



retail strategies



retail webinars

What does the Coronavirus Federal Stimulus Package mean for Municipalities & CRE?

CORONAVIRUS FEDERAL STIMULUS PACKAGE

Our Panel



Lacy Beasley

President
Retail Strategies



Jenn Gregory

President
Downtown Strategies



Phillips Hinch

VP Tax Policy
ICSC





How Did We Get Here?

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How did we get here?

● DECEMBER 31

Chinese authorities treated dozens of cases of pneumonia of unknown cause.

● JANUARY 11

China reported its first death.

● JANUARY 20

Other countries, including the United States, confirmed cases.

● JANUARY 30

The WHO declared a global health emergency.

● FEBRUARY 11

The disease the virus causes got a new name: COVID-19

● FEBRUARY 23

Italy sees major surge in coronavirus cases and officials lock down towns.

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How did we get here?

FEBRUARY 24

The Trump administration asks Congress for \$1.25 billion for coronavirus response.

FEBRUARY 29

The U.S. records its first coronavirus death and announces travel restrictions.

MARCH 3

U.S. officials approve widespread coronavirus testing.

MARCH 13

President Trump declares a national emergency.

MARCH 15

The CDC recommends no gatherings of 50 or more people in the U.S.

MARCH 19

For the first time, China reports zero local infections.

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How did we get here?

MARCH 23

Prime Minister Boris Johnson locks Britain down.

MARCH 24

The Tokyo Olympics delayed until 2021.

MARCH 24

India, a country of 1.3 billion, announces a 21-day lockdown.

MARCH 27

President Trump signs a \$2.2 trillion stimulus package act, the largest bill in U.S. history, to provide aid to millions of Americans, small businesses, educational institutions and industries that are being devastated by lack of foot traffic and commerce in the market.

3 Phases of Congressional Relief



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3 Phases of Congressional Relief

March 6, 2020

Coronavirus Preparedness and Response Supplemental Appropriations Act

- \$8.3 billion bill spurring coronavirus vaccine research and development

March 18, 2020

Families First Coronavirus Response Act

- \$104 billion package largely focused on paid sick leave and unemployment benefits for workers and families

March 27, 2020

Coronavirus Aid, Relief & Economic Security (CARES) Act

- \$2 trillion package providing thousands of dollars in direct payments to most Americans, a huge loan package designed to help keep small businesses afloat, and an industry bailout for airlines and others.



How Does the CARES Act Measure Up?

