LEARNING TO WALK AGAIN

REBUILDING AFTER COVID-19

A GUIDE TO GRANT & LOAN PROGRAMS

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ECONOMIC DEVELOPMENT STRATEGIES

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INTRODUCTION

THIS GUIDE CONTAINS ALL OF THE LATEST

information on grant, loan, and tax exemption programs a New York business struggling with the Covid19 crisis could need. Whether you're looking to stay afloat for a better day, improve or even expand your business, or just find a way to remain profitable, the team at Economic Development Strategies did the research so you don't have to. The question one might ask is—Why did we do it? And the answer is: Because we know what you're going through, we believe in small business, and we want you to learn to walk again.

Not just walk, but run.

We want you to meet payroll, pay your operating costs and earn a profit. We want to guide you out of the Economic Blackout of 2020. There will be recovery. It may be U-shaped. It may even be V-shaped. It may be gradual or it may be rapid. It could happen in the months ahead or over the next several years. Or it could be a combination of some all of the above. We simply don't know when it will happen—but we do know that it will.

When it does, we want you to be ready. We want you first in line, climbing that V or running to the top of that U. Any business that has a chance will be fighting you for first place. You need to prepare now for the fight the recovery will require of you.

We know where the government programs and tools are, and we know you can use them to your advantage. We want to help you access these programs, because we want you to win.

PART I

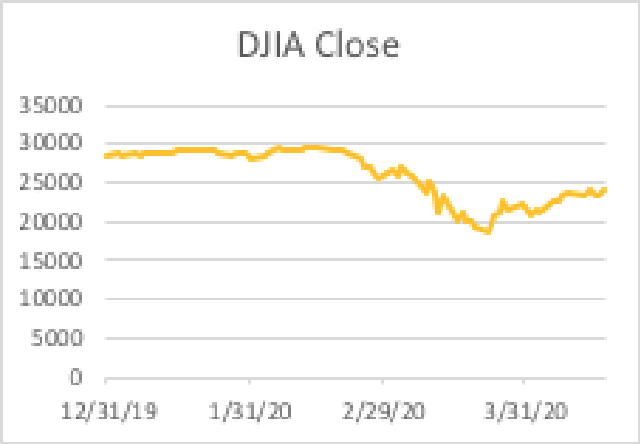
COVID-19 SHATTERS THE ECONOMY:

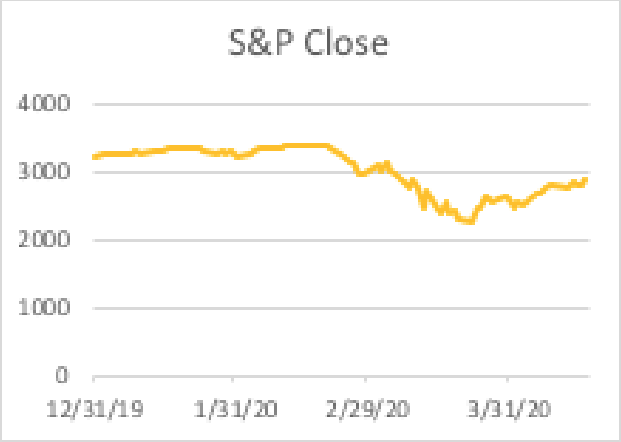
A SHORT HISTORY

In addition to the health and human suffering resulting from the Covid-19, the impact to the economy and financial markets has been staggering.

In February, 2020, The Dow Jones Industrial Average and S&P 500 had both reached record highs, with the Dow soaring to 29,551 on February 12th and the S&P reaching its high of 3,386 on February 19th. Since the spread of Covid-19 began, the financial markets crashed with both indexes declining by more than a third by March 23rd. By market close on Friday, April 17th, both the DJIA and S&P 500 had recovered only about half of their former growth.

While the financial markets have suffered, the overall condition of the economy is far more worrisome. More than 22 million Americans have filed unemployment claims since mid-March and millions more have been furloughed. More than previous economic collapses, owners of small businesses and consumers have been particularly hard hit by the devastating health and financial impacts of the pandemic, with the economic forecast not looking particularly optimisitc.





Consumer spending represented 68% of overall GDP in the fourth quarter of 2019. Simply put, consumers drive the American Economy and many of these consumers are employed in small businesses. The spread of COVID-19 has had a devastating impact on not only full-time employees but mainly hourly workers whose shifts and operations quickly came to a complete nationwide halt.

