



# **FRLA UPDATE WEBINAR:**

## **Phase II & PPP Forgiveness Period Extension**

FRIDAY, JUNE 5TH AT 1PM ET



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# New Changes to PPP Loans: What Restaurant & Hotel Owners Need to Know



# Key Changes to PPP Loan Terms

- Option to extend to 24 weeks vs. 8 weeks
- Extension of coverage period to Dec. 31, 2020 for bringing back all employees, vs. June 30
- 60% of funds must be applied to payroll expenses vs. 75%
- 5 year period to repay loan vs. 2 years
- Delayed payment of payroll taxes now permitted
- New exceptions to permit full loan forgiveness even if full pre-pandemic workforce numbers not achieved
  - Inability to find qualified employees
  - Inability to restore business operations to Feb. 15 levels due to COVID-19 restrictions on capacity, social distancing

# What Does this Mean for Restaurant & Hotel Owners?

# 24 Week Extension Option

- Current PPP borrowers can choose to keep original 8-week period or extend to 24 weeks
- New PPP borrowers will have a 24-week covered period that cannot extend beyond Dec. 31, 2020
- Flexibility is designed to make it easier for more borrowers to reach full, or almost full, forgiveness

# Payroll/Employee Rehiring Changes

- Payroll expenditure requirement drops to 60% from 75%, but is cliff, meaning that borrowers must spend at least 60% on payroll or none of loan will be forgiven
- Currently, borrower must reduce amount eligible for forgiveness if less than 75% of eligible funds are used for payroll costs, but forgiveness isn't eliminated if 75% threshold is not met
  - Technical tweaks may be made to bill to restore sliding scale
- Borrowers can use 24 week period to restore their workforce levels and wages to the pre-pandemic levels required for full forgiveness
- Businesses can now delay payment of their payroll taxes, which was previously prohibited under CARES Act



# Other PPP Loan Term Specifics

## Changes:

- Borrowers now have 5 years to repay the loan instead of 2
- 2 new exceptions to allow borrowers to achieve full loan forgiveness, even if unable to fully restore workforce
  - Business unable to find qualified employees to hire
  - Business unable to restore business operations to Feb. 15 levels due to COVID-19 related restrictions (limited dining capacity, social distancing, etc.)

## Unchanged:

- Interest rate remains 1%
- Borrowers allowed to exclude from payroll calculations employees who turned down good faith offers to be rehired at the same hours and wages as before pandemic

# Key Questions

- Does 5 year amortization apply to all loans or just “new” loans?
- If business doesn't resume to pre-COVID-19 what are options to achieve full-forgiveness?
  - How do you measure business operations at February 15, 2020
  - Good faith effort to restore employment doesn't answer this
- How and when can payroll tax deferment start?



# What can be done now?

- Decide if 8 weeks or 24 weeks is more suitable for your business
  - Most cases 24 weeks is more beneficial (very few if any hotels and restaurants have achieved 100% bounce back in sales to date)
  - 60% rule makes forgiveness for rents/interest/utilities easier to achieve especially over extended 24 week period (6 months of forgiveness vs. 2 months)
- Plan for the FTE rule
  - Most difficult hurdle to achieving 100% forgiveness
- Prepare for the new normal
  - For restaurants, reduced in-store dining, greater take-out and delivery

# New normal (base model)

- 75% of sales
- Can your business make sufficient cuts to operate profitably at 75% of sales?
  - Review rents as a % of sales
  - G&A as a % of sales
- Can takeout/delivery replace in-store sales loss
  - Developing profitable takeout/delivery model
  - If using Doordash/Grubhub/UberEats/Postmates as primary platform, need to reconsider. 10%-15% fees for takeout and 25%-30% fees of sales for delivery isn't likely to be sustainable.
  - Online ordering via your website can be set up quickly
  - Other new options available for larger markets

# Questions

