

New Mexico MainStreet

FINANCIAL RESOURCES & STRATEGIES FOR SMALL-SCALE DEVELOPERS IN RESPONSE TO COVID-19

May 7, 2020 Presented by NMMS Revitalization Specialist
Rhea Serna, Property Redevelopment

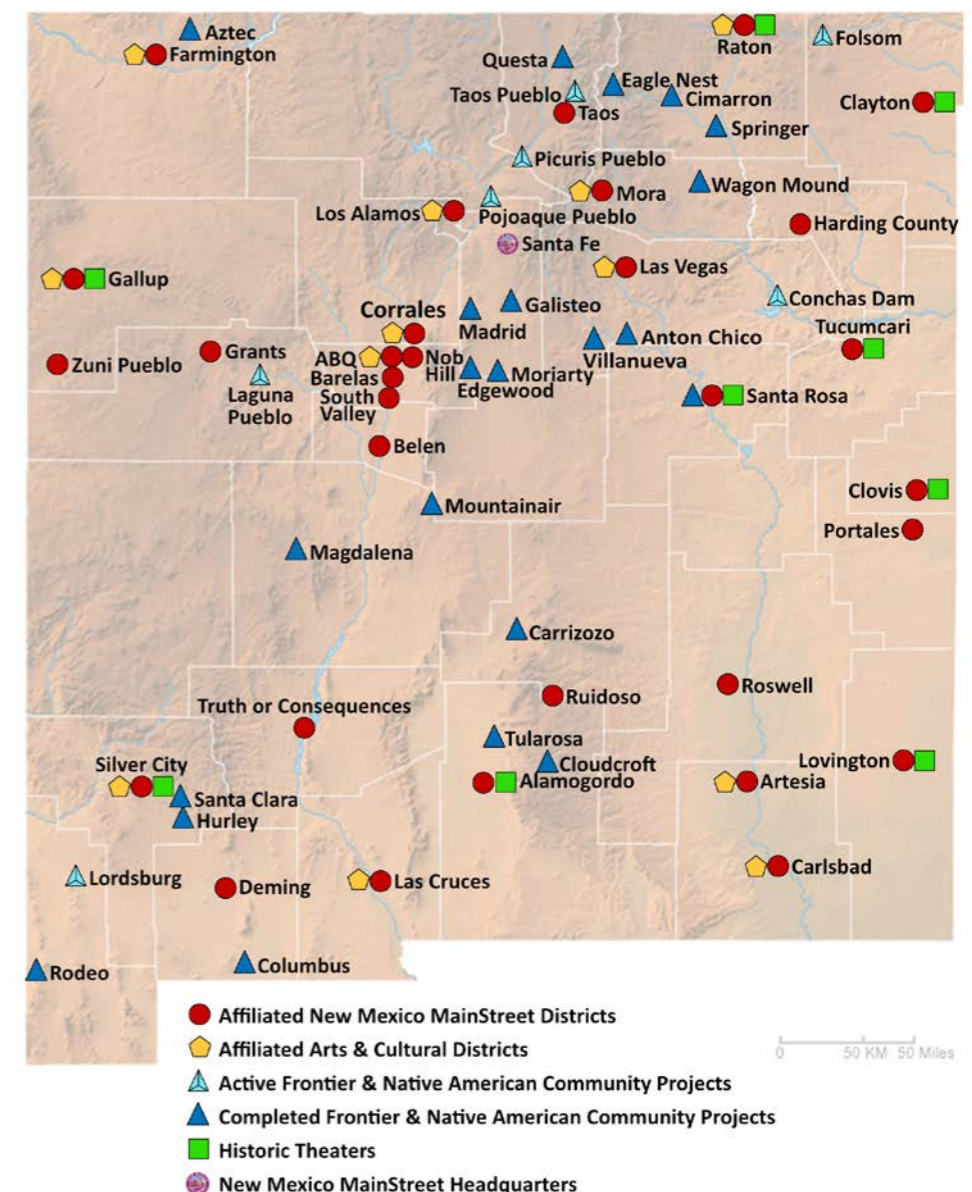


New Mexico MainStreet

Engage People • Rebuild Places • Revitalize Economies

- New Mexico MainStreet is an asset-based community economic development program
- The program's core objective is **downtown revitalization and redevelopment**
 - NM MainStreet Districts (30)
 - Arts & Cultural Districts (12)
 - Frontier & Native American Communities (28)
 - Historic Theaters (8)