IMPACT ON SMALL BUSINESSES

Over 99% of America's 28.7 million firms are small businesses. They create two-thirds of new jobs and drive competitiveness and innovation.

A study conducted by the Small Business Administration (SBA) found that small businesses produced 16 times more patents per employee as compared to larger patenting firms. The vast majority (88%) of employer firms have fewer than 20 employees and nearly 40% of all enterprises have under $100,000 in revenue.

Small businesses comprise the soul of America. They include restaurants, retail stores, business services, health care, car repair, hospitality, entertainment and recreation and much else. Mandatory closures of these enterprises, coupled with obligatory shelter-in-home policies, have brought more than half of small businesses to a complete stop. The monthly loss per employee exceeds $1,500 and results in a nationwide income loss per month ranging between $70 billion to $80 billion. Hourly workers in urban environments have been especially hard hit. Boston, Las Vegas, New York, Pittsburgh, San Francisco and San Jose had reductions in hours worked of greater than 50%. New York City, the epicenter of the pandemic, has seen hours worked decline by 75%.

To address the Covid-19 pandemic, Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which the president signed into law in late March, 2020. The CARES Act provided $2.2 trillion to help households, small businesses, state and local governments and corporations to weather the crisis. In addition, stimulus programs by the Federal Reserve pumped about $1.6 trillion into financial markets in March/April and have now surpassed $2 trillion—or 10% of GDP.

A significant component of the CARES act for small business was the Payroll Protection Program (PPP), which was funded at $349 billion. This program is available for any small business with less than 500 employees[1], including sole proprietorships, independent contractors and self-employed persons as well as non-profit organizations, and is separate and distinct from the Economic Injury Disaster Loan (EIDL). The PPP is a forgivable loan program designed to provide a direct incentive for small businesses to keep their workers on payroll. The SBA will forgive loans if all employees are kept on the payroll for eight weeks and the money is used for payroll[2], rent, mortgage interest or utilities.

Unfortunately, the need was much deeper than the initial stimulus funding provided for, and by April 16th, 2020, the PPP had run out of money. On April 23rd, 2020, the House of Representatives approved a $484 billion bill that was quickly approved by the U.S. Senate. This bill, which the president signed on April 24th, 2020, will fund approximately $310 billion more in loans for the PPP and $60 billion will fund the EIDL program.

There are some other options for small businesses to consider. Each, however, comes with a cost. The employee retention tax credit was recently introduced as part of the CARES Act to encourage employers to keep workers on payroll. The credit comes to 50% of employee wages paid by an eligible employer in a 2020 calendar quarter and the credit is subject to an overall wage cap of $10,000 per eligible employee. If, however, you elect to take advantage of the credit, you are not eligible for PPP, and vice versa.

Venture capital funding is another potential funding source. While entities that receive venture capital financing are not typically responsible for paying it back, they often must forfeit a portion of their control of the business.

Crowdfunding is also an alternative financing option. A project or venture is funded by raising small amounts of money from a large number of people via the Internet. Crowdfunding or crowdsourcing as a platform enables smaller, non-accredited investors to participate in collective investment and capitalism.

[1] There are exceptions for certain businesses.

[2] By regulation 75% must be used for payroll.

IMPACT ON RETAIL

Many wonder what a post Covid-19 world will look like for restaurants or movie theaters. And how about the brick-and-mortar shopping centers and mall industries that suffered severe economic stress prior to Covid-19? The influx of new delinquencies, coupled with concerns and fears about large gatherings, will eliminate a lot of profitability. Analysts at UBS forecast that 100,000 stores will close by fiscal year 2025[3]. A Neiman Marcus bankruptcy, for example, could be a doomsday scenario for the storied Hudson Yards project.

Workarounds are certainly possible, as they were during the Great Recession. All negotiated solutions will have significant consequences that will impact smaller business owners, who are key investors in their communities. They do not have the capability to sustain themselves in a prolonged economic crisis. What will larger companies, mall owners, and REIT's do, in addition to the financial institutions that are left holding the bill? One might assume a high increase in foreclosures. This raises the question: When a bank takes back a property, are they in any better position to monetize that asset than a company that has spent years or decades understanding how to fill space, while creating an attractive environment for both tenants and end-users alike?

Finally, it must be recognized that the economic impact of Covid-19 was made worse by negative trends that occurred prior to the onset of the pandemic. These trends represent underlying fundamental, even foundational, change in how people live, work, play and interact. The timeliness, nature and texture of the recovery cannot be relied upon to eradicate the systemic changes that are occurring in our economy.