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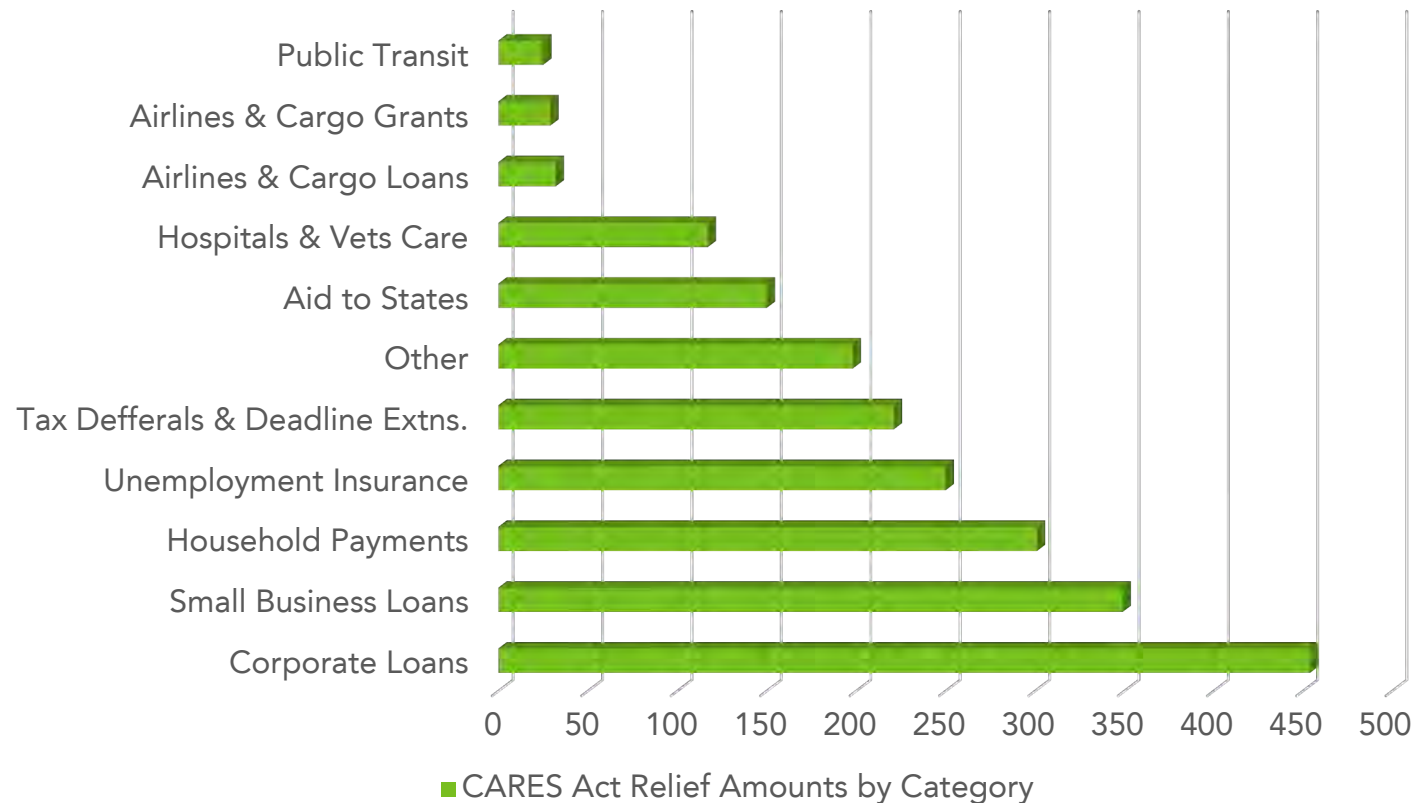
How Does the CARES Act Measure Up?

- Equals 10% of Gross Domestic Product (GDP)
- CARES Act is twice the size of the largest bill ever created, which was the American Recovery and Reinvestment Act of 2019 – 5.7% of GDP in 2008
- Package is \$100 billion short of a request from the *U.S. Conference of Mayors*
- Moody's, the ratings agency, warns that outright debt defaults and liquidations are still likely for many businesses, especially smaller firms and those with speculative grade credit ratings.
- The policy response is important to prevent a worst-case scenario, but everything hinges on containing the COVID-19 outbreak.

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How Does the CARES Act Measure Up?

CARES Act Relief Amounts (\$ Billions)





CARES Act Economic Provisions

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CARES Act Economic Provisions

- Direct Payments to Everyday Americans
- Opportunities for Cities & States
- Tax Benefits
- Small Business Loans
- Economic Stability Loan Program and Credit Facility
- Unemployment Benefits



Direct Payments to Everyday Americans

CARES ACT ECONOMIC PROVISIONS

Direct Payments to Everyday Americans

Payments to Individuals

- U.S. residents with gross income up to \$75,000 (\$150,000 for married couples), who are not a dependent of another taxpayer and have social security number, are eligible for the full **\$1,200 (\$2,400 married) rebate**.
- Eligible for **\$500 per child**. This is true even for those who have no income, as well as those whose income comes entirely from non-taxable means-tested benefit programs, such as SSI benefits.
- For most individuals, **no action will be required** in order to receive a rebate check as IRS will use a taxpayer's 2019 tax return if filed, or in the alternative their 2018 return.
- The amount is completely phased-out for **single filers with incomes exceeding \$99,000**, \$146,500 for head of household filers with one child, and \$198,000 for joint filers with no children.

