

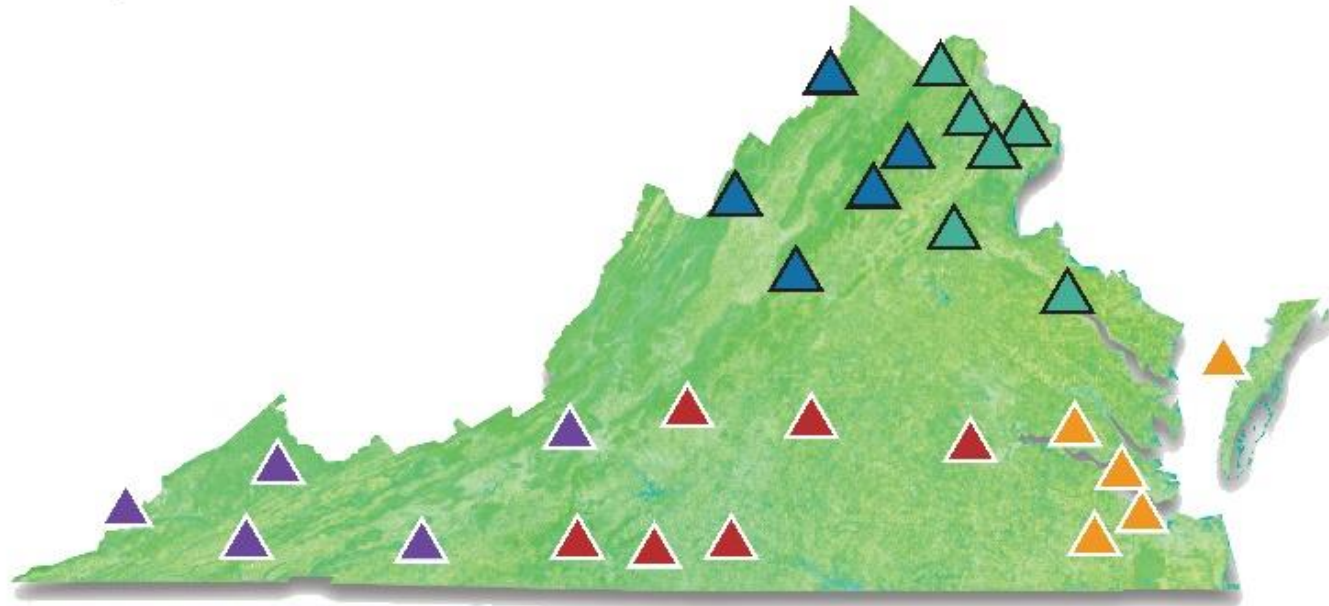
Restaurant Revitalization Fund (RRF) Briefing

