

# Biden Administration – Small Business Rescue

March 18, 2021

President Joe Biden has committed his administration to supporting individuals, families and small businesses in the wake of the coronavirus pandemic. After two months in office, his policies, the most recent of which is the American Rescue Plan (“ARP”), have reflected this campaign promise by further limiting relief that was previously available to larger businesses and increasing governmental support for the smallest businesses. The ARP coronavirus stimulus package was signed into law by President Biden on March 11, 2021.

## Biden’s Recent Changes to the Paycheck Protection Program Increase Access to Funding for the Smallest Businesses

- February 22, 2021 changes to the Paycheck Protection Program included a new loan calculation that had the effect of permitting sole proprietors and gig-economy workers to increase the amount to which they are entitled under the program.
- The administration also created a 14 day priority window from February 24, 2021 to March 9, 2021 during which exclusively businesses with fewer than 20 employees could apply for a loan. Given the impending deadline of March 31, and the fact that some banks are closing their application windows early, the prioritization of small businesses was a significant roadblock to any larger entities seeking funds.
- Many do expect the deadline for Paycheck Protection Program loans to be extended beyond March 31, 2021 in order to make some of these changes and the additional funding from ARP worthwhile, and to effectuate the economic changes the administration seeks. It is not expected that funding will have dried up by the end of March, and the American Bankers Associations as well as accountants have publicly called for extensions. On March 11, 2021, a group of lawmakers in the House called for an extension, but Biden himself has not spoken on the subject.

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**The American Rescue Plan Provides Additional Paycheck Protection Program Loan Funding, but Only to Small Businesses**

- The ARP appropriates an additional \$7.25 billion to the Paycheck Protection Program enacted in March 2020 that allocated \$900 billion to low-interest business loans which are forgivable if 60% of the proceeds are used to support payroll costs. A portion of that original funding still remains available, but the increased budget demonstrates a strong commitment to the program by the administration.
- Despite the implementation of the ARP, the deadline to apply for a Paycheck Protection Program loan remains unchanged. The current deadline is March 31, 2021, barely over two weeks after the ARP was passed. Due to extended processing and approval times, certain banks, including a major US commercial bank, are already closing their application portals to new requests. Thus, despite added funds, there will likely be a limited number of new businesses that receive this additional support.

**ARP Expands Rental and Housing Assistance as well as Aid to Small Businesses In Addition to the Paycheck Protection Program**

- ARP provides a total of \$21.55 billion in emergency rental assistance to states as grants. States can then provide these grants to eligible households to pay for rent, late payment fees, utility expenses and other housing-related expenses, up to a term of 18 months. In addition, \$9.96 billion was allocated to the Homeowners Assistance Fund for state housing agencies to help homeowners pay mortgages, taxes, insurance, condo and/or HOA fees.
- ARP allocates \$15 billion to the Targeted Economic Injury Disaster Loan grant program for qualifying small businesses. In addition, the Restaurant Revitalization Fund (a new program for restaurants and bars) was established, which allocates over \$25 billion in pandemic assistance grants, allotting up to \$10 million per company

(subject to a \$5 million cap per location) to cover payroll, rent, and other expenses. This Restaurant Revitalization Fund should increase the likelihood that small and mid-size restaurants are able to make rent payments during the course of the pandemic. Franchisees of restaurants with under 20 locations are eligible for the grants.

- In addition to the expansion in housing assistance and grant programs to small businesses, stimulus checks in the amount of \$1,400 are expected to begin rolling out to qualifying individuals in the coming weeks and unemployed individuals will be able to receive extended unemployment assistance of \$300 per week, expiring in September 2021. These additional amounts will increase the likelihood of timely rental payments and provide an influx of cash into the economy.

**ARP Provides Direct Aid to State and Local Government, a Significant Expansion from Prior Legislation**

- ARP makes \$350 billion available for relief to state and local governments. This is an important break from prior legislation, which did not provide any funding for the direct benefit of states and municipalities. The \$350 billion will relieve pressure on many local governments that are facing significant tax revenue shortfalls due in part to decreased commercial real estate property values.

**The Biden Administration is Focused on Small Business, to the Exclusion of Larger Businesses Seeking Assistance**

- Since taking office, many of this administration's actions and statements have shown its seriousness in ensuring an increased percentage of loan funding goes to small businesses, with a focus on the smallest (under 20 people) and women and minority owned businesses.
- Investors in properties with small business tenants might see an uptick in rent payments from these tenants that were previously at the highest risk of default or non-payment. The Paycheck Protection

Program is also collecting information from these businesses to make the loans which will likely accelerate small business lending post-pandemic. Small businesses thus may become more appealing tenants in the long run as the collected information makes it easier to judge their creditworthiness.

- Stricter rules as discussed above, such as limiting applications for loans to small businesses, and greater visibility and concern about “fairness” that democrats campaigned on leading to increased oversight are a one-two punch for larger borrowers under the Biden administration.

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