MEMORANDUM

TO: The Governing Board
FROM: Joseph T. Edmiston, FAICP, Hon. ASLA, Executive Officer
DATE: April 1, 2020
SUBJECT: Agenda Item IV: Consideration of resolution authorizing an application to the Payroll Protection Program under the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

Staff Recommendation: That the Governing Board of the Mountains Recreation and Conservation Authority (MRCA) authorize application to the Payroll Protection Program under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, if eligible.

Background: The CARES Act introduces the Paycheck Protection Program as a key provision in Title I – the Keeping American Workers Paid and Employed Act. The Paycheck Protection Program is administered by the Small Business Administration (SBA) to provide emergency lending. With $349 billion in new lending capacity, this program is intended to cover operating expenses and incentivize employers to retain employees.

The Paycheck Protection Program, provides federally-guaranteed loans through the SBA up to a maximum amount of $10 million to eligible entities, which can be partially forgivable, to encourage businesses to retain employees through the COVID-19 crisis by assisting in the payment of certain operational costs.

Loan information:
During the Covered Period, the maximum loan amount permitted for an eligible Covered Entity is the lesser of $10,000,000 and an amount calculated based on a payroll formula that essentially equals 2.5 times the average total monthly payroll cost incurred in the one-year period before the loan is made.

The interest rates for loans borrowed by a Covered Entity under the program may not exceed four percent (4%). Any Paycheck Protection Loan that has a remaining
principal balance after any applicable loan forgiveness (as covered in detail below) must have a maturity date no later than 10 years from the date on which the borrower applied for loan forgiveness.

The SBA will direct lenders to defer all payments (principal, interest and fees) otherwise due under a Paycheck Protection Loan for a minimum of 6 months and a maximum of 12 months.

A borrower will not be required to pledge any collateral or provide personal guarantees to secure or support a Paycheck Protection Loan.

During the 8-week period beginning on the date a Paycheck Protection Loan is funded (the Forgiveness Period), a borrower will be eligible for forgiveness and cancellation of indebtedness for up to the full principal amount of such loan. The amount eligible for forgiveness (the Total Eligible Forgiveness Amount) is equal to the total costs incurred and payments made during the Forgiveness Period for (1) payroll, (2) mortgage interest, (3) rent and (4) utilities.

The loan forgiveness amount available to a borrower is subject to reduction if the borrower terminates employees or reduces employee salary and wages during the Forgiveness Period. There is, however, relief from the forgiveness reduction if the borrower rehires employees or makes up for wage reductions by June 30, 2020.

_Eligibility information:_

The CARES Act expands the eligibility criteria for borrowers to qualify for loans that are available through the U.S. Small Business Administration (SBA) by adding the Paycheck Protection Program to the SBA’s gamut of loan programs. In addition to a business qualifying as a "small business concern" under the Small Business Act, any business concern, nonprofit organization, veterans organization, or tribal businesses (each, a Covered Entity) is eligible to receive a loan (a Paycheck Protection Loan) during the Covered Period if the Covered Entity employs not more than the greater of (i) 500 employees (includes individuals employed on a full-time, part-time or other basis) or (ii) if applicable, the size standard in number of employees established by the SBA for the industry in which Covered Entity operates.

BBVA USA, MRCA’s Lines of Credit provider, is offering Payroll Protection Programs to its existing clients. BBVA is currently researching whether or not the MRCA is eligible under the CARES expansion for this program.

Further guidance from SBA is expected by Friday, April 3, 2020, with applications potentially being accepted as early as Monday April 6, 2020. As the funds available through CARES are limited, staff recommends authorization to apply for the loan as soon as possible if BBVA determines that MRCA is eligible to do so.