Presented By: the Small Business Development Center of Virginia

Presenter: Mike Austin, Access to Capital Adviser

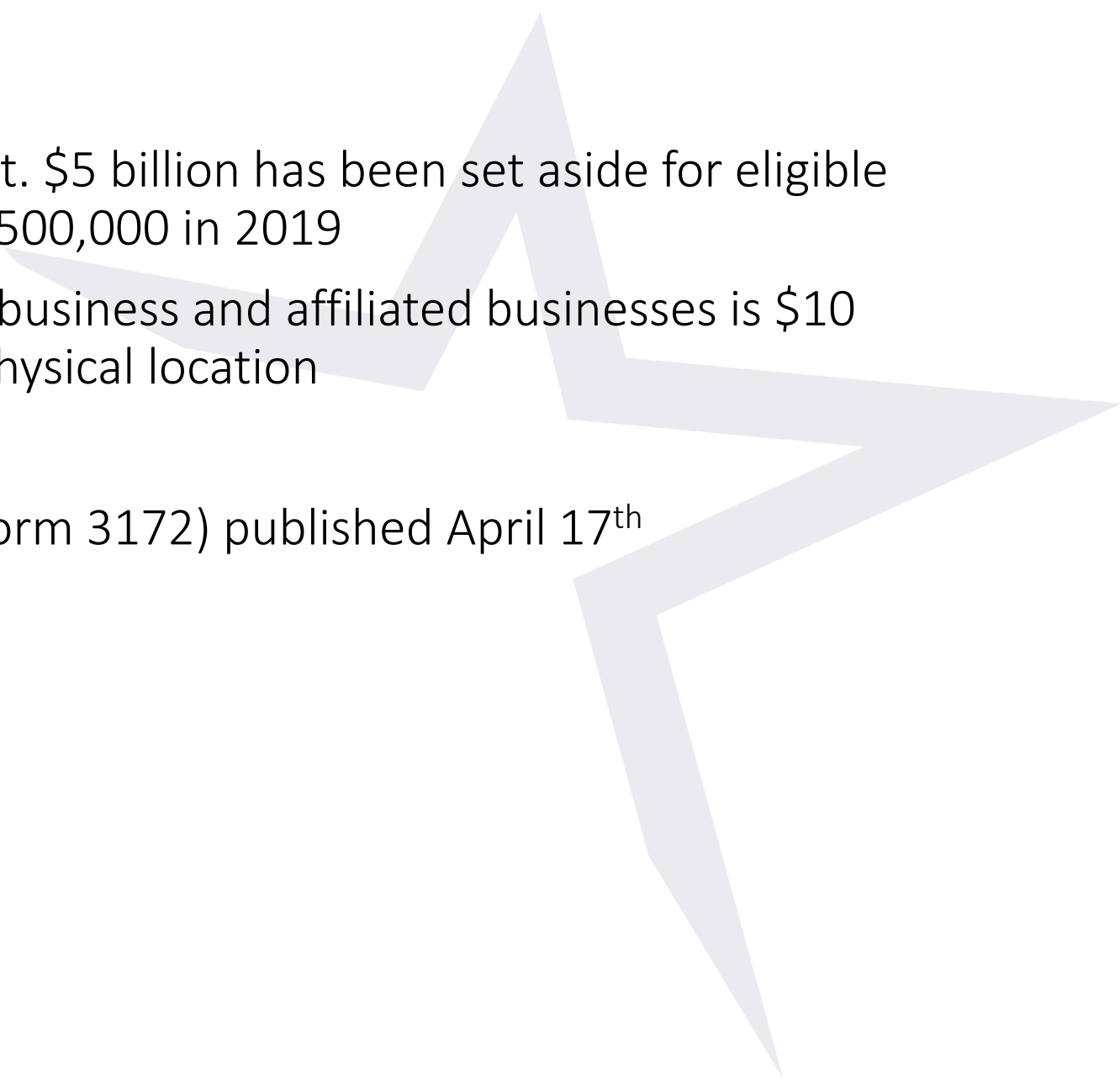


Virginia Small Business Development Center (SBDC) Network

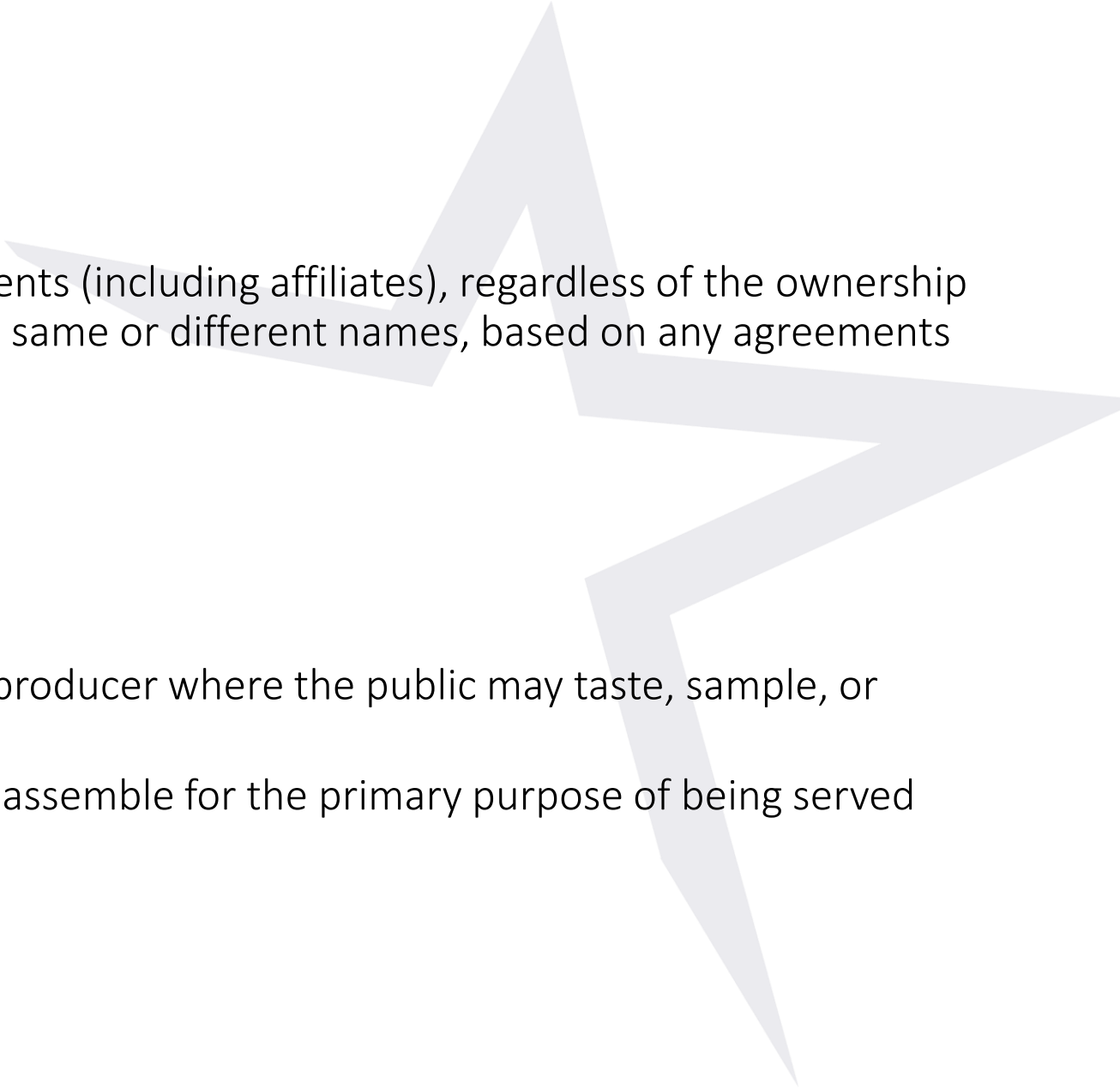


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Overview

- \$28.6 billion available for disbursement. \$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
 - Expanded Eligibility
 - Program Guide and application (SBA Form 3172) published April 17th
 - FAQ's have not been promulgated
 - *No start-up date established*
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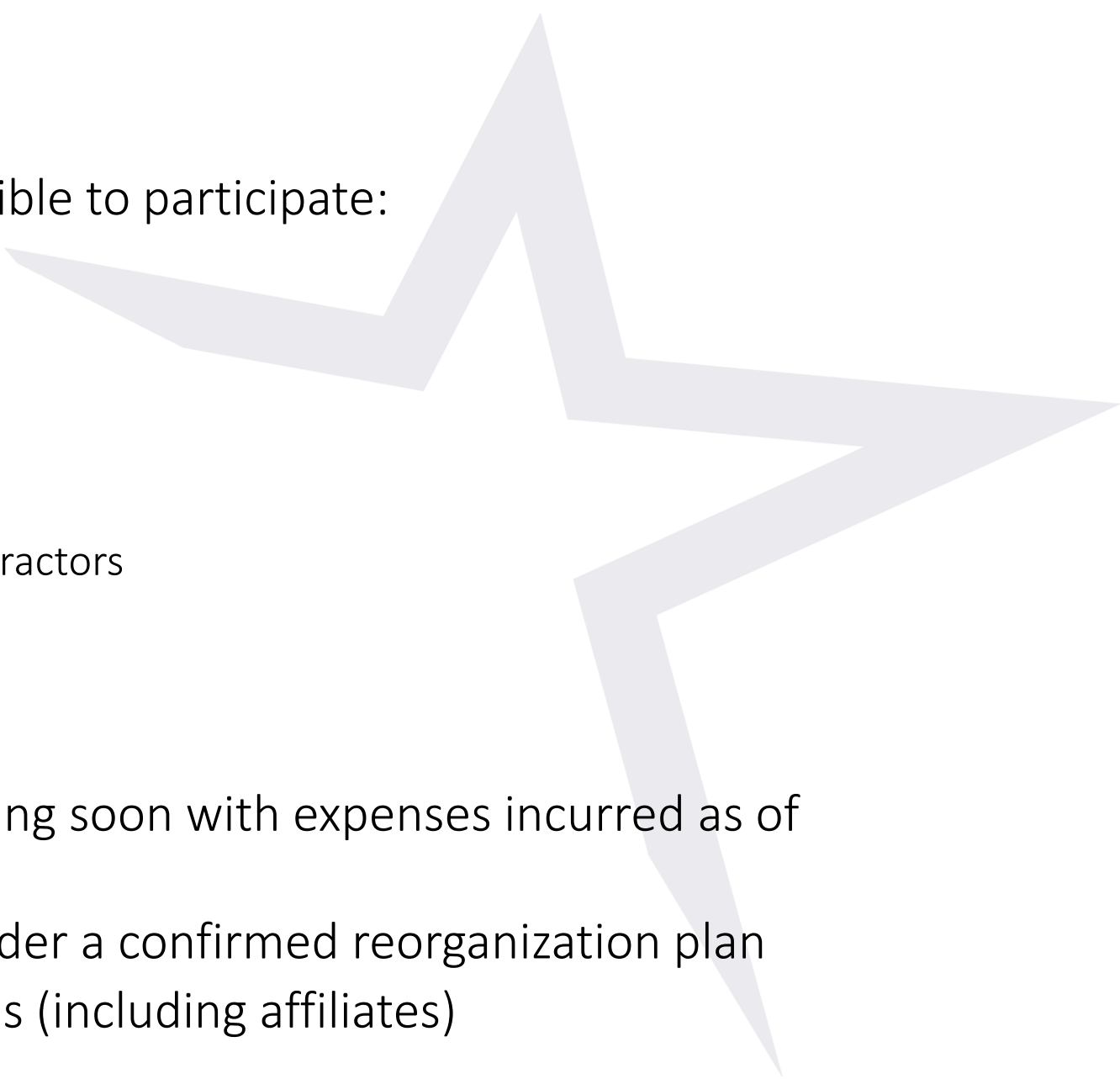
What is an “eligible entity”

- Eligible entities include:
 - 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