CARES ACT ECONOMIC PROVISIONS

Direct Payments to Everyday Americans

Who Doesn't Qualify

- People with incomes above **\$99,000**, or single parents with incomes above **\$136,500**
- **Dependent Children Over 16** – Parents who have a Social Security number will receive \$500 for each child ages 16 and younger. There is no limit on the number of children that qualify.
- **Dependent Adults** – Any person over the age of 18 who is claimed as a dependent on another person's tax return is not eligible for an individual or child stimulus payment.
- **Anyone Without a Social Security Number** – To get a stimulus payment, you need to have Social Security number. The Social Security Administration issues Social Security numbers to all citizens, permanent residents, and some noncitizens who are authorized to work in the US.

* If a couple files jointly, but only one person has a Social Security number, neither will be eligible for a stimulus payment, except in the case of military families.



Opportunities for Cities & States

CARES ACT ECONOMIC PROVISIONS

Opportunities for Cities & States

- A **\$150 billion fund** to provide direct assistance to states and localities **to use for expenditures incurred due to the public health emergency with respect to COVID-19** in the face of revenue declines. Allocated by population proportions, with a minimum of \$1.25 billion for States with relatively small populations. 55% to states; 45% to localities.
- The **localities eligible for direct assistance include:** a county, municipality, town, township, village, parish, borough, or other unit of general government below the State level with a population that exceeds 500,000.
- The language states that a State, Tribal government, and unit of local government shall use the funds provided under a payment made under this section to cover only those costs of the State, Tribal government, or unit of local government that—“(1) are **necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19)**; “(2) **were not accounted for in the budget** most recently approved as of the date of enactment of this section for the State or government; and “(3) were incurred during the period that begins on **March 1, 2020, and ends on December 30, 11 2020.**

CARES ACT ECONOMIC PROVISIONS

Opportunities for Cities & States

Department of Commerce

- **Economic Development Administration (EDA)** – The bill provides \$1.5 billion for economic adjustment assistance, which can be used to help rebuild impacted industries such as tourism or manufacturing supply chains, capitalize local funds to provide low-interest loans to businesses of all sizes, and support other locally-identified priorities for economic recovery.
- **Support for Manufacturing** – \$50 million is provided for the Manufacturing Extension Partnership to help small- and medium-sized manufacturers recover.

CARES ACT ECONOMIC PROVISIONS

Opportunities for Cities & States

Transit

- \$25 billion for transit infrastructure to remain available until expended, to prevent, prepare for, and respond to coronavirus. Funds will be apportioned by the same ratio of FY 2020 appropriations through these Federal Transit Administration (FTA) formula programs:
 - \$13.9 billion for Section 5307 Urbanized Area Formula Program Grants
 - \$1.8 billion Section 5311 Formula Grants for Rural Areas
 - \$7.6 billion for Section 5337 State of Good Repair
 - \$1.7 billion for Section 5340 Fast Growth-High Density Grants
- Funding is “available for the operating expenses of transit agencies related to the response to a coronavirus public health emergency”... “beginning on January 20, 2020, reimbursement for operating costs to maintain service and lost revenue due to the coronavirus public health emergency, including the purchase of personal protective equipment, and paying the administrative leave of operations personnel due to reductions in service.”



Tax Benefits

Tax Benefits

Business Tax Relief

- Employee Retention Tax Credit
- Qualified Improvement Property (QIP) technical correction
- Delay Payment of Employer Payroll Taxes
- 5-year Net Operating Loss (NOL) Carryback
- Suspension of the Limitation on Losses from Pass-through Businesses
- Relaxation of Business Interest Deduction Limits

Payroll Tax Credits for Employers Providing Paid Sick Leave for COVID-19

- Became law 3/18/2020
- Sick or quarantined employee: credit = employee's regular pay, up to \$511/day and \$5,110 over the benefit period.
- Employees caring for a family members: credit two-thirds of the employee's regular pay, up to \$200/day and \$2,000 over the benefit period.

