

Lancaster County Economic Recovery Plan

Hospitality Industry Recovery Program

Background

On Friday, February 5, 2021, Governor Tom Wolf signed into law legislation that set aside \$145 million in funds to aid hospitality industry businesses adversely affected by the COVID-19 pandemic. Specifically, the program requires counties to establish grant programs for eligible businesses. The initiative is known as the “COVID-19 Hospitality Industry Recovery Program.” Grants under this program are processed under the authority of Section 3 of the Act of May 10, 1939 (P.L. 111, No. 51), known as the Commerce Law, which authorizes DCED to undertake ways and means of promoting and encouraging the prosperous development of Pennsylvania business, industry and commerce, of expanding markets and promoting and developing new markets for Pennsylvania products, to encourage the location and development of new business, industry and commerce within the Commonwealth, to aid in restoring employment in communities affected by unemployment, and to assist persons, firms, associations, political subdivisions, corporations, cooperative associations and other organizations in the execution of its duties and functions under the Commerce Law.

County Block Grant funds provided to counties will be awarded to eligible businesses as defined in Act 1 of 2021 to alleviate revenue losses and pay eligible operating expenses due to the COVID-19 pandemic. The county will contract with one or more Certified Economic Development Organization (CEDO) or Community Development Financial Institution (CDFI), which in turn will disburse the funding through grant agreements with eligible businesses, subject to requirements set forth in Section 134-C of the Act of February 5, 2021 (P.L. __, No. 1), known as The Fiscal Code. Contracting must occur no later than March 1, 2021. By March 15, 2021, the contracted CEDO(s) or CDFI(s) must then process the applications from eligible businesses within the county on a rolling basis until the county’s block grant funds have been exhausted or the date of June 15, 2021, whichever occurs first. Funds must be disbursed no later than July 15, 2021.

EDC Finance Corporation, an affiliate entity of the Economic Development Company of Lancaster County (EDC), is the designated CEDO for Lancaster County. EDC Finance Corporation proposes to utilize the same grant application and disbursement infrastructure that successfully allowed The Lancaster Chamber and EDC to implement more than \$40 million in small business grants through the Lancaster County Economic Recovery Plan in 2020.

Supporting Detail

Act 1 legislation requires eligible grant recipients to operate a place of business within the Commonwealth on or before February 15, 2020 with a NAICS designation within the accommodation subsector (721) or Food Services and Drinking Places subsector (722). Eligible grant recipients are also required to have 300 full-time equivalent or less employees and a tangible net worth of \$15,000,000 or less per EIN. Lancaster County has approximately 150 entities that operate in the 721 subsector employing more than 3,400 individuals and more than 900 entities employing almost 17,000 individuals in the 722 subsector. About 70% of the 721 subsector and 722 subsector entities employ 20 individuals or less in Lancaster County.

During the Recovery Lancaster application window in 2020, the following number of applications were submitted by impacted businesses in each subsector. Phase I – Subsector 721 (34); Subsector 722 (97); Phase II – 721 (41); 722 (144); Phase III – 721 (60); 722 (121). Phases I & II did not have minimum revenue loss requirements and were limited to 20 employees or less and 100 employees or less respectively. Phase III

required at least a 40% revenue loss, less than 500 employees, and prior awardees in Phases I and II could apply for additional funding.

Hospitality Industry Recovery Program Details

Act I legislation has outlined many of the requirements of eligible grant recipients in order to assist impacted hospitality businesses with revenue loss and paying eligible operating expenses. Based upon population calculations to disburse the \$145 million allocation to Counties, the program will make \$6,181,069 available to Lancaster County hospitality businesses and to cover costs of operating the program. The legislation requires the funds be targeted to impacted businesses operating in the aforementioned NAICS codes starting with 721 and 722 that have less than 300 employees and less than a \$15 million tangible net worth.

Grant amounts will range from \$5,000 to \$50,000 per applicant in \$5,000 increments. Grant awards may not be used to pay the same eligible operating expenses for which an eligible business received payment, reimbursement, or loan forgiveness from the CARES Act of 2020, Consolidated Appropriations Act of 2021, or the COVID-19 Emergency Supplement to the General Appropriations Act of 2019. Receipt of a prior Federal Government or Commonwealth grant does not disqualify an applicant.