 - Caterers
 - Saloons, bars, lounges, taverns
 - Licensed facilities of an alcohol beverage producer where the public may taste, sample, or purchase products
 - Businesses in which the public or patrons assemble for the primary purpose of being served food or drink
 - Snack and nonalcoholic beverage bars
 - Inns
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Eligible Entities (continued)

- Bakeries, brewpubs, tasting rooms, taprooms, breweries, microbreweries, wineries and distilleries.
- Inns.
- For the above entities, at least 33% of gross receipts in 2019 were from onsite sales to the public. If not open until 2020 or not yet open, the original business model should have contemplated at least 33% of gross receipts in onsite sales to the public)
- All applicants must attest in the application to the following: **“The Applicant is eligible to receive funding under the rules in effect at the time this application is submitted.”**

Eligibility Requirements

- The following legal entities are eligible to participate:
 - C-corporations
 - S-corporations
 - Partnerships
 - LLC's
 - Sole proprietors
 - Self-employed and independent contractors
 - Tribal businesses
 - Must have one of the following:
 - Valid EIN, SSN, ITIN
 - Open, temporarily closed, or opening soon with expenses incurred as of 3/11/21
 - Not in bankruptcy, or operating under a confirmed reorganization plan
 - Cannot own more than 20 locations (including affiliates)
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Eligibility Requirements (continued)