New Mexico MainStreet
Network Map



UPCOMING WEBINARS

Register/Watch Recordings:

www.nmmainstreet.org/coronavirus-resources

- Beyond Bricks and Mortar: Alternatives to the Traditional Building/Customer Relationship
Thursday, May 14, at 2:15 p.m.
- Entrepreneurship as a Recovery Strategy
Thursday, May 21, at 2:15 p.m.
- Perfect Time for Building and Site Improvements
Thursday, May 28, at 2:15 p.m.
- Next Steps and Lessons Learned: Building a MainStreet Small-Business and Community Development Recovery Strategy
Thursday, June 4, at 2:15 p.m.



**Complete
your 2020
Census**



i COUNT NM
I COUNT BECAUSE I CARE

New Mexico will receive **\$7.8 billion** in federal funding for schools, roads, hospitals and so much more.

- ▶ **Complete your census once you've received your invitation or the full form the U.S. Census Bureau**
- ▶ **Everyone needs to be counted!**

Billions of Federal Dollars are Distributed to States Based on the Census

- Each New Mexican not counted equates to a loss of approximately \$3,745 per year.
- A 1% undercount of New Mexicans in 2020 could result in a \$780 million dollar loss of federal funds for our communities.
- In the 2010 Census, New Mexico had the second lowest response rate in the country.

Together, let's change that this year!



New Mexico MainStreet Team

Meet Your Presenters/Contributors

OVERCOMING COVID-19:
RESOURCES FOR SMALL-SCALE
DEVELOPERS



*NM MainStreet
Revitalization Specialist*

Property Redevelopment

Rhea Serna

RESOURCES FOR SMALL-SCALE DEVELOPERS OF COMMERCIAL PROPERTIES

Today's webinar will cover:

- Rent Negotiations and Working with Tenants
- Resources for Property Owners and Landlords
- Networking Opportunities for Small Scale Developers
- Policy Considerations

WHAT IS A SMALL-SCALE DEVELOPER?

- Small developers of residential and commercial buildings on the scale of 2-12 units
- Projects benefits both community and business portfolio
- Personal connection to property
- May have personally signed for loans
- Funding mistakes with personal funds
- Manager of your own project
- Risk taker and or entrepreneurial
- Have a “job” besides being a landlord or developer

"What about the commercial properties that are the economic and social engines for the small business community in our cities?"

*Lindsey Scannapieco,
Landlady of creative tenants in South Philadelphia*



SMALL BUSINESS OWNERS AND COMMERCIAL LANDLORDS



"In many situations, tenants have been forced to close their doors and now have little to no income. Landlords, on the other hand, likely have debt on the property being leased and may not be in a financial position where they can simply forgive rent for several months."

Dan Monte, an estate planning and real estate attorney with New Mexico-based Pregenzer, Baysinger, Wideman & Sale PC

