

ALERT

COVID-19 Relief Programs: DC Grants and SBA Loans

March 26, 2020

Small businesses and nonprofit organizations across the country have been hit hard by mandatory closures and safety measures required to slow the spread of the global coronavirus (COVID-19) pandemic. In response, Mayor Bowser and the Council of the District of Columbia are investing \$25 million in the COVID-19 Recovery Effort and the DC Small Business Recovery Microgrants Program (the Program), and the U.S. Small Business Administration (SBA) will provide disaster assistance loans for small businesses impacted by COVID-19. Summaries of both programs are outlined below.

DC Grant Program

The Program makes available grants of up to \$25,000 available to (i) small businesses (including self-employed individuals) and (ii) nonprofits that have incurred “financial distress caused by a reduction of business” as a result of the COVID-19 emergency. The Program was instituted by Mayor Bowser pursuant to the “COVID-19 Response Emergency Amendment Act of 2020” (the Act) which was effective on March 17, 2020. The Act gave the Mayor “sole discretion” to disburse grants to eligible businesses. The total amount of grants that may be given out of the Program is \$25 million. The grants may be used by eligible recipients for (i) employee wages and benefits, (ii) operating costs, and/or (iii) repaying any loans obtained through the SBA.

There are different eligibility requirements and applications for each of the two general categories of potential recipients, but in all cases, the recipient must (i) have its main office or residence in Washington, DC, and (ii) be in good standing with the DC government (no outstanding judgments, tax debts over \$200 without a payment plan,

Authors

Thomas W. Antonucci
Partner
202.719.7558
tantonucci@wiley.law

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or pending lawsuits with DC).

For **businesses**, additional requirements are:

1. **Must be a "small business" as defined by the SBA.** This is based on revenues and number of employees, which amounts vary by industry.
2. **More than fifty percent of ownership, employees, or revenues are based in Washington, DC.**

Financial service companies and banks, e-commerce businesses, franchises, and certain other types of businesses (liquor, tobacco, cannabis, adult) are not eligible.

For **nonprofits**, additional requirements are:

1. **Must be registered with DC's Department of Consumer and Regulatory Affairs (DRCA).** The nonprofit must have either a Basic Business License or a Charitable Solicitation License with DCRA.
2. **The nonprofit's services must not extend beyond the "DMV region."**

Religious organizations and "political/lobbying organizations" are not eligible. Note that the term "political/lobbying organization" is not defined.

If a business/individual or nonprofit organization satisfies the applicable requirements, then it must submit an application and provide (i) a narrative explaining how the organization's revenues and costs were affected due to COVID-19, and (ii) the following documentation: (A) payroll/employee information, (B) 2018 tax return, (C) 2019 income statement (in any format), (D) 2020 YTD income statement (in any format), and (E) any additional supporting information (e.g., canceled contracts, etc.).

The deadline for the application is March 31st at 6pm. The DC grant application can be accessed on this page: <https://coronavirus.dc.gov/dc-small-business-recovery-grants>.

SBA Loan Program

There is a separate program – administered by the SBA – that provides "Economic Injury Disaster Loans" of up to \$2 million to small businesses or nonprofits (of any size) to allow organizations to meet working capital needs. The SBA has declared that all 50 states, Washington, DC, and all U.S. territories are disaster areas as a result of the COVID-19 pandemic, so businesses and nonprofits are eligible for a loan regardless of their location, and there are no exclusions based on the type of business or nonprofit activity. SBA loans must be repaid; the repayment term can be up to 30 years and the current interest rate is 3.75% for small businesses and 2.75% for nonprofits (specific terms are determined on a case-by-case basis).

To apply for an SBA loan, an organization must submit an application (on SBA Form 5) and supporting documentation and information. There is no deadline to apply for an SBA loan, though the economic injury loan is available only during the time that the SBA has declared that there is a "disaster", a designation that they could remove at any time. The SBA economic injury loan application can be access on this page: <https://>

disasterloan.sba.gov/apply-for-disaster-loan/index.html.

Wiley's Corporate team and COVID-19 Task Force are closely monitoring programs offered to small businesses, and are well-positioned to assist organizations with their relief options. Please contact your primary Wiley attorney, or Tom Antonucci (tantonucci@wiley.law or 202.719.7558), should you have any questions or concerns regarding the above information.

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