- Did not apply for a PPP, already received PPP, have a pending PPP application, but if not already approved, applicants should withdraw their PPP application
- Did not apply to the SVOG, received a SVOG grant, have a pending application for a SVOG, or been declined a SVOG
- Did not apply for an EIDL or received an EIDL, and EIDL first advance, or received an EIDL targeted advance
- Must be for-profit and cannot be a publicly traded entity
- Franchisees are eligible if franchise is registered on the SBA Franchise Directory
- Requests must be for a minimum of \$1,000 and a maximum per location of \$5 million and an entity maximum of \$10 million

Certification Requirements

Applicant must make a good faith certification in SBA form 3172 that:

- “Current economic uncertainty makes this funding request necessary to support the ongoing or anticipated operations of the Applicant”
- “The Applicant does not have a pending application for and has not received a Shuttered Venue Operator Grant (SVOG) from the SBA”

Eligible Uses of Funds

- Eligible Expenses (must be incurred during covered period – defined as the period between 2/15/2020 and 3/11/2023):
 - Payroll costs
 - Principal and/or interest on mortgage debt
 - Rent
 - Business debt service (principal and/or interest)
 - Utilities (if applicant began service before 3/11/21)
 - Maintenance, including construction of outdoor seating
 - Supplies, including PPE and cleaning materials
 - Normal inventory
 - Covered supplier costs that meet the following criteria:
 - Are essential to the operations of the entity at the time at which the expenditure is made, and
 - Is made pursuant to a contract, order, or purchase order in effect at any time before the receipt of the RRF, or
 - With respect to perishable goods, a contract, order, or purchase order in effect before or at any time during the covered period
 - Operating expenses, defined as business expenses incurred through normal business operations that are necessary and mandatory. This excludes expenses that occur outside of a company's day-to-day activities
- Note: past-due expenses are eligible if they were incurred beginning 2/1/2020 and 3/11/21
- Note: The Covered Period will end when the business permanently closes, or on 3/11/2023, whichever is sooner. Recipients that are unable to use all the funds on eligible expenses by the end of the covered period must return the unused funds to the US Treasury.

Payroll Costs

- Includes the following:
 - Compensation to employees including salary, wages, commissions and cash tips or the equivalent
 - Payment for vacation, parental, family, medical or sick leave
 - Allowance for separation or dismissal
 - Provision of employee benefits including insurance premiums
 - Payment of state and local taxes assessed on compensation of employees and
 - For an Independent Contractor or Sole Proprietor, wages, commissions, income or net earnings from self-employment or similar compensation
- Does not include:
 - Payment to independent contractors (may be eligible if considered operating expenses)
 - Compensation of owner or employee in excess of \$100,000/year
 - Federal Employment Taxes imposed or withheld during the application period
 - Premiums related to COBRA continuation coverage

Calculating Amount of Grant

- The minimum available is \$1,000 and 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 less the amount received via the PPP, based on the following:
 - Businesses in operation (making sales) on or before 1/1/19 can calculate their grant by subtracting 2020 gross receipts from 2019 gross receipts, if the sum is greater than \$1,000. Note: **gross receipts** should not include:
 - Any amounts received from PPP
 - Any SBA section 1112 payments
 - EIDL loans, first advance, and/or targeted advance
 - Randolph-Sheppard Act Financial Relief and Restoration Payments (FRRP)
 - State and/or local small business grants
 - Businesses in operation during some portion of 2019 can also receive funding, and should use the same exclusions stated above to calculate **gross receipts**:
 - Calculate annualized 2019 gross receipts
 - Start with the gross receipts reported in 2019 Federal tax return
 - Calculate average monthly gross receipts for 2019 (i.e., if open on 10/15/19 – in operation for 2.5 months, take total from tax return and divide by 2.5 = average monthly gross receipts
 - Multiply total above X 12
 - Subtract gross receipts from 2020
 - The difference less PPP funds received equals the amount of grant (must be between \$1,000 and \$5 million per location)
 - Businesses in operation on or after 1/1/20 and 3/10/21 and applicants that have not yet opened for sales but as of 3/11/21 have incurred eligible expenses should use the following calculations:

Calculating Amount of Grant (continued)

- Start with the total amount spent on eligible expenses (base on eligible uses of funds) incurred between 2/15/20 and 3/11/21
- Subtract 2020 gross receipts, excluding same exclusions as above
- Subtract total PPP loans received
- The amount remaining must be between \$1,000 and \$5 million per location, which will be the amount of the grant
- Note: the application form (SBA Form 3172) includes tables for Applicants based on when they started operating that will help them calculate the amount they can receive from the grant program

Validating Use of Funds

- All Applicants have until 3/11/23 to use award funds
- On or before 12/31/21 all Applicants are required to report via the application portal the amount of their award funds have been spent in each eligible use category
- If all award funds are spent on or before 12/31/21, awardees will be required to certify via the application portal that all funds have been used on eligible expenses
- All Applicants that do not fully expend award funds prior to 12/31/21 will be required to complete annual reporting submissions until all the funds have been spent or the period of funding expires

How to Apply

- There are three ways to apply for the RRF:
 - Through SBA portal at restaurants.sba.gov (not open yet)
 - Create an account
 - Complete the application questionnaire and attestations
 - Upload required documentation
 - When application is complete, a DocuSign package will be sent via email to applicant
 - Immediate execution of DocuSign package will queue package for review
 - Review should take 14 days, and applicants can use the application portal for status updates
 - Decisions and requests for additional information will be made via email
 - Funds will be deposited into the business bank account entered into the application
 - Through a recognized SBA Restaurant Partner (POS provider)
 - Each vendor may have unique processes or supporting materials
 - If applicants uses one of the approved POS vendors they can apply via their website to access the portal

How to Apply (continued)

- Via calling (844) 279-8898
 - Gather documentation per grant application
 - Call number above
 - Complete application, questionnaire, and attestation with agent on phone
 - Applicant will be mailed completed application and signature documents
 - Application must be fully executed and notarized, and return them to the SBA
 - Upon receipt, the SBA will start reviewing package, which should take up to 14 days
 - If no email is available, the SBA will mail decision information or request for additional documentation to applicant
 - If approved, the funds will be automatically deposited to the business bank account included in the application

Receiving Funds

- All funds will be electronically deposited into the applicant's operating account based on the following:
 - To protect applicants, the SBA will disburse the funds directly into the Applicant's business/commercial checking account
 - Sole proprietors operating without a business checking account will need to provide the SBA with supporting documentation to show that the account is used for restaurant operations and is owned by the proprietor, and the SBA will not deposit funds into accounts that are less than 3 months old or ownership unrelated to the Applicant
 - Any issues with these requirements could significantly delay applicant funding

Set-Asides and Priority in Awarding Funds

- Set-asides are available only for certain applicants, based on the following:
 - \$5 billion for Applicants with 2019 gross receipts of not more than \$500,000
 - An additional \$4 billion for Applicants with 2019 gross receipts from \$500,001 to \$1,500,000
 - An additional \$500 million for Applicants with 2019 gross receipts of not more than \$50,000
- Priority funding will be for businesses that are at least 51% owned and controlled by the following:
 - Women
 - Veterans
 - And/or socially and economically disadvantaged
- Applicants in these categories that are operating under an approved bankruptcy plan that does not have a trustee managing the business are eligible
- Applicants must self-certify that they meet the eligibility requirements

Set-Asides and Priority in Awarding Funds (continued)

- Days 1-21
 - SBA will accept applications from all eligible Applicants
 - SBA will distribute funds only for approved applications where the Applicant has self-certified that it meets the set-asides for the ownership category defined on the previous slide
- Days 22 – end of program
 - SBA will accept applications from all eligible Applicants
 - SBA will distribute funds in the order in which their applications are approved