The retail apocalypse has been forecast for years, but Covid-19 is at least one of its four horsemen. Will consumers want to engage in large group settings such as malls, theaters, concerts, festivals and other venues? Online ordering and delivery are proving to be a lifeline during the pandemic. Are people going to suddenly stop? Internet retail has long been regarded as a wrecking ball to brick-and-mortar retail—and it may only get worse.

[3] April 23, 2020 www.marketwach,com

THE IMPACT ON NEW URBANISM

There has been much discussion of the drawbacks of city living during this crisis. For the past 25 years, we have seen enormous growth in urban living. Walkable, mixed-use environments were a preferred alternative to suburbia. This began in the 1990s with the return to major urban cores such as New York City and San Francisco. It spread during the 2000s to second-and third-tier cities, while simultaneously pushing newfound urbanism (think mixed-use projects or walkable downtowns) into the suburbs and beyond.

With the advent of greater automation, the ability for 24- or 48-hour drop shipping to nearly anywhere in the U.S. became a reality. The automated consumer supply chain coupled with a continued desire for an urban lifestyle caused smaller and more far-flung cities and rural downtowns to become magnets for talent and companies that put that talent to productive use.

Will this trend retreat as people witness the devastation in New York City? What will be the effect on commuter sheds such as suburban Long Island, where many rely on the disease hotbed of mass transit? Long Island's communities have been ravaged by Covid-19, not only due to the daytime proximity prior to sheltering in place, but also due to the need to gather in large groups in suburban areas simply to get necessary items such as groceries, supplies and fuel.

Counterintuitively, shelter-in-place in walkable urban cores with smaller neighborhood-centric stores may provide less opportunity for infection than less dense, automobile-dominated regions, where groups gather in large big box stores.

TO REOPEN OR NOT TO REOPEN ...

It is not noble to suffer. The best antidote is to begin to take arms against Covid-19 and by opposing it, gradually and safely reopen the economy. To date, there has not been a united consensus, either domestically or internationally, on how or when this should happen or what the new normal will look like. Pending a vaccine or treatment, the issue will continue to be debated and decisions questioned.

Arguments have been raised pitting economic losses against health concerns, resulting in a debate as to whether the cures—social distancing, closed businesses, rising unemployment, increasing federal deficits, a reduction in economic activity—are worse than the disease. Although lockdowns have health benefits as fewer people will die of Covid-19, they have social and economic costs, including social isolation and its associated health concerns, massive unemployment and widespread bankruptcies. Moving forward, we need to compare the impact that different policies have on the overall wellbeing of our population.

The issue appears to be moving in the direction of a gradual reopening of the economy in stages and in regions that have been the least impacted. Great care will be given to monitoring the impact of these openings. Even a slight increase in new cases will lead state and local leaders to slam on the brakes and reverse course.

Greater testing needs to occur to have people safely return to work, school and leisure time activities. Complicating the effort to increase the number of tests performed in the United States is a shortage in equipment. According to the Center for Disease Control and Prevention (CDC), there are roughly 120,000 samples tested each day. Many experts believe that the number of daily tests performed will have to increase into the millions in order to safely reopen the economy. One figure that has been cited is a testing threshold of 1% of the overall national population, which would require more than 3 million tests to be given. Optimally, this would be accompanied with a related program to trace people who have had contact with infected people in order to stop them from further spreading the coronavirus. Getting a sufficient level of testing and tracing is going to take a lot of effort and massive funding. Failure to do so may lead to a second or third wave of Covid-19 infections that could kill more people and lead to further shutdowns, a situation that ultimately does greater economic damage than we've already seen.

Regardless, it seems clear that going forward we will see a different economy and a new normal. Supply chains will come under scrutiny and changes are likely to increase the cost of business for manufacturing and construction companies. Business leaders need to prepare for the effects on production, transport, logistics and customer demand.

Certain industries that were particularly affected, including aerospace, travel and insurance, may see a slow recovery. Commercial real estate will be negatively affected by tenant non-payment, a slow return to office space as the virus lingers and businesses that require employees to continue to work remotely.

For individuals, life will be irrevocably altered. Travel and entertainment will remain adversely affected. Health professionals will continue to advise people to travel only when necessary. The continuation of social distancing will prevent the planning of large social gatherings, including concerts and movie showings. Restaurants, a risky investment even in good times, may be forced to seat fewer customers, which will damage their profitability. The wearing of face masks, initially disregarded by the CDC, will be common in the new normal and policies will be dictated by elected officials to ensure that people comply.