Priority is to be given to any applicant who has not received a loan or grant issued by the Commonwealth or by the Federal Government under CARES Act or Consolidations Appropriations Act, were subject to closure by the proclamation of disaster emergency issued by the Governor on March 6, 2020 and any renewals, and can demonstrate a gross revenue reduction of 50% or more between April – December 2020 compared to the same period in 2019. An alternative revenue reduction calculation will be provided for businesses starting in and remaining in operation between May 1, 2019 – February 15, 2020.

EDC Finance Corporation will receive a fee in the amount of \$500 per each reviewed and awarded grant application from the fund allocation received in Lancaster County.

Eligible Applicants:

Lancaster County based private (not publicly traded) for-profit entities meeting the following criteria:

- Three hundred (300) total employees by FTE (full time equivalent) or fewer during calendar year 2019; FTE = Total hours compensated for all employees / 2080
- Entities that have filed a federal tax return in 2019 unless the business initially opened between January 1 – February 15, 2020;
- Entities must have sustained a minimum annual revenue decline of 25% or quarterly revenue loss of 25% or greater in any quarter when comparing quarterly revenue between 2019 to 2020. If the business started between July 1 – December 31, 2019, quarter 3 or quarter 4 revenue of 2019 must show at least a 25% decline compared to any quarter in 2020. If the business started between January 1 – February 15, 2020, the entity must demonstrate at least a 25% revenue decline when comparing the first quarter of 2020 to any other quarter in 2020.
- Entities greater than 20 employees must provide an internal payroll calculation demonstrating the total number of hours worked by all employees in calendar year 2019;
- Businesses must not be permanently closed at the time of application and the time of check disbursement;
- Passive businesses such as commercial and residential landlords are ineligible;

- Grant awards may not be used to pay the same eligible operating expenses for which an eligible business received payment, reimbursement, or loan forgiveness from the CARES Act of 2020, Consolidated Appropriations Act of 2021, or the COVID-19 Emergency Supplement to the General Appropriations Act of 2019. Receipt of a prior Federal Government or Commonwealth grant does not disqualify an applicant;
- Business must agree to a certification (Appendix B) and submit required forms;

Funding Uses & Purposes:

Working capital/operating expenses including payroll and nonpayroll expenses, that is both ordinary and necessary. An ordinary expense is one that is common and accepted in an eligible applicant’s industry. A necessary expense is one that is helpful and appropriate for an eligible applicant’s trade or business. The operating expense must have been incurred between March 1, 2020 and the date of application submission. Examples include, but are not limited to rent, mortgage, supplies, inventory, and other operating expenses (which can include costs associated with public health related retrofit) needed to help the entity serve or produce goods relevant in today’s economy. For rent, lease, and mortgage payments, the obligation must have been in force before February 15, 2020. A mortgage or lease agreement in force before February 15, 2020 that was refinanced or restructured after February 15, 2020 is deemed in force and is still eligible. For utility costs, service must have begun before February 15, 2020.

Grant Award Amounts:

The lesser of the dollar cap based on employee size outlined below or three months of average monthly operating costs based on 25% of the total business operating expenses reported on the most recently filed federal tax return, rounded up to the nearest \$5,000 increment;

Company Size	Max. Award
1-20 Employees (FTE)	\$30,000
21-99 Employees (FTE)	\$40,000
100-300 Employees (FTE)	\$50,000

Application Requirements

Detailed application information and an application submission portal will be made available at www.RecoveryLancaster.com and will be marketed throughout Lancaster County. The website will be updated for applicants to review eligibility and grant application requirements by late February 2021 prior to the application portal opening to accept applications. The portal will open on the website for a two-week period beginning March 8, 2021 and closing March 19, 2021. (Should all grant funds not be utilized in the opening round of grants, the portal will remain open after March 19, 2021 to collect additional applications for future grant rounds.) Application material will be translated into Spanish. All applications received will be scored based upon the scoring criteria (Appendix A). The highest-ranking applications will be reviewed and forwarded to the Lancaster County Board of Commissioners for approval at the next available public meeting. Award amounts may be adjusted to accommodate scoring ties and application demand as necessary.

