



# **VEDA SHORT TERM FORGIVABLE LOAN PROGRAM (FLP)**

**Presentation to Vermont Arts Council**

**July 15, 2022**

# Disclaimer:

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- Sec. 47 of S.11 (Act 183) requires VEDA to consult with the Joint Fiscal Office to develop guidelines and approval processes for this program, and to submit the proposed guidelines and processes to the Joint Fiscal Committee and chairs of relevant legislative committees of jurisdiction before accepting applications.
- Next scheduled meeting of the JFC is July 28<sup>th</sup>, 2022.
- Some program details may change based on further input from the Joint Fiscal Committee.

# Corona Virus ARPA Guidelines For Loans to Small Businesses:

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- “Economic harm caused by or exacerbated by the pandemic...”
- A business can be impacted by decline in revenues, increased costs, challenges covering payroll, rent, utilities, mortgage interest, or other “operating costs”.
- As a result of the pandemic the business is experiencing “financial insecurity” and does not have the capacity to “weather financial hardships”.
- The State appropriated \$19 million to VEDA from Vermont’s ARPA funds to create the VEDA Short-Term Forgivable Loan Program to help small businesses (for profit and not for profit) that continue to experience the negative impacts of the pandemic.

# Legislative Intent (S.11 Sec.47):

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- *“...to support VT businesses experiencing continued working capital shortfalls as a result of the COVID-19 public health emergency.”*
- *Applicants need to demonstrate “economic harm....that threatens the current capacity of the business to weather financial hardships and result in ongoing financial insecurity...”*
- Loans can be used for “*eligible operating expenses*”. This is much broader than the PPP program.
- **Loans cannot be used to cover costs covered by other COVID-19 grants.**
- Loan cannot be used for capital expenditures.

# Eligible Borrowers:

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- For profit and nonprofit
- Less than 500 Employees
- Located in VT
- In operation or “*taken substantial steps toward becoming operational*” as of 3/31/20
- Can identify **economic harm** due to the pandemic
- Priority Sectors: arts & culture, travel, lodging, tourism, agriculture, and childcare

# Economic Harm Determination:

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- 22.5% or greater decline in ***adjusted*** net operating income (NOI) for 2020 and 2021 combined as compared to 2019 ***“or other appropriate basis of comparison when necessary”***.
- Given the legislative intent of S.11, Sec.47, VEDA will also analyze current financial information in determining eligibility and need.
- “Adjusted NOI” means excluding non-cash expenses and one time income / expenses.
- “Adjusted NOI” also means adding all previous COVID funds received, including PPP and grants, to income.
- Applicants will use VEDA’s FLP calculator for help determining 22.5% eligibility requirement.

# Loan Amount Determination:

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## *The lesser of...*

- The aggregate decline in adjusted NOI for 2020 and 2021 and first 6 months of 2022;
- 6 months of eligible operating expenses in 2019 (or other appropriate pre-pandemic period) adjusted for one time income /expenses; and
- \$350,000

# Eligible Use of Loan Proceeds:

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- Eligible operating expenses – this is not a defined term. Federal guidelines cite examples: payroll and benefits, utilities, rent, mortgage interest.
- For-profit entities: Owners' salaries is an eligible use of loan proceeds, but it is capped at the lesser of historical owners' salaries or \$100,000.
- Cannot use for capital expenditures (e.g., deferred maintenance).
- Borrowers will need to provide list of how loan proceeds will be used to facilitate forgiveness process.



# Loan Terms: (not finalized)

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- 0% interest
- Unsecured
- Up to 24 months maximum term.
- 12-months of no payments;
- Must apply for forgiveness during initial 12-months.
- If terms of forgiveness not met, loan converts to 12-month fully amortizing loan at 0% interest. Expectation is all loans will meet 100% forgiveness.
- Personal guarantees required (20% or more ownership; **does not apply to non-profits**)
- Unsecured
- In “Good Standing” with the State

# Forgiveness:

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- Borrowers submit documentation evidencing loan proceeds were used for eligible expenses during the loan term.
- Note: Borrowers should seek tax advice for tax implications of forgiveness.

# Term of Program: (subject to change)

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- Early August – Applications accepted from priority sectors \*
- October 3<sup>rd</sup> – Open to all sectors
- November 30<sup>th</sup> – Application portal closes
- Applications will be considered and decisioned on a rolling basis
- November 30<sup>th</sup>, 2024 – Program Ends (if not sooner)

\*Subject to ACCD's discretion to give priority status to these sectors.

# Documents Required to Apply:

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- VEDA Forgivable Loan Application (includes attestations)
- Business tax returns for 2019, 2020, 2021
- P&L for 6 months of 2022
- List of all previous COVID grants received (dates, amounts)
- VEDA FLP eligibility calculator
- Corporate organizational documents
- Bank info. for ACH funding
- ID (e.g., driver's license, passport or other)
- Additional documentation may be required, based on individual circumstances

# Other Considerations:

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- Arts & Culture has its own program – borrowers cannot use both programs for same expenses.
- COVID Paid Leave Grants - same.
- Confirm other covid relief funds via SBA database, ACCD grant database, USDA database, etc.
- Technical assistance (TA) is strongly encouraged - applicants will be referred to VtSBDC, VT Farm & Forest Viability, and others.



Updates and program application will be posted on VEDA's website:

[VEDA Forgivable Loan Program](#)