SUMMARY: NAVIGATING THE NEW NORMAL

The reality is that we do not fully know the potential changes we will see in consumer behavior. We do, however, know that basic human needs include social interaction, entertainment and culture. To complicate matters, we know relatively little about the specifics of how and why the virus spread through certain populations, while certain cities and regions saw less of an impact. As we shed light on more of these specifics, it will surely influence our consumer behavior and the enactment of regulations imposed upon business by government.

Recognizing the impact on consumer behavior requires companies to market and promote themselves in new ways. Even as we move through this difficult time, we can see the sensitivities of marketers and those in the media. Business is continuing. Sales are being made. Companies are gaining (and losing) customers. However, the messaging has been notably different. Those companies that stubbornly charge ahead with a business-as-usual approach, and even more so those who are seen as putting profits ahead of people during this time, are at significant risk of losing market share as a result of a tarnished image and brand. Such effects could last far beyond the period of time during which our lives are directly impacted by this crisis. In fact, a recent Edelman poll demonstrated that 71% of respondents would permanently lose trust in a brand that took this profit over people tact. The crisis may be temporal, but the effects will be lasting.

As much as we have a cautionary tale for those who may not be tactful in their messaging, the "great economic shutdown" provides a rare opportunity for companies to reflect upon their practices, their past, and their future. For the time being, we're taking a pit stop. The only cars still driving in this race are those speeding to get tested for Covid-19. From business strategy to a renewed focus on strategic marketing, there is a need for businesses to navigate and compete in a new world of evolving consumer preferences and marked by acute shifts in how we live, work, play, and shop.

PART II

GRANTS, LOANS AND OTHER PROGRAMS

The good news is that New York is overflowing with grant programs. Regretfully, many are inaccessible, difficult to find, underfunded or not funded at all. There are, however, many that can actually help you. Let's find some that will work for your business.

LOCAL GOVERNMENT GRANTS

Local government refers to county, city, town and village governments.

There are 62 counties in New York State. Fifty-seven of these counties have a legislative branch consisting of a board of supervisors or a county legislature and an executive branch filled by an elected county executive or an appointed county manager. New York City comprises five counties that are each coextensive with New York City's boroughs and do not have county governments. In contrast to other counties of New York, the powers of the five boroughs of New York City are limited and in nearly all respects are governed by the city.

The 62 counties of New York State are subdivided into 932 towns and 62 cities. The towns are further subdivided into hamlets and 534 villages. Thus, excluding special districts, there are 1,590 units of local government in the Empire State.

Many of these 1,590 units of local government offer grants to qualifying businesses. The scope and content of each grant are defined by the outward limit of the enumerated powers delegated to each unit of local government by the New York State Constitution, the Municipal Home Rule Law, the Statute of Local Governments, the New York State County Law, the New York State City Law, the New York State Town Law and the New York State Village Law. In addition, most of these units of local government have their own charters, local laws, codes, resolutions and ordinances.

Counties, by operation of law, have been delegated the largest amount of governmental functions.[4] Counties handle health, public safety, regional planning and certain land use issues. Additionally,

[4] New York City is an outlier and is in a class by itself when it comes to scope and size.

counties control parks, recreation, consumer affairs and a variety of other large-scale functions. Although certain of these responsibilities come under local government, counties generally have the greatest breadth of governance.

Because county governance generally covers the broadest subject areas, counties have the greatest bandwidth of grant-conferring authority and can assist the highest variety of businesses. By way of example, Nassau County has grants for disadvantaged business enterprises, community development block grant programs, emergency solutions grant programs, shared mobility grants and grants earmarked for transit–oriented development.

The remaining 1528 cities, towns and villages have grant awards that are scaled to their respective governmental functions. When you fully complete our Business/Project Information Form, we will have enough information to provide you with specific guidance on securing governmental grant awards for your business from local governments.

NY STATE GOVERNMENT GRANTS

A simple search on the internet will yield the names of numerous grants for businesses that are available by the State of New York or its constituted authorities. Examples include Market NY Tourism grants, NY Farmers grants, Photonics grants, Western NY Workforce Development grants, Better Buffalo Fund grants, Global NY Grant Fund programs and the Innovation Venture Capital Fund Equity Program.