- **Only full, complete and accurate applications will be considered. Applications with technical errors or without the required back-up documentation will be removed from the applicant pool and deemed ineligible.**
- No paper applications will be accepted.

- Applicants in need of assistance in ensuring an accurate and complete submission should consult a local accountant or utilize resources such as Lancaster SCORE, ASSETS Lancaster and/or Community First Fund.
- Applicants will be required to submit a W-9, 2019 tax return, and other financial/payroll information at time of application.

Application Process & Estimated Timeline:

February 16:	Guidelines reviewed by Lancaster County Board of Commissioners for discussion
February 17:	Board of Commissioners action on final guidelines
February 22-March 19:	Fund information and application criteria posted to www.RecoveryLancaster.com and marketed throughout Lancaster County
March 8 – March 19:	Application portal open on website for initial round
March 22 – April 2:	Application review of initial round
April 7:	Presentation of fund recommendations to Lancaster County Commissioners
April 8-April 30:	Disbursement of funds by County to awardee as soon as possible after approval
April 8 – May 14:	Potential additional round(s) of funding if not fully expended during the first round; open only to businesses that were not awarded in the first round;

Public Disclosure of Applicants

The Lancaster County Board of Commissioners will receive a full list of all businesses that applied for funding, including those who are not recommended for a funding award. All funding recommendations will be approved by the Lancaster County Commissioners based upon score-driven recommendations from the application review team. The application scoring system and criteria is included below as part of the Guidelines and will be included in the application materials on the RecoveryLancaster.com website. Funding recipients, award amounts, and application score will become public information upon approval. Proprietary business and financial information submitted with the application will NOT be public information.

Grant Agreement

An eligible awarded applicant must enter into a grant agreement with The County of Lancaster and EDC Finance Corporation that explains the terms and conditions of the grant, including each applicable law, statute, and reporting requirement. Electronically signed grant agreements are permitted.

Certifications

Applicants will be required to sign a certification (Appendix B) and submit required forms.

Reporting

The County of Lancaster must complete a report at the conclusion of the program containing the following information:

- A list of each grant awarded under the program.
- The name and address of each grant recipient.
- The amount of the grant and a description of the financial impact to the awarded grantee.
- The name of the CEDO or CDFI that processed the grant.
- The report must be submitted to DCED no later than August 31, 2021 by email to RA-DCEDInvoicing@pa.gov and bshover@pa.gov.

Auditing

- DCED waives the audit and closeout requirements specified in Article XIV of the Grant contract,

entitled Contract Audit and Closeout Requirements, as the Grantor has determined that the reporting requirements eliminate the need for an audit. However, this waiver does not impact DCED's or the Department of the Auditor General's ability to request, for purposes of an audit review, documentation.

- Section 134-C(b)(13) of Act 1 requires counties, CEDOs, and CDFIs to provide documentation to the Department of the Auditor General or DCED, upon request, for purposes of an audit review.

**APPENDIX A:
Hospitality Industry Recovery Program**

Criteria	Weight	5	4	3	2	1
Year over Year Revenue Decline (April-December) <u>or</u> average quarterly revenue decline for businesses started between May 1, 2019 – February 15, 2020	35%	100-80%	79-60%	59-40%	39-25%	
Other special COVID funding received since March 1, 2020 including, but not limited to: PPP, EIDL, Statewide Small Business Assistance, Recovery & Sustainability Fund Phase	15%	Have NOT received any special COVID funding				Received special COVID funding from other sources already
Impact of Governor’s December 2020 COVID-19 Mitigation Efforts	15%	My business was completely closed between December 12, 2020 – January 4, 2021;		My business was closed for indoor services, but was able to offer take-out or outdoor sales between December 12, 2020 – January 4, 2021;		All others not meeting the first two options;
Time in Business	10%	>10 years		3-10 years		< 3 years
Highest number of Employees (FTE) reported in calendar year 2019	10%	101-300	21-100	11-20	6-10	< 6
2019 Net Profit / (Loss) + Depreciation as a % of total revenue	10%	≥ 0%			0% – (5%)	(5%) >
Diverse Business Ownership <i>(Tiebreaker: extra scoring for 51% of business ownership being from a diverse demographic)</i>	5%	Yes				No