RENT NEGOTIATIONS WITH TENANTS

- **Defer rent payments from tenants**

Example: Add 3 months rent to the back of the lease or to a later date

- **Partial rent abatement (i.e., lowering the rent)**

- **Waive late fees**

- **Use deposit for a missed payment**

RENT NEGOTIATIONS WITH TENANTS

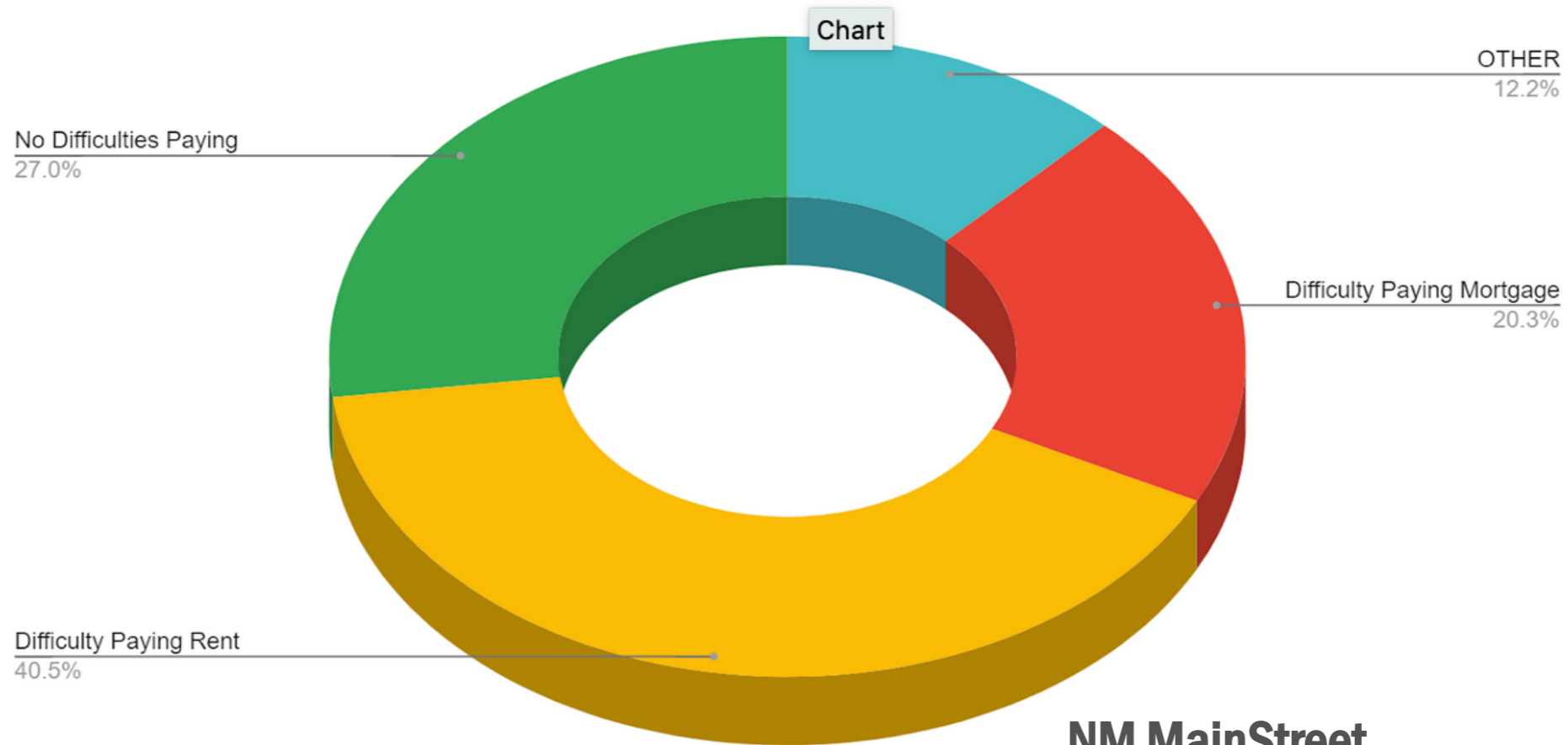
Must work for both parties

Dependent upon:

- Landlord's ability to defer mortgage payments with their lender
- Landlord owning property out right



Are the business having any difficulty paying their rent or mortgage:



**NM MainStreet
COVID-19 Small Business Impact Survey
Results**

April 15, 2020

Over 60% of respondents indicated that they are having trouble paying their rent or mortgage.



POST COVID-19 GOAL

TENANTS STILL IN PLACE AND IN BUSINESS

OTHER CONSIDERATIONS

- Opportunity to renew or sign a new lease (e.g., rent abatement in exchange for longer lease term)
- “Force Majeure” – Superior Force clause
- Cleaning in exchange for abatement
- Payment alternatives: PayPal, Money Order, Cashier’s Check
- Assist small business owner tenants access relief programs or with information on becoming more adaptable



COVID-19 Crisis Main Street Checklist

Supporting the Local Economy



As the COVID-19 crisis continues to develop, we've gathered some quick tips, ideas, and inspiration that your Main Street program can implement to keep your community supporting local while social-distancing or isolating.
#SupportLocalSafely

