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Insights

SBA Announces New Application Details and Guidelines for the $28.6-billion Restaurant Revitalization Fund

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On Saturday, April 17, 2021, the Small Business Administration (SBA) provided an update for the Restaurant Revitalization Fund (RRF) grant application. Although there is no official launch date for the application, the SBA stated that ahead of the application and over the next two weeks, the SBA will establish a seven-day pilot program for the RRF application portal to address any technical issues ahead of the public launch.

We are monitoring the SBA website and social media sources closely for application launch date information. Below is a detailed summary of the newly released information regarding the RRF grant application.

As stated in our previous article, the American Rescue Plan Act established the RRF grant to provide funding to help restaurants and other hospitality-industry establishments stay afloat during the pandemic. This grant program will provide funding equal to the afflicted entity's pandemic-related revenue loss up to $10 million per business group ($5 million cap per business location). Recipients of the grant monies are not required to repay the funds if they are used for eligible expenses (see below) and the fund are exhausted on or before March 11, 2023.

Applicants will apply through the SBA Online Application Portal or SBA-recognized Point of Sale Restaurant Partners with SBA Form 3172 (view sample). Registration with SAM.gov, DUNS or CAGE is no longer required.

In addition to the SBA Form 3172 Application, these are the following documents required for the grant application:

A. IRS Form 4506-T; and

B. Gross receipts documentation- **any** of the following documents showing gross receipts and, if applicable, eligible expenses:

- Business tax returns (IRS Form 1120 or 1120-S)
- IRS Forms 1040 Schedule C; IRS Forms 1040 Schedule F

- Bank statements from January 1, 2019 through current
- Externally or internally prepared financial statements such as Income Statements or Profit/Loss Statement's
- Point of Sale Reports including IRS Form 1099-K (i.e. transactions involving a payment settlement entity)
- *For partnerships- IRS Form 1065 including K-1s
- *Brewpub/Bakery/Tasting Room/Taproom/Brewery/Winery/Distillery:
  - Documents evidencing that onsite sales to the public comprise at least 33.00% of gross receipts for 2019, which may include Tax and Trade Bureau (TTB) Forms 5130.9 or TTB. For businesses who opened in 2020, the Applicant's original business model should have contemplated at least 33.00% of gross receipts in onsite sales to the public.
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  - Documents evidencing that onsite sales of food and beverage to the public comprise at least 33.00% of gross receipts for 2019. For businesses who opened in 2020, the Applicant's original business model should have contemplated at least 33.00% of gross receipts in onsite sales to the public.

The SBA has not announced when the application will be open to the public. Once the portal is available, all eligible entities may apply, regardless of business size or ownership status. The SBA approximates a 14-day processing turn-around time for applications. It should be noted however, for the first 21 days of the application cycle, the SBA but will only fund and prioritize "priority groups".

Priority Groups are small business owned by at least 51% women, veterans, or socially/economically disadvantaged individuals. Socially disadvantaged individuals are defined as "those who have been subjected to racial or ethnic prejudice or cultural bias because of their identity as a member of a group without regard to their individual qualities." Economically disadvantaged individuals are defined as "those socially disadvantaged individuals whose ability to compete in the free enterprise system has been impaired due to diminished capital and credit opportunities as compared to others in the same business area who are not socially disadvantaged." Applicants must self-certify on the application that they meet one of the "priority group" eligibility requirements.

The Grant will be calculated as follows:

1. Calculation 1: for applicants in operation prior to or on January 1, 2019:

- 2019 gross receipts minus 2020 gross receipts minus PPP loan amounts

2. Calculation 2: for applicants that began operations partially through 2019:

- (Average 2019 monthly gross receipts x 12) minus 2020 gross receipts minus PPP loan amounts

3. Calculation 3: for applicants that began operations on or between January 1, 2020 and March 10, 2021 and applicants not yet opened but have incurred eligible expenses:

- Amount spent on eligible expenses between February 15, 2020 and March 11,2021 minus 2020 gross receipts minus PPP loan amounts

For those entities who began operations partially through 2019, you may elect (at your own discretion) to use either calculation 2 or calculation 3.

The SBA may provide funding up to $5 million per location, not to exceed $10 million total for the applicant and any affiliated businesses. The minimum award is $1,000.

For this program, the SBA stated that "gross receipts" will not include any Paycheck Protection Program (PPP) loans received from either the first or second draw, amounts received from Economic Injury Disaster Loans (EIDL), advances on EIDL, state or local grants under the CARES act or otherwise, or any SBA Section 1112 payments.

Once received, establishments must use the grant funds for the followings expenses to avoid repayment:

- Business payroll costs (including sick leave)
- Payments on any business mortgage obligation (principal and interest payments permitted)
- Business rent payments (excluding rental pre-payments)
- Any business debt service (pre-payment excluded, but both principal and interest payments permitted)
- Business utility payments
- Business maintenance expenses
- Construction of outdoor seating
- Business supplies (inclusive of protective equipment and cleaning materials)
- Business food and beverage expenses
- Covered supplier costs
- Business operating expenses

As long as grant funds are used for towards the aforementioned categories on or before March 11, 2023, the grant recipient will not be required to repay any of the grant monies.