Status Update: Restaurant Revitalization Fund (RRF)

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Virginia Small Business Development Center (SBDC) Network

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Agenda

• Goals of Presentation
• History of Restaurant Revitalization Fund
• Who is eligible
• Documentation
• Applicant Review Process
• Other Recommendations
• Conclusion
• Questions
Overview

• Grant program created as part of the recently-signed American Rescue Plan Act
• $28.6 billion was placed in the fund, and of that amount, $5 billion has been set aside for eligible entities with gross revenues of up to $500,000 in 2019
• The maximum available for an eligible business and affiliated businesses is $10 million, and limited to $5 million per physical location
• The grant program will be administered by the US Small Business Administration
• The SBA has not published any guidance on this program to date
• No start-up date has been set
Roles

SBA
• Due to restrictions in place to assist grant applicants:
  • Refer interested parties to resource partners
  • The SBA will not interact directly with interested parties
  • The SBA will provide general interest information to potential applicants, including loan programs, etc.
  • Will publish information on the agency’s website

Resource Partners
• Guidance to interested parties
• Guidance on specific document requirements
• Assistance to applicants for completion of specific documents
What is an “eligible entity”

- Owns or operates 20 or fewer establishments (including affiliates), regardless of the ownership type and whether they operate under the same or different names, based on any agreements in existence as of 3/13/2020
- Restaurants
- Food stands
- Food trucks
- Food carts
- Caterer,
- Saloon
- Inns
Eligible Entities Continued

• Tavern
• Bar
• Lounge
• Brewpub
• Tasting room
• Taproom
• Licensed facility or premise of a beverage alcohol producer where the public may taste, sample, or purchase products, or other similar place of business where the public gathers for the purpose of being served food or drink
Ineligible Entities

- State or local government-operated business
- Businesses owned or operated with more than 20 locations as of 3/13/2020
- Businesses that received a SVOG
- Public companies
Calculating Amount of Grant

• The maximum available is $10 million ($5 million per location), but the actual amount will depend on the business lost due to COVID-19 (a/k/a “pandemic-related revenue loss” and the amount received via the PPP, based on the following:
  • Businesses established before 1/1/19 can calculate their grant by subtracting 2020 gross receipts from 2019 gross receipts, if the sum is greater than 0.
  • Businesses established during 2019 can receive a grant equal to the difference between:
    • Average monthly 2019 gross receipts X 12
    • Average monthly 2020 gross receipts X 12
  • Businesses established on or after 1/1/20 can receive a grant equal to eligible payroll expenses, less gross receipts from that year

• Note: these formulas may change as the SBA creates details about the program
Eligible Expenses

• Entities must submit a good faith certification that:
  • Uncertainty of economic conditions make the grant necessary to support ongoing operations
  • The entity has not applied for nor received a Shuttered Venue Operators grant (SVOG)

• Eligible Expenses:
  • Payroll
  • Principal and/or interest on mortgage debt
  • Rent
  • Utilities
  • Maintenance, including construction of outdoor seating
  • Supplies, including PPE and cleaning materials
  • Normal inventory
  • Supplier costs
  • Operating expenses
  • Paid sick leave
  • Any other usual and customary expenses

• These expenses cover the period between 2/15/20 and 12/31/21
Requirements for All Applicants

• Universal Requirements: (based on SVOG and SBA loan programs)
  • 2019 tax return
  • 2020 tax return (if filed)
  • Quarterly income statements for 2019 and 2020
  • Audited Financial Statements (anticipated for larger grants)
  • Certification
    • Uncertainty of current economic conditions makes the grant necessary
    • The “eligible entity” has not applied for or received a grant under the SVOG program
Forms for All Applicants

- Standard Forms:
  - SF-424B-Assurances for Non-Construction Programs
  - Certification of a Drug-Free Workplace
  - SBA form 1623 – Certification Regarding Debarment, Suspension, and other Responsibility Matters
  - SBA form 1711 – Certification Regarding Lobbying & Disclosure of Lobbying Activities
• Additional Documentation:
  • Applicants will need to obtain a DUNS number
  • www.dnb.com/govtduns
  • 1-866-705-5711
  • Applicants will need to obtain a SAM registration
  • www.sam.gov
  • 1-866-606-8220

• Note: DUNS numbers can generally be obtained within 24 hours, but registering with SAM can take 1-2 weeks, so start early!
Additional Considerations

- Eligible expenses must have been incurred from 2/15/2020 to 12/31/2020, or a date determined by the SBA.
- If funds are not spent by the entity or it ceases to operate, the business must return the unused funds to the Treasury.
- For an initial 21-day period the SBA will prioritize awarding grants for business owned and controlled by:
  - Women
  - Veterans
  - Socially and economically disadvantaged small business concerns
- After the initial 21-day period the Act requires the SBA to award grants in the order the applications are received, but “may” take steps to ensure such applicants have access to RRF grants. Applications should be submitted as soon as possible.
- During the 1st 60 days through 5/10/21, priority of grant award applications will be given to eligible entities with gross receipts of not more than $500,000 from the $5 billion, with other awards being provided for larger entities.
- If the business was not operational on the application date, but it has made “eligible expenses”, the grant would be made equal to those expenses (or alternative formula from the SBA).
Additional Considerations Continued

• Although the fund seems sizeable, industry experts indicate that they will cover only 10% of the losses incurred by the restaurant industry.
• As of 12/1/2020 roughly 110,000 restaurants (17% of the foodservice industry pre-pandemic) were closed either temporarily or permanently.
• The Senate majority leader (Schumer) indicated that the fund should last through September.
• The personal stimulus checks ($1,400) should also help restaurants, especially given that the smaller checks issued in December 2020 increased casual dining sales by 3% and fast food sales by 5% for roughly 3 weeks.
• Any funds received must be spent in 2021 and excess funds shall be returned to the Treasury.
• Be prepared to retain all payroll-related documentation for 4 years after the grant has been received and 3 years for non-payroll documentation used to obtain the grant.
Additional Considerations Continued

- Grant funds must be returned in the event that:
  - The entity’s pandemic-related revenue losses are estimated in its grant application and the estimate overstates the losses; or
  - The entity goes out of business before using all of the grant funds; or
  - The entity fails to use all of the grant’s funds before 12/31/21 or an alternate date set by the Administrator of the SBA, which in any case cannot be more than 2 years after the Act was enacted

- Note: the SBA has not published any documentation concerning this grant program. Therefore, the information continued in this presentation could be changed prior to the issuance of the grant guidelines. However, the information in this presentation is based on documentation provided by various industry groups and other interested parties. It is recommended that interested parties check with the SBA and or the SBDC network for updates.
Questions

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