

GOFERR
Stakeholders Advisory Committee
Written Responses
For Presentation Tuesday, April 28, 2020

Conway Eye Care and Coos Eye Care, Dr. Angelique Sawyer, Owner (Immediate Past President of NH Optometric Association)

The Music Hall, Patricia Lynch, Ex. Director

The Learning Path, Donna Hajjar, President

Tinios Pro Hospitality Group, John Tinios, President

NH Alliance of Regional Development Corporations, Justin Slattery

NH Business Finance Authority, James Key-Wallace, Ex. Director

Written Comments to the GOFERR Stakeholder Advisory Board

(1) Please identify your position and your organization:

Dr. Angelique Sawyer, Immediate Past President of the New Hampshire Optometric Association, and small business owner of two independent eye care offices in rural northern N.H.: Conway Eye Care in North Conway and Coos Eye Care in Berlin.

(2) Please identify what economic sector your enterprise operates within.

The health care sector, specifically an independently owned optometric practice providing medical eye care and vision care.

Doctors of Optometry are essential frontline doctors who provide eye care to an estimated 1 million New Hampshire citizens. Over two-thirds of the New Hampshire population needs eye care on an annual or more frequent basis, and lack of access to this medical specialty could result in long-term increased health care costs associated with loss of visual function and blindness.¹ Doctors of Optometry provide critical care to those with other serious health conditions such as diabetes, high blood pressure, cancer, heart disease, and autoimmune disease, and they often play a vital role in diagnosing these conditions through ocular manifestations. Doctors of Optometry provide important support to and co-management with primary care providers, they provide care for patients with potentially blinding eye diseases such as macular degeneration, glaucoma and diabetic eye disease, and they provide urgent and emergent eye care services, reducing the burden on urgent care centers and hospital emergency departments. Doctors of Optometry are well dispersed throughout the state and provide a majority of eye care for Medicaid and Medicare populations, especially in rural areas of the state.

(1. <https://www.ncbi.nlm.nih.gov/pubmed/7956643>)

(3) Please describe how your enterprise and economic sector has been impacted by Covid-19.

COVID-19 has caused independently owned eye care practices to incur:

- *Decreased patient volume*
- *Lost revenue while ongoing expenses (personally I have seen a 60-70% reduction in revenue in my own practice where I have continued seeing only emergent eye care, per CDC guidelines. Some practices would have seen an even greater reduction and instead closed entirely to limit expenses as much as possible).*
- *Competition against an unemployment system that is more desirable and more profitable to our employees, making it nearly impossible to maintain a workforce.*
- *Endless hours making sense of federal programs, applying for federal loans and grants.*
- *Patient frustration with not being able to be seen for preventative/routine care, per CDC guidelines.*

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- *Difficult decisions over which appointments to postpone, with lack of guidance or regulations (e.g. CDC advising the postponement of routine eye care, yet general medical practices continue seeing and encouraging wellness visits).*
- *Concern that patients will forgo in-person care entirely and rely on substandard online services and unregulated online products, resulting in lower quality eye care for the patient and disruption of the doctor-patient relationship.*
- *Reduction in availability of employees because they are home taking care of children who are out of school.*

(4) Please provide an assessment of how you project your organization and economic sector will be impacted over the next 12 months by Covid-19.

Independently owned eye care practices are likely to see continued loss of revenue for many months or even a year or more. Many patients won't be comfortable with being seen in-office for several months. Some will have relied on substandard online care and will skip a cycle of preventative in-person care and may not return for 1-2 years, rather than returning upon re-opening. Some will choose to forgo ongoing careful follow up for potentially blinding eye conditions such as macular degeneration, glaucoma and diabetic eye disease. All practices will see a reduction in efficiency, caused by disinfecting and social distancing protocols, requiring fewer patients in office and longer time between appointments. Many practices may need to expand hours of care in an attempt to recover lost revenue and recover their patient base, further increasing expenses. More importantly, patients may experience difficulty associated with lack of access to timely care that often results in increased health care costs to include the following:

- *Decreased patient access to vision and low vision rehabilitation care*
- *Decreased patient access to critical medical eyecare for potentially blinding eye conditions such as glaucoma, macular degeneration, and diabetic eye disease*
- *Decreased patient access to for eye emergencies*
- *Decreased patient access to vision products they need for employment*

(5) Please explain whether your enterprise or economic sector has or is receiving, or may possibly receive in the future, any other governmental support (federal, state or local) or charitable funds specifically intended to help address Covid-19 impacts; and explain whether the identified need might be covered by other governmental or charitable sources of funding or support programs.

There are no known charitable resources for supporting practices operated by Doctors of Optometry and other financial support is limited to very short-term payment deferrals for medical equipment, supplies and inventory essential for patient care. Practices are largely relying on federal government programs such as those available through CARES Act. Some independently owned eye care practices may have received PPP or EIDL loans, though many were unsuccessful initially, despite timely application. Additional funding for these programs may be available to these practices, but these resources are

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limited and the scope of this financial support narrow. The PPP is primarily limited to payroll, and practices are having a hard time bringing staff back onto payroll because unemployment benefits currently pay more than employment wages for a large majority of our workforce and because the timing of the loan is well in advance of state emergency orders for “re-opening” the state of New Hampshire. The PPP and EIDL programs provide good financial support for a very short period of time and the funds may not be accessible to new practices or those who have greater rent, loan, or equipment costs compared to payroll costs. However, a small minority of Optometry practices have received PPP funds.

Additionally, Medicare providers have received DHHS grants which pay a small percentage of Medicare revenue from the prior year and overall represent a small percentage of overall revenue to optometry practices, despite the fact that we care for a large number of Medicare recipients in the state.

The state of New Hampshire has provided good initial financial support for and access to PPE (personal protective equipment) which is appreciated and critical to the success of keeping NH citizens safe in their doctors’ offices. Our state and national professional organizations are providing education support regarding infection control compliance and expansion of telehealth services. Some of this education is provided as part of current membership dues, however, regular continuing medical education, licensure and board certification costs are ongoing.

(6) Please provide comments on one or more ideas on how some portion of public relief funds could be provided to your enterprise and economic sector (including, if possible, an estimate of the amount of funds):

- *Additional grants/very-low interest loans for independent healthcare practices (for expenses beyond payroll).*
- *Additional payroll allowance for healthcare providers (essential workers) to incentivize working instead of unemployment (available as long as unemployment benefits are greater than baseline income).*
- *Additional access to free PPE or funding to acquire PPE for independent healthcare practices who operate on a largely outpatient basis independently from hospital campuses.*
- *Provide grants/funding to practices that must incur (or have incurred) costs to implement telehealth in a long-term manner (paid HIPAA secure services, etc.) as well as new infection control recommendations from the CDC (Center for Disease Control).*
- *Continue emergency orders mandating payment for telehealth services as long as services are associated with providers who can provide in-person care locally.*

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(6) cont'd **Please comment on how these ideas would achieve the following important public goals:**

The funds will serve a public use and provide a public benefit.

These funds will maintain access to essential eye care, in the safest manner possible, for the citizens of New Hampshire. Eyecare is considered part of essential primary care and access to these services cannot be significantly delayed because New Hampshire citizens need to maintain visual performance for work and activities of daily life. Similarly, doctors of optometry play an important role in maintaining healthcare quality measures associated with significant costs savings throughout the state, such as diversion of emergency room visits for eye emergencies and regular retinal exams for patients with diabetes (as identified by the National Quality Care Forum (NQCF) and through other studies). Delays in eye care will result if practices close or significantly reduce hours as a result of issues such as payroll costs, unavailable workforce, and burdens of additional infection control compliance.

The funds will preserve or increase the social welfare or economic prosperity of the state, and will promote the general welfare of the state's citizens.

These funds will maintain local spending instead of online ordering from distant markets and will allow eye care practices to maintain/increase employee payroll.

