



## **PPP loans now better than ever but time is ticking for tenants and real estate professionals to apply - by Neil Seiden**

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Commercial tenants are failing to pay rent, asking for rent reductions or deferrals creating challenges for landlords across the country. No one has been hit harder than the landlords in the New York metropolitan area where the pandemic and economic shut down have been the most severe.

The Payroll Protection Act (PPP) continues to be a much-needed lifeline for tenants of all types of properties. PPP loans are available to businesses large and small in most every industry except a few ineligible industries. This program is also available to most non-profit organizations and religious institutions, many of which rent their facilities. While the SBA Guidelines preclude many passive businesses in the real estate industry from obtaining the PPP loans themselves, the program specifically designates the payment of rent by a tenant as an expense that is subject to forgiveness. The only other non-payroll related expenses that are subject to Forgiveness are mortgage interest payments and utility payments. With respect to PPP loans, loan forgiveness means that a tenant can convert loans to grants which do not have to be paid back if expenses are incurred for certain qualified expenses deemed to be forgivable by the SBA. As rent is considered a forgivable expense, to the extent that a tenant pays their rent from the proceeds of a PPP loan, that portion of the loan will be forgivable as long as they also pay salaries with at least 60% of the PPP loan. Businesses in other industries do not have the benefit of payments for their goods and services being a forgivable expense. Hence, businesses in most industries are sitting with accounts receivable that continue to age out as many businesses have stopped paying vendors in order to preserve cash. While many landlords were initially upset they were not eligible for a PPP loan, many have come to realize they are significantly better off having their offerings considered a forgivable expense.

As good as the PPP Loan Program is, only 30% of businesses in the United States have received these loans even though millions of more businesses are eligible. With all the publicity, both good and bad we have found that many businesses and independent contractors are still not aware of the program and what it offers. We recently made a presentation to a group of commercial real estate brokers, some of which are compensated on a 1099 basis. These brokers were completely unaware they were eligible for a \$20,833 PPP loan. If this group of professionals were not aware of the PPP Program, you can assume many of your tenants are also unaware. In the past few weeks we have been asked to speak to different Chambers of Commerce in the New York Metropolitan Area educating their constituents on the details and benefits of the PPP Loan Program.

The PPP team at Asset Enhancement Solutions, LLC have become experts with respect to the PPP Loan Program and continually participate in webinars to educate the business community regarding the nuances and benefits of the program. Asset Enhancement Solutions, LLC is a financial advisory and consulting firm that has played a unique role with respect to the PPP Program. Within a matter of two months we temporarily transformed from arranging financing for businesses with both favorable or unfavorable challenges, to a firm that has assisted over 600 businesses and non-profits nationwide with PPP loans. Although we are an agent for multiple PPP lenders, we do significantly more than just accept and process applications. When we saw all the problems that businesses were having during the beginning of the program with respect to communication, confusion and anxiety, we decided to solve all these issues and focus on providing VIP service and hold clients' hands every step of the process. In addition to our role as an agent, we troubleshoot all issues and provide advice to our clients as well. Because of all of the services we provide to our clients, some people have referred to us as a "triple threat" with respect to the PPP Loan Program. We provide our services at no cost as lenders and agents are not allowed to charge applicants a fee for accepting and processing a PPP application. Lenders receive a processing fee from the SBA and we as an agent receive part of this fee from the lender. However, many of the services we provide go well beyond processing PPP applications and we should be charging for them, but we felt it was our obligation to help businesses and this was our way of giving back to the community.

We have even found that some businesses and non-profits that are aware of the program do not realize they are eligible for a PPP loan. Promotion of the PPP Program has focused on it being available to small businesses and non-profits with less than 500 employees. The expression the "devil is in the details" is probably more applicable to the PPP Loan Program than anything I have ever seen in my career. My advice to landlords, tenants and other real estate professionals is to reach out to firms like ours for a free consultation to determine if a tenant, business or non-profit is eligible.

We have a number of incredible stories about companies we closed PPP loans for that did not know they were eligible until after they read our information and reached out to us. A company with 1,200 employees thought they did not qualify. They read an article we wrote and reached out to us. We used an outside consultant at our expense to help determine if the company was eligible. In this case, the company was deemed to be eligible and within two weeks received a PPP loan of \$6.9 million. Can you imagine that, the CFO of the company secured a \$6.9 million PPP Loan for his employer because he read an article and then followed up with an email to us inquiring whether his company might be eligible.