Tips to Share with Main Street Businesses

- ✓ If your business is staying open, publish commitment to public health and outline actions for ensuring a clean facility and healthy staff; have hand sanitizer available for customers and latex gloves available for employees
- ✓ Offer digital gift cards that customers and patrons can buy now and use later
- ✓ Start, maintain, and enhance business webpages, online shopping opportunities, and social media presence
- ✓ Keep customers updated on new experiences or products you'll offer when conditions improve
- ✓ Develop customer membership programs, such as "subscribe and save" on delivery or pick-up of coffee beans, fresh produce, etc.
- ✓ Develop online shopping list services. For example, many grocery stores offer grocery pick-up or delivery to customers who submit shopping lists online.
- ✓ Offer digital services and support to virtually sell, answer questions, and provide customer service
- ✓ Keep it lively! Offer trivia nights via livestream and provide virtual tours of your shop

For additional resources, please visit mainstreet.org/covid19resources



Cleaning and disinfecting your building or facility if someone is sick

- **Close off areas** used by the person who is sick.
 - Companies do not necessarily need to close operations, if they can close off affected areas.
- **Open outside doors and windows** to increase air circulation in the area.
- **Wait 24 hours** before you clean or disinfect. If 24 hours is not feasible, wait as long as possible.
- Clean and disinfect **all areas used by the person who is sick**, such as offices, bathrooms, common areas, shared electronic equipment like tablets, touch screens, keyboards, remote controls, and ATM machines.
- Once area has been **appropriately disinfected**, it can be opened for use.
 - **Workers without close contact** with the person who is sick can return to work immediately after disinfection.
- If **more than 7 days** since the person who is sick visited or used the facility, additional cleaning and disinfection is not necessary.
 - Continue routine cleaning and disinfection. This includes everyday practices that businesses and communities normally use to maintain a healthy environment.

<https://www.cdc.gov/coronavirus/2019-ncov/community/disinfecting-building-facility.html>

<https://www.nfib.com/assets/NFIB-Webinar-05-06-20-FINAL.pdf>



Welcome!

We want you to know that we're doing our part to help our Airbnb guests stay safe by cleaning and disinfecting frequently touched surfaces (light switches, doorknobs, cabinet handles, remotes, etc.) before you check in.

Enjoy your stay!

EVICTIIONS

State of NM Supreme Court ordered a temporary moratorium on evictions of residential tenants for inability to pay rent during the COVID-19 public health emergency

Landlords and property managers are still able to assess late charges, file for eviction in court and obtain judgments for unpaid rent

