975.

The property of an authority, however, is not exempt from any ad valorem taxes which can be imposed. An authority is not exempt from any privilege or license taxes levied by the state or any county, municipality or other political subdivision on tangible personal property purchased or used by an authority. Section 11-54-183, Code of Alabama 1975.

Regarding the competitive bid law, any authority and all contracts made by it shall be exempt from state laws requiring competitive bids. Section 11-54-186, Code of Alabama 1975. The Land Sales Act requires that land acquired from the state may not be resold within five years from the date it is acquired without providing the state the opportunity to repurchase the land and if they do not wish to repurchase then the sale of the land must be competitively bid. Section 9-15-82, Code of Alabama 1975. Pursuant to section 11-54-186, Code of Alabama 1975, the transfer from a municipality to a commercial development authority of land acquired from the state, and the subsequent transfer of the land by the authority, is exempt from the competitive bid requirements of the Land Sales Act, codified at section 9-15-70 *et seq*., Code of Alabama 1975. AGO 2007-0131. The transfer of land by a commercial development authority to a private person, firm, or corporation,

originally acquired from the state and transferred to the authority through one or more transactions between governmental entities, is subject to the competitive bid requirements of the Land Sales Act, except if transferred for the purpose of promoting the economic and industrial development of the county or municipality or for the purpose of constructing, developing, equipping, and operating industrial, commercial, research, or service facilities of any kind under Section 94.01 of the Recompiled Constitution of Alabama (Amendment 772), and in compliance with section 94.01(c) of the Constitution if transferred for less than fair market value. AGO 2009-0008 and AGO 2008-0009.

Non-Liability of Authorizing Municipality

The authorizing municipality shall not in any way be liable for the payment of principal or interest on any bonds of an authority or for the performance of any pledge, mortgage or obligation of any kind by an authority. Section 11-54-184, Code of Alabama 1975.

Attorney General's Opinions

The Commercial Development Authority (CDA) may take actions and expend funds related to the acquiring, owning, and/or leasing of projects to induce new commercial enterprises to locate in the city and to expand existing facilities. The CDA may make improvements to property acquired as projects. The CDA may sell or donate such property to businesses or structure leases with beneficial terms related to a project. The CDA may not award financial grants to businesses. The city may make improvements to its property unrelated to a project through the net earnings of the CDA remaining after the payment of all expenses. The CDA may provide financial assistance to its board members attending conferences, seminars, and workshops related to the promotion of commerce and trade. The CDA may hire employees. While it may not hire them to work for other agencies, it may enter into an employee-sharing agreement with another agency so long as each compensates the employee in proportion to the work performed for that agency. The CDA may share its conference room if used for business related to the purposes in section 11-54-170. AGO 2018-0051.