Tenants that might have been turned down for a PPP loan in April or early May should reapply as soon as possible. When the program was first rolled out some banks rejected businesses for many inappropriate reasons. The SBA guidelines governing PPP loans have changed constantly the past three months and are still changing. A rule which might have made a business ineligible when they applied for a loan in early April could have subsequently changed making that business now eligible for a PPP loan. We have an amazing story for this exact situation and thus far this has been our most gratifying experience. A manufacturer had been purchased by an investor in March of 2020

and applied for a PPP loan. They were turned down by their bank because it was not in business as of February 15th, 2020 which was a rule from the initial SBA rules regarding the PPP Loan Program. They are the largest employer of an economically distressed town in Upstate, NY. We were told that the company is the town and town is the company. We figured out that the PPP guidelines had changed and under new rules they could qualify. We helped them get a \$1.1 million PPP loan that was able to keep the company and town alive. The COO of the company stated, "I can't express in words my sincere appreciation for what the AES PPP team did to help us get approved by the SBA."

Businesses and non-profits should have a much easier time getting more of their PPP loans forgiven and converted to government grants which do not need to be paid back due to the PPP Flexibility Act that was signed into law on June 5th, 2020. Instead of having to use 75% of PPP funds on payroll, the Bill lowers this to 60% allowing businesses to have a greater percentage of non-payroll expenses forgiven. The number of weeks during which PPP loan funds have to be spent was extended from eight weeks to 24 weeks. This helps businesses that originally believed they would not be able to spend PPP Loan funds within the original eight week time frame and have their loan forgiven. Businesses will now have an additional 16 weeks in which to use the PPP funds and have their loan forgiven. This increased time frame makes forgiveness more accessible to additional types of businesses that are the last to be allowed to reopen. These types of businesses include restaurants, gyms, salons, theaters, as well as other businesses deemed non-essential. These changes will help businesses who did not initially apply for the PPP loan because they could not rehire and reopen by June 30th, and were unable to use 75% of the loan amount for payroll in only eight weeks. The repayment term has been extended from two years to five years. This will provide businesses with additional time to repay the portion of their PPP loan that was not forgiven as well as lower the monthly amount that has to be repaid.

The Bill extends the June 30th deadline to rehire workers to December 31st. Another important provision of the Bill is that it now allows businesses that received PPP loans to defer the payment of payroll taxes.

The net effect of this legislation is that more businesses and non-profits can apply for a PPP loan knowing that they might be able to get close to 100% of the PPP loan amount forgiven and turned into a government grant that does not need to be repaid!

At the time of this writing the deadline to apply for a PPP loan is June 30th, 2020. Businesses and non-profits that are your tenants should apply as soon as possible to avoid losing the opportunity for a PPP loan that most probably can be converted to a government grant that does not need to be paid back. With recent changes to the PPP law, we believe there will be a new surge of applicants who will be competing for the remaining funds and fewer lenders that are still making PPP loans. Currently there are still over a \$100 billion of funds available for these loans. However, we all saw how fast the money went in round one, the same thing could happen with these remaining funds.

As the saying goes, "You can only lead a horse to water..." As a landlord, you can educate and encourage your tenants to apply for a PPP loan, but you cannot force them. Even if tenants obtain a PPP loan they are not obligated to use the proceeds to pay rent even though it is considered a

forgivable expense. Instead, the tenant could use the PPP loan as additional working capital and repay it back over a period of up to five years at an interest rate of only 1%. In an attempt to keep their businesses viable in today's turbulent environment, some tenants may chose this route especially if they can negotiate rent concessions.

As a landlord, commercial real estate broker or other real estate professional seeking to assist your current or future tenant or client, you should do your best to persuade them to apply for a PPP loan as soon as possible.

If your tenants and clients have already received a PPP loan they may still have financial challenges. Every business has been impacted differently by the financial effects of COVID-19. Many people are not aware of this, but there are many non-traditional lenders that exist that are not subject to the same regulations that commercial banks have to adhere to. Our philosophy is that when it comes to financing, "Beauty is in the Eye(s) of the Beholder." Thus, there are lenders that look at a business differently and can be much more aggressive than a traditional commercial bank. These lenders may be able to assist your tenants and clients. To educate the business community on the various types of non-traditional financing that are available to businesses with these COVI-19 related challenges, Asset Enhancement Solutions, LLC will be sharing this knowledge and expertise via presentations it will be making in the coming weeks via webinars. The presentation will be in the format of simple mini-case studies that look at each of the many challenges that businesses are now facing and will discuss the options that are appropriate for each situation. A listing of these upcoming free webinars is posted on our website. "It takes a Village," by working and helping each other the business community can hopefully recover from the challenges and hardships that we face now.

Asset Enhancement Solutions, LLC offers a wide array of lending and consulting services including PPP loan support at no charge, as well as non-traditional financing options.

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