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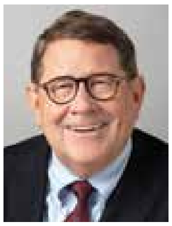
What's new in financing for restaurant owners



Dennis Monroe

WE HAVE GONE THROUGH the first round of financing assistance from the government and we are now embarking on the second. In the intervening period, there have been a number of grants and other funding vehicles.

If you're a restaurant owner in Hennepin County, hopefully you were able to get into its lottery system for a grant. The state will be sending out checks as well, without any further application. The number of employees you have will determine the amount you receive.

Additionally, we are starting to see a new round of Paycheck Protection Program (PPP) funding. There are a number pf modifications to the previous program and some limitations. The last time it was two-and-a-half times the applicable period of wages, but this time it is three-and-a-half. Additionally, the scope of use of these funds has broadened and is something that, as soon as banks are ready, you should certainly apply for. I've heard that some banks are passing on the second round, I believe, just from fatigue from the first round, but in the end, there will good money available finally. The new Act also liberalized the forgiveness process for small PPP loans, which should make the process easier.

There are a couple of other things that are especially beneficial, such as the EIDL (Emergency injury Disaster) loans, which is an online SBA program. You can receive up to $150,000 with easy terms. They have extended and terms have improved as well, so this is something you should consider. On the SBA front, there is a provision that liberalizes the use of the traditional SBA loans, the 7a and 504, and increases the guaranty right for the bank to 90 percent, plus other waivers of fees, to the borrower. This could be very helpful in the long-term.

The Main Street Loans which were another product of the original Cares Act, have expired. These were larger loans and were based on 2019 EBITDA calculation. At this time, we don't know if they are going to be extended. Main Street Loans didn't have a lot of application to the smaller restaurant owner, but they were an effective tool for larger, multi-unit operators.

The Cares Act also provides other interesting things. It allows for taking a credit for certain wages paid. The intent is to keep people employed and these are direct credit. In the past, if you took the PPP loan, you couldn't get the work incentive credit, so this is something where there may be some great tax advantages.

On the tax front too, the issue has been resolved as to the deductibility of the payments made with PPP funds, so that big hurdle is gone. There are a number of other technical items that you should look at, but those are the key issues.

Another thing that is important to understand is that the banks and traditional lines of credit and other programs the banks have provided are still available. I have spoken with a number of bankers and they are willing to move ahead in a traditional sense, particularly if you can show the you've been able to make it through the pandemic so far with delivery and takeout and that you will continue to be successful—whatever the new definition of successful turns out to be. So banks are still an available source of working funds.

Investors are looking at opportunities, particularly at new sites that are below market pre-pandemic, and other types of acquisitions and opportunities at historically low prices. Additional avenues to consider are private equity groups, individuals and family offices —many of which are considering these types of opportunities.

We have learned a great deal and the new programs seem to take into account this learning process. FSN

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