

## COVID-19 Economic Assistance Announced: Which Michigan Small Businesses Are Eligible?

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March 20, 2020

Governor Whitmer has tasked the Michigan Economic Development Corporation (MEDC) to provide economic assistance to certain small businesses affected by losses related to COVID-19.

On March 19, 2020, the Michigan Strategic Fund ("MSF") approved the Michigan Small Business Relief Program (the "Program"). The Program will be developed to assist small business owners that demonstrate a loss of revenue due to suspended or restricted operations. At present, \$20 million has been reserved for the Program, which will be developed and administered by the MEDC.

Categories of small business eligible under the program are those detailed in **Executive Order 2020-09**, including restaurants and other places of public accommodation offering food or beverages for on premises consumption; bars, breweries, distilleries and other places of public accommodation offering alcoholic beverages for on premises consumption; theaters, cinemas and indoor and outdoor performance venues; libraries and museums; gymnasiums and fitness centers; licensed casinos, racetracks and millionaire parties; and other places of public amusement.

The \$20 million Program will have two parts:

### **Low-Interest Loans Program**

A total of up to \$10 million will be loaned by the MSF to one or more eligible Community Development Finance Institutions ("CDFI") or eligible licensed SBA not for profit institutions ("Eligible SBA Non-Profit") lenders to make low-interest loans to affected small businesses meeting the below criteria ("Eligible Borrowers") or may be loaned directly by the MSF to Eligible Borrowers. Loan availability is expected to be on or about April 1, 2020.

A CDFI or Eligible SBA Non-Profit must meet the following criteria to participate in the program:

- Demonstrated ability to issue loans to distressed small businesses
- Demonstrate the ability to administer the loans
- Provide an application outlining capacity to provide assistance to small businesses

An Eligible Borrower must meet each of the below criteria:

- Has 100 employees or less
- Is in an industry outlined in Executive Order 2020-9 or any subsequent similar Executive Order ("EO") or can demonstrate it is otherwise affected by COVID-19, or is a company providing goods and services to those companies
- Is in need of working capital to support certain expenses for business continuation including payroll expenses, rent, mortgage payments, utility expenses or other similar expenses in the ordinary course
- Is able to demonstrate an income loss as a result of EO 2020-9 and is unable to access capital through other sources

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### Loan terms:

- Minimum loan amount of \$50,000 capped at \$200,000
- Interest at .25% per annum
- Draw period of 24 months following the closing
- Repayment terms of the loans are to be based on business needs but are anticipated to be 120 months following the closing. Interest only for 60 months after closing followed by a fully amortizing (principal and interest) 60 month term.
- Loans may be used for working capital to support the expenses outlined above

### **Business Grant Program**

Up to \$10 million will be placed with one or more Local Economic Development Organizations ("Local EDOs") or non-profit economic development organizations ("Non-Profit EDOs") to make grants to certain small businesses affected by COVID-19 meeting the below criteria ("Eligible Businesses"). Funding availability is expected to be on or about April 1, 2020.

A Local EDO or Non-Profit EDO must meet the following eligibility criteria to participate in the program:

- Demonstrated ability to issue grants to distressed small businesses
- Demonstrate the ability to administer the grants
- Provide an application outing capacity to provide assistance to small businesses

An Eligible Business must meet each of the below criteria:

- Has 50 employees or less
- Is in an industry category outlined in Executive Order 2020-9 or any subsequent similar Executive Order ("EO") or can demonstrate is otherwise affected by COVID-19 and meets *one or more* of the following criteria:
  - Is a company providing support to impacted employees
  - Is located in a downtown district or high impact corridor or has 50 employees or less
  - Is a company providing services to companies outlined in the EO and requires additional employees to support companies to support companies or employee impacted by the EO
- Is in need of working capital to support certain expenses for business continuation including payroll expenses, rent, mortgage payments, utility expenses or other similar expenses in the ordinary course
- Is able to demonstrate an income loss as a result of the EO or COVID-19

### **Grant Terms**

- Capped at \$10,000

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- Grants can be used for working capital to support certain expenses outlined above

Loans and grants awarded under the Program will be subject to written loan or grant agreements in accordance with Michigan law and MSF guidelines and will include performance milestones governing disbursements and periodic financial and other information reporting requirements.

It is important to note that this Program is currently under development. The information provided above is general in nature as the MEDC continues to develop the overall application process, specify details of the eligibility criteria, and select qualified lenders for the loans and local economic development partners to manage the grant process. Please be advised that some of this initial guidance may change as more specifics are known. At present, interested parties should review EO 2020-9 for the industry categories eligible for the Program. Additional information is available on the **MEDC's website**.

Miller Canfield is monitoring developments and in contact with program specialists at the MEDC, and will provide further details as they become available.

This is part of a series of our **COVID-19 alerts** providing clients with practical advice on measures they can take to navigate through these troubled times. Please contact the authors or your Miller Canfield attorney with further questions.

*This information is based on the facts and guidance available at the time of publication, and may be subject to change.*