CARES ACT ECONOMIC PROVISIONS

Tax Benefits

Delay in Tax Filings and Payments

- Tax filings and payment due April 15 have been extended to July 15th

Like-Kind Exchange Relief Requested

- ICSC has requested Treasury extend time to complete a 1031 Like-Kind Exchange.

Small Business Loans



SHOP

CARES ACT ECONOMIC PROVISIONS

Small Business Loans

The CARES Act supports American small businesses in the following ways:

- A 50% refundable payroll tax credit on worker wages will further incentivize businesses, including ones with fewer than 500 employees, to retain workers
- Looser net operating loss-reduction rules that will allow businesses to offset more
- A delay in employer-side payroll taxes for Social Security until 2021 and 2022
- Sole proprietors and other self-employed workers could be eligible for the expanded unemployment-insurance benefits the bill provides
- A portion of the \$425 billion in funds appropriated for the Federal Reserve's credit facilities will target small businesses

CARES ACT ECONOMIC PROVISIONS

Small Business Loans

Economic Injury Disaster Loan (EIDL)

- Provides small businesses with working capital loans of up to \$2 million
- 3.75% interest rate (nonprofits 2.75% interest rate)
- SBA loan approved based solely on an applicant's credit score.
- Loans smaller than \$200,000 can be approved without a personal guarantee.
- No early payment penalties
- 30-year loan

Economic Injury Disaster Loan (EIDL) Grant

- All those applying for an EIDL loan will be eligible for up to a \$10,000 emergency grant to be issued within 3 days of the application being received
- Providing paid sick leave to employees unable to work due to the direct effect of the COVID-19
- Maintaining payroll to retain employees during business disruptions or substantial slowdowns
- Meeting increased costs to obtain materials unavailable from the applicant's original source due to interrupted supply chains
- Making rent or mortgage payments
- Repaying obligations that cannot be met due to revenue losses

CARES ACT ECONOMIC PROVISIONS

Small Business Loans

Who qualifies for a Paycheck Protection Program Loan (PPPL)?

- Businesses with less than 500 employees
- Independently-owned franchises with less than 500 employees
- “Accommodation and Food Services,” if each location has less than 500 employees
- Sole proprietors, independent contractors, self-employed individuals
- 501(c)(3) nonprofits

AND

Been in business since 2/15/2020 and paid taxes on your employees or independent contractors

How much can I borrow?

- 2.5x average monthly payroll for previous year, up to \$10 million
- For seasonal employers, the average total employees shall be calculated for the period between 2/15/19 and 6/30/19

CARES ACT ECONOMIC PROVISIONS

Small Business Loans

Payroll Protection Program Details:

- Loans will be fully guaranteed by the federal government
- The program applies to businesses with less than 500 employees
- Proceeds can only be used to cover payroll, rent, utilities and any interest expense
- The “covered period” is February 15, 2020 - June 30, 2020
- The standard fees imposed by the Small Business Act are waived and the business owner doesn’t have to provide a personal guarantee or collateral
- Loan amount equals the lesser of the average monthly payroll costs, rent, utilities, interest, and health insurance for the year (up to the date the loan was made) multiplied by 2.5, or \$10 million
- Forgiveness is not taxable
- Forgiveness only applies to payroll costs (defined above) and is adjusted for tipped employees

CARES ACT ECONOMIC PROVISIONS

Small Business Loans

Business owners will have to provide:

- 3 Years' Financials
- Payroll List
- Rent Expense
- Utility Bills

Example of how to calculate the loan:

	Monthly Payroll	
+	Health Insurance	
+	Rent	
+	Utilities	
+	Interest on Previous Debt	
=	Total	Total x 2.5 = Total Loan Amount

CARES ACT ECONOMIC PROVISIONS

Small Business Loans

Example business with 20 employees (PPPL):

Payroll:	\$40,000	
Health Insurance:	\$10,000	
Rent:	\$5,000/mt	
Utilities:	\$5,000/mt	
Interest on Previous Debt:	\$5,000	
Total:	\$65,000	x 2.5 = \$162,500 Total Loan Amount

Costs NOT considered to be a component of Payroll Costs include:

- The compensation of any individual employee with an annual salary more than \$100,000
- Any compensation of an employee whose principal place of residence is outside the United States
- Any qualified sick or family medical leave where credit has already been used under the Coronavirus Relief Act

CARES ACT ECONOMIC PROVISIONS

Small Business Loans

Forgiveness

- If the business doesn't lay anyone off for four months, their loan will be forgiven.
- Loan amounts that are not forgiven will be payable over 10 years at no more than a 4% interest rate.