Each grant opportunity may cater to a precise need, a specific business or a defined geographical area. While limiting the overall applicability of grant funding, these grants provide funds to discrete businesses that need funding. The detailed requirements of the grant programs are often hidden in hard-to-find statutory authority. For example, §6266-aa of Subchapter I, Chapter 24, Title 16 of the Unconsolidated Laws of the State of New York and its accompanying regulatory authority sets forth the criteria for Life Sciences Initiatives grants.

The grant opportunities are too varied and numerous to be detailed here. As an aside, so too are the reasons why New York State would take the time and effort to gather, collect and combine a variety of laws into a single volume that is carefully enumerated,

brilliantly named and pompously introduced by a definite article and simply labelled: The Unconsolidated Laws of the State of New York (*that are henceforth and henceforward forever consolidated*) (italics added).

The breadth and scope of available programs is evidenced in the 25 pages of our compiled listing of the major NY State Grant and Tax Abatement programs. When you complete our Business/Project Information Form, we will have enough information to provide you with assistance to receive grant funding from both unique and ubiquitous governmental sources, courtesy of the State of New York.

LOAN PROGRAMS

In addition to the Grant Programs discussed above, New York State and its local governments have a variety of loan programs pursuant to which funds are loaned to businesses at deeply discounted interest rates.

One of the most widely used loan programs is available through New York State Industrial Development Agencies and their sister entities, constituted Local Development Corporations. Through IDA/LDC loan programs, taxable/tax-exempt bond proceeds are loaned to a business entity that can use the funds to acquire, construct, rehabilitate, modify or alter a qualified project. Depending on compliance with a variety of laws and regulatory authority, including the United States Code and relevant treasury regulations, tax-exempt bond proceeds may be used to fund a project that could result, if properly structured, in very favorable interest rates and loan terms.

Other examples of loan programs include Adirondack Economic Development Corporation loans, Urban Renewal Agency loans, Urban Development Corporation loans and Development Authority loans.

Similar to the practical impossibility of enumerating all loan programs that are available to your business, we ask that you fully complete our Business/Project Information Form so that we will have enough information to provide you with assistance for approval for an efficient, low-interest loan from the State of New York, the local government or the numerous agencies, authorities and quasi-governmental entities existing therein.

TAX ABATEMENT PROGRAMS

Here at Economic Development Strategies, we've improved upon Ben Franklin's "death and taxes" quip by often saying: "Other than death, nothing is certain in the State of New York except burdensome and oppressive taxes."

The overbearing nature of New York's taxation having been firmly established, it reasonably follows that we introduce the generous tax abatements and exemptions that are available from New York State, local government and numerous agencies and authorities.

Did you know that the Real Property Tax Law of New York State has over 150 codified tax exemptions relating to just real property taxes? When you add in tax abatements authorized by the Private Housing Finance Law, the Economic Development Law, the New York State Canal Law, the Public Authorities Law and selected sections of the now infamous Unconsolidated Laws of the State of New York, there are over 500 different tax abatement programs available under state law. This does not include all the abatements and exemptions that are granted by local government.

Industrial Development Agency (IDA) Project Financings are among the most popular tax abatement programs available. Properly done, and subject to qualification, an IDA Project can generate a tax abatement in the form of significantly "reduced payments in lieu of taxes" for 10 to 30 years. In addition, an IDA Financing will eliminate all sales taxes and most mortgage recording taxes.

In addition to property tax relief, exemptions from sales, use and mortgage recording taxes, there are ways to structure projects that will generate income tax credits that can be used or syndicated for financing and create tax deductions against the myriad of applicable state income and consumption taxes. They will provide a business with the opportunity to thrive in one of the most dynamic, compelling and competitive business regions in the world: The Great State of New York.

We ask that you fully complete our Business/Project Information Form so that we will have enough information to provide you with assistance to structure your project and your business in a way that will maximize all the unused potential of the myriad tax abatement, tax exemption and tax credit programs that are available in New York State.

SUMMARY:
THE FUTURE CAN BE BRIGHT

The principals of our company have successfully structured over 200 transactions that have resulted in the successful awarding of grants, low-interest loans and significant tax credits and exemptions. We are thoroughly familiar with the programs being offered by New York State and its local government, agencies and authorities. In fact, we drafted the legislation for many of them.

Please visit our website to see representative transactions by our principals and join our list.

Lastly, please complete the Business/Project Information Form so that we may help you add your business and project to our success stories.

We look forward to helping lead your business to a transformational and long-lasting recovery!

PLEASE COMPLETE
ECONOMIC DEVELOPMENT STRATEGIES'

BUSINESS/PROJECT INFORMATION FORM

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