

# CLIENT ALERTS

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## SBA Launches Restaurant Revitalization Fund Program; Applications Open May 3

4.29.2021

The Small Business Administration has announced that applications for the Restaurant Revitalization Fund (the "Fund") will open Monday May 3. The Fund is limited, and time is of the essence to apply, so eligible entities should begin immediately to gather the information needed for the applications.

### **Background for the Fund**

On March 11, 2021, the American Rescue Plan Act (the "Act") was signed into law by President Biden. Section 5003 of the Act established the Fund, a \$28.6 billion program that will provide grants ("RRF Grant") to "eligible entities" that suffered revenue losses related to the COVID-19 pandemic. The SBA will oversee the Fund and issuance of the RRF Grants.

### **Eligible Entities**

Eligible entities are businesses where the public or patrons assemble for the primary purpose of being served food or drink including:

- Restaurants
- Food stands, food trucks and food carts
- Caterers
- Bars, saloons, lounges and taverns; brewpubs, breweries, wineries, distilleries and tasting rooms

There are a number of entities that are not eligible for a RRF Grant, including permanently closed establishments; publicly traded companies; entities that own and operate more than 20 locations; entities that have applied for or received a shuttered venue operators grant and entities in various types of bankruptcy proceedings.

### **Related People**

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### **Funding Amount**

A business that is eligible for a RRF Grant may receive an amount equal to its “pandemic-related revenue loss,” subject to a cap of \$5,000,000 per physical location and an aggregate cap of \$10,000,000 per Eligible Entity and any affiliated businesses. The minimum grant amount is \$1,000. Applications requesting less than \$1,000 in funding will not be accepted. For most Eligible Entity’s “pandemic-related revenue loss” means 2019 gross receipts minus 2020 gross receipts.

In determining the amount of the RRF Grants, pandemic-related revenue losses will be reduced by any amounts received from the Paycheck Protection Program (either First Draw PPP or Second Draw PPP Loans).

### **Eligible Uses of Funds**

RRF Grants received under the Fund must be used on “eligible expenses” between February 15, 2020 and December 31, 2021, or a date to be determined by the SBA that is not later than March 11, 2023 (the “Covered Period”). Eligible expenses include:

- Payroll costs (including sick leave and group health care, life, disability, vision or dental insurance premiums);
- Business mortgage payments;
- Rent payments;
- Business utility payments;
- Business maintenance expenses;
- Construction of outdoor seating;
- Business supplies (including protective equipment and cleaning materials);
- Business food and beverage expenses);
- Covered supplier costs as defined by the program; and
- Business operating expenses as defined by the program.

If an Eligible Entity does not use all grant funds or permanently closes its operations on or before the last day of the Covered Period, it must return any unused funds at that time. Eligible Entities will be asked to complete annual reports beginning no later than December 31, 2021 regarding their use of funds. Annual reports must continue until the funds are depleted. SBA reserves the right to request supporting documentation related to the annual reports.

### **Applications**

There will be three ways to apply for the RRF: (1) Through a recognized SBA Restaurant Partner; (2) Through SBA directly at [restaurants.sba.gov](https://restaurants.sba.gov) and (3) By phone at (844) 279 – 8898. The SBA will offer support through a call center hotline and SBA’s network of District Offices to assist applicants

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throughout the process.

For all applicants, the following documentation will be required:

- The Application: SBA Form 3172
- Verification for Tax Information: IRS Form 4506-T
- Gross Receipts Documentation, to include, where applicable: (i) Business tax returns (IRS Form 1120 or IRS Form 1120-S); (ii) IRS Form 1040 Schedule C; IRS Form 1040 Schedule F; (iii) partnership IRS Form 1065 (inc. K-1s); (iv) Bank statements; (v) financial statements and (vi) Point of sale report including IRS Form 1099-K

### **Priority in Awarding Funds; Time is of the Essence**

For the first 21 days of the application period, SBA will give priority to Eligible Entities that are 51% (or more) owned and controlled by women, veterans, and/or socially and economically disadvantaged individuals.

In addition, to ensure the smallest businesses and those in underserved communities receive funding awards, the SBA has set aside funds that are available as follows: (1) \$5 billion for Eligible Entities with 2019 gross receipts of not more than \$500,000; (2) an additional \$4 billion for Eligible Entities with 2019 gross receipts from \$500,001 to \$1,500,000 and (3) an additional \$500 million for Eligible Entities with 2019 gross receipts of not more than \$50,000.

After the initial 21 days, eligible applications will be funded in the order of applications. *Again, because funds for the program are limited and time is short, businesses should start immediately to gather information, and register and apply with the SBA as soon as applications are open.*

SBA guidance can be found at:

- General Program Overview: <https://www.sba.gov/funding-programs/loans/covid-19-relief-options/restaurant-revitalization-fund>
- Restaurant Revitalization Funding Program: <https://www.sba.gov/document/support-restaurant-revitalization-funding-program-guide>
- Draft Application: <https://www.sba.gov/document/sba-form-3172-restaurant-revitalization-funding-application-sample>

Butzel Long attorneys will continue to follow any notifications and/or interpretation of this new program and are ready to help with questions about the Fund, RRF Grant and the application process.

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