Where can I apply for the loan?

- Any lending institution that is approved to participate in the program through the existing SBA 7(a) lending program
- Additional lenders approved by the Department of Treasury



Economic Stability Loan Program and Credit Facility

Economic Stability Loan Program and Credit Facility

\$500 billion for loans and loan subsidies and support for Federal Reserve credit facilities. Not limited by size of business.

- \$25 billion in loans and loan guarantees for air carriers
- \$4 billion in loans and loan guarantees for cargo air carriers
- \$17 billion in loans and loan guarantees for businesses critical to maintaining national security
- **\$454 billion for loans**, loan guarantees and investments in support of facilities established by the Federal Reserve to support lending to eligible businesses, States, or municipalities

Economic Stability Loan Program and Credit Facility

Assistance for Mid-Sized Business (500 – 10,000 EE)

Alternative financing is not reasonable available to the business

- Direct loans from private lenders
- Interest rate no more than 2% annually
- No principal or interest due for the first 6 months
- Borrows must retain 90% of workforce
- Borrowers cannot:
 - Pay dividend or buy back stock
 - Outsource jobs, abrogate collective bargaining agreements for 2 years
 - Provide raises to employees >\$425,000 in 2019



Unemployment Benefits

CARES ACT ECONOMIC PROVISIONS

Unemployment Benefits

- Creates a temporary **Pandemic Unemployment Assistance** program beginning January 27, 2020 through December 31, 2020, to provide payment to those not traditionally eligible for unemployment benefits (self-employed, independent contractors, seeking part-time employment, gig economy workers, those with limited work history, and others) who are unable to work as a direct result of the coronavirus public health emergency.
- A covered individual is one who is not eligible for regular compensation or extended benefits under state or federal law, and self-certifies that he or she is otherwise able to work but is unable to do so for reasons related to the impacts of COVID-19 on the individual, the individual's family, the individual's place of work, movement restrictions, and more.
- **Provides payment to states** to reimburse nonprofits, government agencies, and Indian tribes for half of the costs they incur through December 31, 2020 to pay unemployment benefits.
- **Provides an additional \$600 per week** payment to each recipient of unemployment insurance or Pandemic Unemployment Assistance recipient for up to four months.