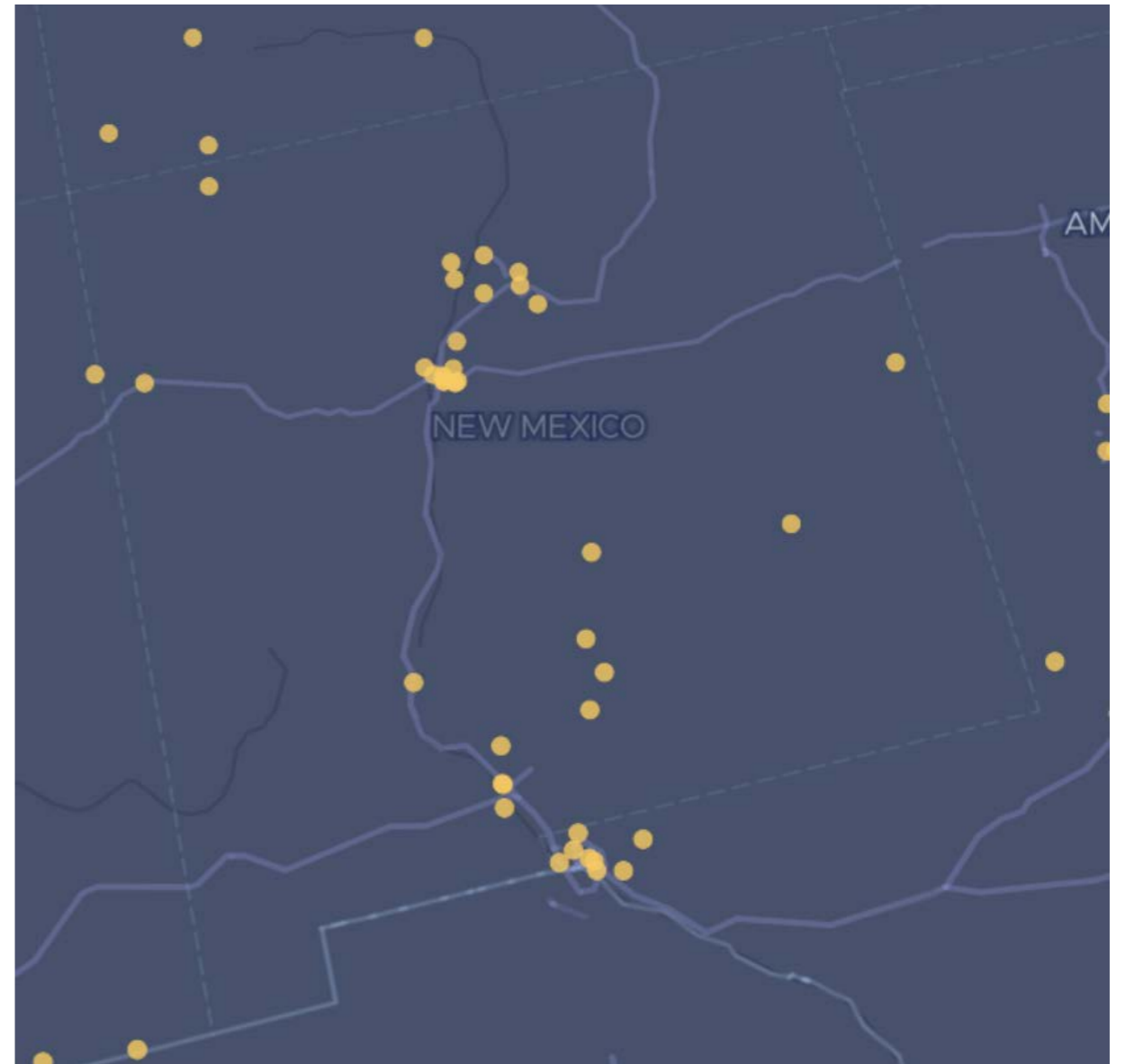
The only prohibition is against having the sheriff physically evict a tenant, but only if the eviction is due to unpaid rent (expires May 15th)

Under the order, tenants will need to provide the court with evidence of their current inability to pay their rent

**Only the City of Santa Fe prohibits landlords from evicting residential and commercial property tenants unable to pay rent due to the COVID emergency.*



RENT STRIKE!



IMPORTANT RENT STRIKE STATS

190,288+

RENT STRIKERS

And many more are taking the rent strike pledge every day!

50

DAYS

That's how long we've been in this crisis without meaningful action

31%

DID NOT PAY RENT IN APRIL

This number will continue to rise as time goes on

California: AB 828 (Ting) 25% rental reduction as part of eviction court proceedings for landlords with 10 or more units

<https://westriketogether.org>

PPP

EIDL

ELIGIBILITY

Payment Protection Program

Small businesses
Sole proprietors
Independent contractors & Self-employed
**all with less than 500 employees*



Economic Injury Disaster Loan

Businesses with less than 500 employees
Sole proprietors
Independent contractors

USES

Payroll Expenses Including Benefits
Mortgage Interest | Rent | Utilities
Interest on debt incurred before **2.15.20**



Payroll | Fixed Debts | Accounts Payable
Other expenses that can't be paid because of the disaster's impact.

AMOUNT

2.5x of business's avg. monthly payroll
(capped at \$10 million)

Businesses and independent contractors must provide lenders with documentation to back up their loan calculation.

See the NAR FAQ and speak to your SBA lender for more details.



up to **\$15,000**

Applicants can **also** apply for a cash advance of **\$1,000/employee (up to \$10,000)** that if used appropriately, will not need to be paid back. *These limits are subject to change based on funding.*

TERMS

Fixed Interest rate of **1%**

No payments for first
6 months



Interest Rate:
3.75% for businesses

No payments for first
12 months

EIDL Advance applications on a limited basis only to provide relief to U.S. agricultural businesses.