APPENDIX B: Certification by Hospitality Industry Recovery Program Applicant

The Applicant certifies that:

1. All information and statements contained in this Application, and all documents and exhibits submitted with this Application, are to the best of Applicant's knowledge, true, accurate, complete and not misleading, as of the date of this Application. Any further information or documentation submitted by Applicant in connection with this Application shall also be subject to this certification, which shall be deemed to be remade as of the date submitted.
2. Applicant has fully complied with, and will fully comply with, all federal, state and local laws and regulations applicable to this grant and applicable to Applicant's business, assets and/or operations, and the Applicant is not currently under investigation with respect to any violation of, or other failure to comply with, any such applicable law or regulation. No funds will be used for any purpose or in any manner that violates federal, state or local laws or regulations. All funds will be utilized for purposes consistent with the COVID-19 Hospitality Industry Recovery Program.
3. COVID-19 has had an adverse economic impact on the eligible applicant which makes the grant request necessary to support the ongoing operations of the eligible applicant. The Application is based on the Applicant's reasonable estimate of financial need for, and all funds will be utilized by the Applicant solely for, COVID-19 related impacts.
4. Applicant will submit additional information and documentation in support of this application and/or the grant requested or awarded with respect to this Application, in each case, upon request, and will permit the Commonwealth of Pennsylvania, County of Lancaster or its representatives, designees or affiliates to inspect and/or audit the books, records, premises and operations of the Applicant to assure compliance with the requirements of this program. Applicant hereby acknowledges and agrees that all information may be shared by and with the County of Lancaster, Pennsylvania, the Lancaster Chamber of Commerce, the Economic Development Company of Lancaster County, EDC Finance Corporation, their respective partners, designees, affiliates, employees, agents, volunteers and committees to the extent such disclosure is made in connection with the application and this grant program.
5. AVAILABLE FUNDS ARE LIMITED AND SIGNIFICANT INTEREST IS ANTICIPATED. Applicant recognizes that there is no assurance that Applicant will be award any grant of any size, regardless of how well the Applicant may meet the criteria used for awarding these grants and regardless of what the Applicant may have been told or read with respect to this grant program. As a condition and in exchange for the consideration of receiving and reviewing this application, the Applicant hereby releases and will hold harmless the County of Lancaster, Pennsylvania, EDC Finance Corporation, their respective partners, designees, and affiliates in facilitating, and administering this grant program and their respective Board of Commissioners, Boards of Directors, officers, employees, representatives, volunteers and committees of and from any and all claims and/or causes of action of any kind or type arising from or out of (a) their receipt and review of this application and any information or documentation of or concerning the Applicant, (b) any decisions or recommendations with respect to this application, (c) the administration of this program and/or the award or denial of funds and/or the sufficiency thereof, and (d) any other matter or thing related to this program.
6. All decisions and recommendations with respect to this application and this grant are final when made and are non-appealable. The Applicant acknowledges that grant award determinations will be made based on both objective and subjective analysis of information available and that award determinations need not follow strictly or consistently the scoring methods utilized. The Applicant also acknowledges that the identity of funding applicants and recipients, award amounts and application scores and recommendations will become public information.
7. The eligible applicant was in operation on February 15, 2020, and, if required, paid income taxes to the Federal and State Government, as reported on individual or business tax returns. The eligible applicant remains in operation and does not intend to permanently cease operations within one year of the date of application.
8. The grant will be used to pay for COVID-19- related economic impacts. During the period beginning on January 1, 2021, and ending on June 30, 2021, the applicant has not and will not receive another grant under this program.

9. The individual signing below is legally authorized by the Applicant to submit this application, to sign this certification and to legally bind the Applicant. An eligible applicant or authorized representative of the eligible applicant must certify that the information provided in an application to the program and the information provided in all supporting documents and forms is true and accurate in all material respects. An eligible applicant or an authorized representative of the eligible applicant that knowingly makes a false statement to obtain a grant under the program is punishable under penalty of perjury and fines pursuant to 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).