CARES ACT ECONOMIC PROVISIONS

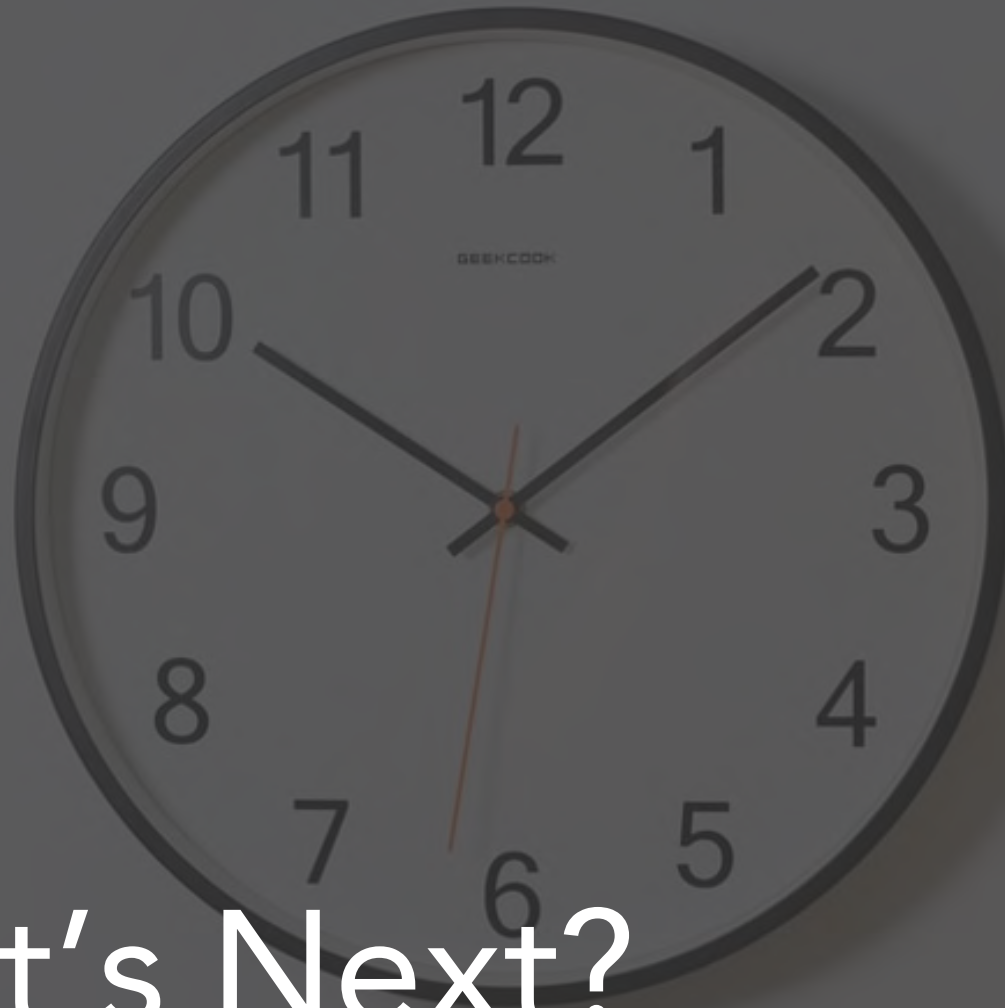
Unemployment Benefits

- Provides funding to pay the cost of the **first week of unemployment benefits through December 31, 2020** for states that choose to pay recipients as soon as they become unemployed instead of waiting one week before the individual is eligible to receive unemployment benefits.
- Provides an **additional 13 weeks of unemployment benefits through December 31, 2020** to help those who remain unemployed after weeks of state unemployment are no longer available.
- **Provides funding to support “short-time compensation” programs**, where employers reduce employee’s hours instead of laying off workers and the employees with reduced hours receive a pro- rated unemployment benefit. This provision would pay 100 percent of the costs they incur in providing short-time compensation through December 31, 2020.

CARES ACT ECONOMIC PROVISIONS

Unemployment Benefits

- **Temporarily eliminates the 7-day waiting period** for railroad unemployment insurance benefits through December 31, 2020 (to make this program consistent with the change made for states through the same period in an earlier section of this title.)
- Gives the Secretary of Labor the ability to issue operating instructions or other guidance as necessary in order to implement this subtitle, as well as allows the Department of Labor to waive Paperwork Reduction Act requirements, **speeding up their ability to gather necessary information from states.**



What's Next?

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What's Next?

- Cities, EDAs and property owners need to plan NOW for their recovery and rebuild
- Be a connector for small businesses and other eligible entities
- Recognize that opportunities are typically born out of crisis
- Consumers will shift their habits and patterns, but they'll still require access to goods and services
- Start NOW developing a robust digital presence
- Monitor Congress as further aid will likely be forthcoming

What's Next for Congress?

More Legislative Relief Planned

- Members of Congress are back home but already working on a 4th package
 - Passage could happen as soon as week of April 20
 - House Democrats will be more involved
- Broadly speaking, ICSC focused on short term liquidity and regulatory flexibility for lenders. We know much more is needed.



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retailstrategies.com

| [205] 314-0386

| info@retailstrategies.com

2200 Magnolia Ave South, Suite 100 Birmingham, AL