HELP PAYING OPERATING EXPENSES?

EIDL – Economic Injury Disaster Loan :

- Apply directly to SBA
- EIDL loan of \$15,000 maximum
- Not accepting new applications, still processing old ones

PPP – Payment Protection Program:

- Apply through participating lender
- Up to 75% of loan eligible for forgiveness if used toward payroll
- Pay yourself and document that payroll with a draft Schedule C for 2019
- April 27: 2nd Round of money available
- Only 15% of businesses most hurt got funds (Bloomberg News)



SMALL COMMUNITY BASED NONPROFIT LENDERS

Business Loans and Training

www.dreamspring.org

Call (800) 508-7624

<https://www.liftfund.com/>

Call (888) 215-2373

BE CAREFUL about Forbearance on your Mortgage



LOAN FOREBEARANCE MAY BE AN OPTION

- Mortgage servicer or Lender may pause or allow reduced payments for a limited time period
- Forbearance does not erase what you owe
- Missed or reduced payments have to be repaid in the future

CARES ACT: FOREBEARANCE WITH GOVERNMENT BACKED LOANS

- Residential and multi-family properties
- Mortgages backed by the federal government (FHA, VA, USDA, Fannie Mae and Freddie Mac)
- Borrowers allowed to temporarily suspend payments if experiencing financial difficulty due to the pandemic
- Forbearance for up to 180 days
- An additional extension of 180 days
- Request is made through loan servicer
- No requirement to submit additional documentation to qualify
- No additional fees, penalties or interest
- Regular interest will still accrue.



NON-GOVERNMENT BACKED OR PRIVATE LOANS FOREBEARANCE

- Loan servicers may or may not offer forbearance or deferment options
- Recommendation: “If you’re able to keep up with your payments, keep making them”

REDUCE OPERATING EXPENSES

Farmers Insurance:

- 20% credit to business owners on their insurance premiums

Farmers Insurance & State Farm Insurance:

- Automatically pausing cancellation of policies for non-payment
- Unpaid balance will carry over to your next billing statement

NM Utilities Response to COVID-19

- Most are suspending nonpayment disconnects

In some states, the Department of Insurance has mandated insurance carriers extend payment periods or not cancel policies (NM's Office of Superintendent of Insurance has not taken action on this issue as of yet)

What about using your emergency savings or reserves for replacement?

Emergency Savings Account:

- 2-6 months worth of expenses

Reserves for Replacement:

- 3% of Effective Gross Income

Tip:

- Interest earning account
- Accessed easily without penalties



WHAT DID THE CARES ACT CHANGE ABOUT IRA & 401K WITHDRAWALS?

- Allows people affected financially by the pandemic to withdraw up to **\$100,000** penalty free from eligible retirement accounts during 2020

Previously, any withdrawal before age 59 ½ faced a 10% penalty fee

- Still taxed on the withdrawals but tax payments can be stretched over 3 years
- Borrow up to \$100,000 or 100% of the vested account balance from an employer sponsored retirement account with the repayment due date delayed one year

MAKING A WITHDRAWAL FROM YOUR IRA & 401K?

Make sure to have a plan to pay the taxes and pay the account back

Option of last resort:
"Sacrificing your future financial security for your current financial security."



THINKING ABOUT RENOVATING YOUR COMMERCIAL BUILDING?



The CARES Act now allows you to:

- Take 100% of all interior renovation costs for a commercial building as a **Bonus Depreciation** (100% depreciation expense in one year)
- Apply a Net Operating Loss back over the previous 5 years of tax returns to reduce your tax payment and possibly claim a refund

THINKING ABOUT RENOVATING YOUR COMMERCIAL BUILDING?

