

Client Alert

April 2020

Richmond Small Business Loan Summary

On April 2, 2020, the City of Richmond announced the creation of a disaster loan program for small businesses located within the City of Richmond. The Richmond Small Business Disaster Loan Program (COVID-19) (the Loan Program) will be overseen and administered by the City of Richmond's Department of Economic Development on behalf of the Richmond Economic Development Authority (REDA). The Loan Program has an initial commitment of \$1,000,000 from the REDA and will provide loans up to a maximum amount of \$20,000 with no interest and six-month deferred payments to small businesses located in the City of Richmond that meet certain qualifications. This article is intended to provide a brief overview of the Loan Program.

Economic Terms and Repayment

The Loan Program is designed to provide support to small businesses in the City of Richmond but only to cover payroll costs while staying open to the public in conformance with applicable local, state and federal social distancing regulations. The maximum loan amount available under the Loan Program is the lesser of (a) \$20,000 or (b) six months of a business's current employee wages (gross wages paid to employees). All loans will be made with an interest rate of zero.

Repayment of any loan made under the Loan Program will be deferred for a period of six months after the final disbursement. Once the six-month deferral period is over, loans will be repaid in equal monthly payments over 48 months. There are no penalties or fees for prepayment of the loans.

Loan Conditions and Requirements

In order to be eligible to receive a loan under the Loan Program, business owner(s) must be at least 21 years of age and meet the following conditions:

- Have a business located within the City of Richmond (see below for discussion of businesses that have multiple locations both inside and outside the City of Richmond);
- Hold a current business license to operate in the City of Richmond;
- Have a business that is currently open and operating in the City of Richmond;
- Have no current recorded tax liens or judgments;
- As of February 29, 2020, be current on all taxes due to the City of Richmond;
- Have fewer than 25 full-time employees (for purposes of the Loan Program, "full-time employee" means an employee who works a minimum of 35 hours per week);
- Have been operating for at least 24 months; and
- The individual submitting the application must own at least 50 percent of the applicable business and must provide a personal guarantee for repayment of the loan.

All proceeds received under the Loan Program must only be used to cover payroll expenses and can only be used as long as the business receiving the loan is open to the public for business. These requirements distinguish the Loan Program from some federally administered Small Business Administration programs, which generally do not require that a business remain open to receive COVID-19-related relief.

Required Documentation and Process

Applications for the Loan Program opened on April 6, 2020. The Loan Program had an initial funding of \$1,000,000 and it is expected that demand will be high, so potential applicants should move swiftly to submit their applications. Applicants will need to submit their completed loan application package via email to Rick.Winston@richmondgov.com. The completed application package will include:

- The City of Richmond Small Business Disaster Loan Program Application (available here: <https://www.rvastrong.org/richmond-disaster-loan?emci=584c043f-4078-ea11-a94c-00155d03b1e8&emdi=0c55414a-4778-ea11-a94c-00155d03b1e8&ceid=8317500>). Note that this application requires a notarized ownership certification. We understand that commercial notary services are still operating in Richmond but we recommend that potential borrowers call ahead, as many notaries are operating on reduced schedules;
- Documentation of weekly payroll expenses for the previous eight weeks;
- Two years of the business's financial statements (Note that no guidance has been provided on the level of detail required of such financial statements but we recommend that applicants submit as detailed records as possible to prevent delays in processing);
- Two years of the business's signed tax returns (Note that again no guidance has been provided on whether or not 2019 tax returns are required. If a business has not yet filed its 2019 tax returns, it should provide signed versions of the two prior years' tax returns); and
- Two years of tax returns for the individual who is providing the personal guarantee for the loan (Similar to the note above, no guidance has been provided regarding 2019 tax returns but the individual guarantor should provide fully completed tax returns for the two most recent years that they are available).

Businesses with Locations and/or Operations outside the City of Richmond

The guidance provided for the Loan Program recognizes that many businesses may operate with locations or employees both inside and outside the City of Richmond. However, the Loan Program is specifically aimed at providing assistance to the portion or location of a business that operates within the City of Richmond. Funding received from the Loan Program may only be used to cover payroll expenses of those employees who work for, or in, the portion of the business that is located in the City of Richmond. This means that if a business has a location in both Henrico County and the City of Richmond, any proceeds received under the Loan Program must be used solely for payroll expenses at the location in the City of Richmond and could not be used to support payroll expenses at the Henrico location. Loan applicants should be prepared to maintain records to verify uses of funds borrowed and compliance with the restrictions of the Loan Program.

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