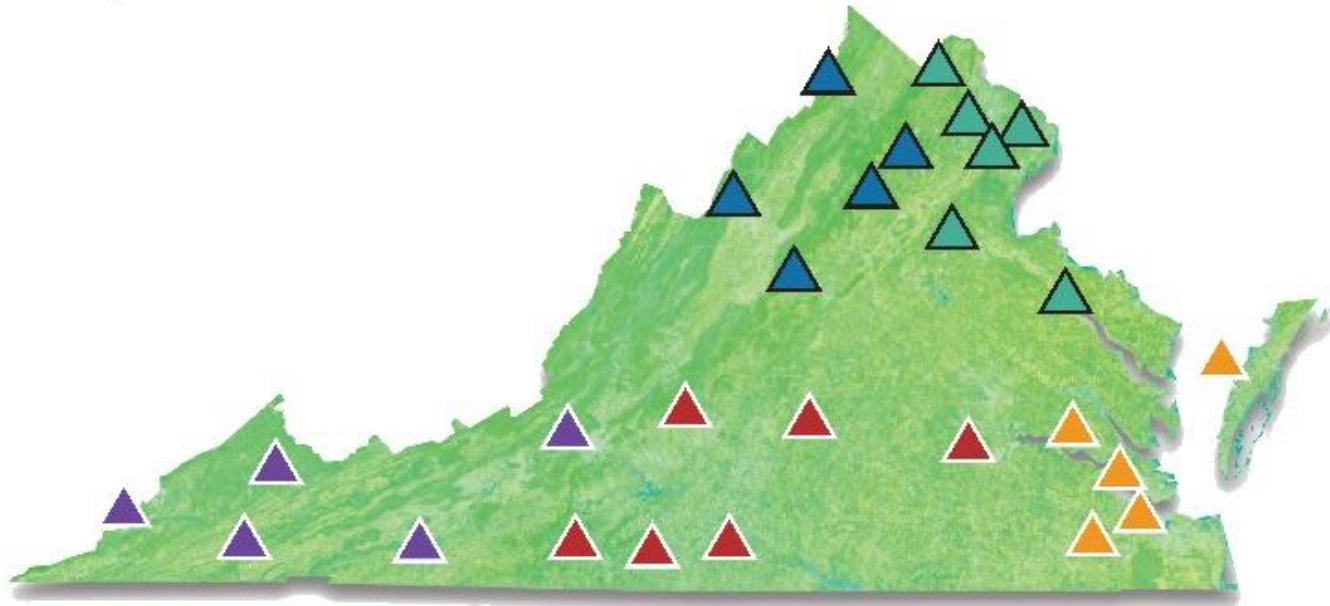
Requirements for All Applicants

- Universal Requirements:
 - Completed application (SBA Form 3172), with initials and appropriate signatures
 - Completed IRS 4506-T, completed and signed by the Applicant
 - Gross Receipts documentation, including:
 - 2019 tax return (IRS form 1120, 1120-S; 1040 Schedule C or F; Form 1065, including K-1s)
 - 2020 tax return (if filed)
 - 3 months of bank statements (supporting account linkage validation)
 - 2020 and 2021 Gross Receipts (at least 1 for each year)
 - Preferred:
 - 2020 Federal tax return filed or prepared and not filed
 - 2020 point of sales reports
 - 2021 point of sales reports
 - Eligible Expense Documentation (at least 1, and required appropriate supporting documentation for specific eligible expense type)
 - Preferred:
 - CPA Comfort Letter (*provides fastest SBA Review*)
 - If applicant submits expenses related to the following categories, appropriate documentation
 - Payroll documents (IRS 941s)
 - Outdoor seating expenditures (invoices/payments)
 - Business debt (lender loan statements)
 - Accepted (*but may delay review beyond 14 days*)
 - Externally or internally prepared financial statements, i.e., profit & loss statements, signed, dated, and certified as to accuracy by applicant
 - If applicant submits expenses related to the following categories, appropriate documentation, to include same information as above
- Some applicants will need to provide additional proof that at least 33% of 2019 gross revenues came from onsite sales to the public

Additional Considerations

- 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 during the covered period 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

Questions?



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