Qualified Improvement Property

QIP Interior improvements to an existing commercial buildings such as installation or replacement of:

- Drywall
- Ceilings
- Interior doors
- Fire protection
- Mechanical
- Electrical
- Plumbing



State and Federal Historic Preservation Tax Credits

State of NM:

50% of eligible costs in a pre-approved rehabilitation

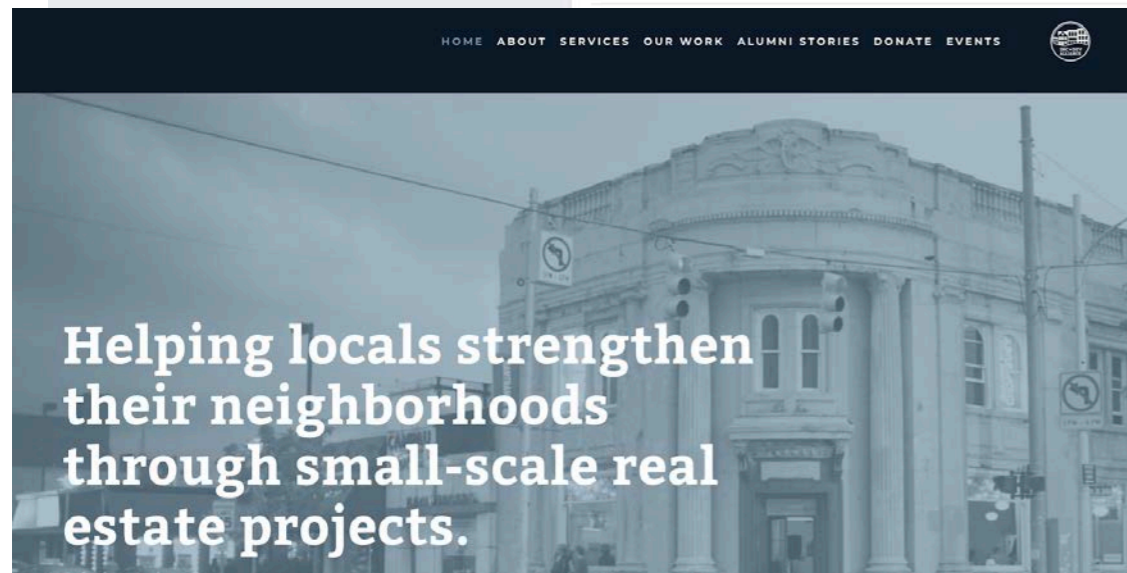
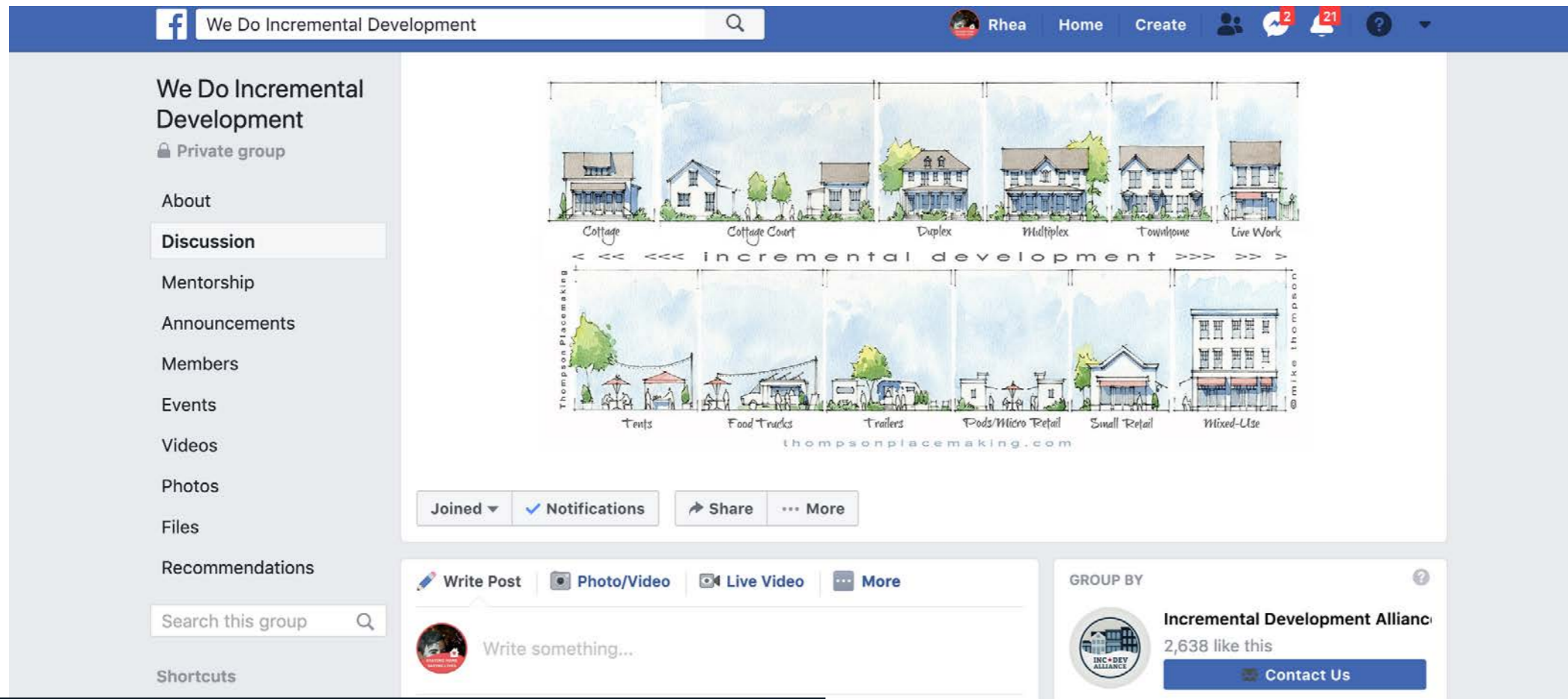
Example:

- Approved expenses of \$50,000 would earn the maximum tax credit of \$25,000
- A listed historic buildings in an **Arts & Cultural District** are allowed for maximum eligible expenses up to \$100,000 for a 50% tax credit of \$50,000

Federal: 20% federal income tax credit of eligible rehab expenses

<http://www.nmhistoricpreservation.org/>





www.incrementaldevelopment.org

INCREMENTAL DEVELOPMENT ALLIANCE

Place for people working on small-scale, incremental development in cities and small towns to share questions and resources with one another including operational issues, business models, pro-formas, design solutions, and hiring

POLICY CONSIDERATIONS

Adjust payment due dates on property taxes to give small developers with debt the flexibility they need to stay afloat

Mixed-use zoning and flexible land use regulations

Assist small businesses with rent payments (CDBG*)

Streamlined Temporary Use Occupancy Allowing Tables and Chairs Outside

Reduced or Relocated - Restaurants will shift their business to a food truck or move to the suburbs

Repurposed - Restaurants will become for-profit kitchens—a place where food is prepared but less commonly eaten

Daniel O'Connor,
Retail adviser and
visiting executive
at the Harvard
Business School

RESOURCES

NM MainStreet COVID-19 Small Business Impact Survey Results

<https://docs.google.com/document/d/1XgA1fFTYGpOLEpxRuZaaoyxr8LC7Qpl7vsS9X9NgEwA/edit>

COVID-19 MainStreet Resources

<https://www.mainstreet.org/howwecanhelp/resourcecenter/covid19resources/smallbusinessresources>

CDC Disinfecting Guidelines

<https://www.cdc.gov/coronavirus/2019-ncov/community/disinfecting-building-facility.html>

NFIB COVID-19 Financial and Workplace Safety Updates

<https://www.nfib.com/assets/NFIB-Webinar-05-06-20-FINAL.pdf>

Rent Strike

<https://westriketogether.org>

Dream Spring

www.dreamspring.org

Lift Fund

<https://www.liftfund.com/sba-paycheck-protection-program-ppp-loan-resource-page/>

NM Historic Preservation

<http://www.nmhistoricpreservation.org/>

Incremental Development Alliance

www.incrementaldevelopment.org

New Mexico MainStreet Team

Meet Your Presenters/Contributors

Links:

New Mexico MainStreet:
nmmainstreet.org

COVID-19 NM MainStreet Resources
nmmainstreet.org/coronavirus-resources



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Thank you for joining us!

This webinar recording will be available on YouTube



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