(7) **Please describe how the receipt and use of the public relief funds described in question 6 could be accounted for in your organization's financial statements.**

- *Funding specifically for PPE (including equipment modifications, sanitization products) (e.g. up to \$5000 per office) which can be reimbursed for applicable expenses). U.V sterilization and autoclave devices can cost up to \$6,000 per unit and were not previously required in non-surgical outpatient settings for procedures performed by Optometrists*
- *Funding for telehealth platforms and integration into existing electronic medical records (e.g. Up to \$3000 because this is considered an additional module expense by most EMR vendors)*
- *Additional payroll grants offered through NHES for healthcare workers that return to work. We suggest \$400/week per healthcare worker to incentivize a return to work for those serving in healthcare. Unemployment in this sector should not result in higher pay for staying home.*

The Music Hall
Written Comments to the GOFERR Stakeholder Advisory Board

(1) Please identify your position and your organization.

Patricia Lynch, Executive Director, The Music Hall

(2) Please identify what economic sector your enterprise operates within.

Service industry; specifically nonprofit arts center

(3) Please describe how your enterprise and economic sector has been impacted by Covid-19.

As the largest performing arts organization in the state, and a landmark destination, Covid 19 has had a devastating effect on our business and our ability to be an economic driver and a catalyst for renewal. Under normal circumstances, with 52 weeks of programming (averaging 200 live performances and 400 film screenings), The Music Hall engages 130,000 patrons in the arts and learning each year, including approximately 10,000 students, elementary-age children from more than 80 schools and 30 homeschool groups as well as at-risk teens. But due to the Covid-19 crisis, those numbers will be significantly down for 2020 and beyond, estimating 50% capacity for the next 12 months. We have been forced to postpone and cancel events: concerts, presentations, readings, and other live performances as well as film screenings and HD broadcasts. Included in this are the majority of our matinees for young people for this season; we were expecting more than 4,000 students for four shows in March, April, and May. The lack of events affects ticket purchases and concessions sales as well as memberships, sponsorships, and donations. The lack of audience has put a significant halt to economic activity of Portsmouth. Recognizing that the public will remain cautious even after restrictions are relaxed, and that sponsorships and contributions may require years to return to pre-crisis levels, we anticipate our financial difficulties will continue long after we reopen.

(4) Please provide an assessment of how you project your organization and economic sector will be impacted over the next 12 months by Covid-19.

The Music Hall is estimating an operating loss of \$1.6 million from the start of the theater's closure (March 2020) through the next 12 months. This includes significant cost cutting measures and assumes reopening in July, but only at 50% capacity. As our doors are closed to the public and we are unable to present any shows, we have furloughed the part-time staff. Due to a recent, dedicated effort to grow our cash reserves to be in line with nonprofit industry benchmarks, we have been able to retain our full-time staff, who are working from home. We have never had the security of an endowment so these tightly monitored cash reserves are our only "rainy day fund" and will not be able to sustain us for an extended period of time.

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The coronavirus has already had a devastating economic impact on America's nonprofit arts sector as a whole, a \$166 billion industry. Financial losses to date are estimated at \$3.2 billion, based on a national survey by Americans for the Arts. This number includes actual revenue losses to date from admissions (ticket sales, subscriptions, memberships), non-admissions income (concessions, gift shop sales, sponsorships, contributed income), and unexpected expenditures (new cleaning and disinfecting protocols, adoption of new technologies, cancellation fees). More than one-third of survey respondents expect to make reductions in staff, and 26% have already reduced their creative workforce. Current indications from the CDC and President Trump suggest that social distancing and other measures could extend through the summer. Given that losses documented in the survey have occurred only in the last two months, Americans for the Arts anticipates additional billions in potential revenue losses for the nonprofit arts and culture field.

(5) Please explain whether your enterprise or economic sector has or is receiving, or may possibly receive in the future, any other governmental support specifically intended to help address Covid-19 impacts.

The Music Hall was awarded funds through the PPP loan. As the program is designed, this will provide support to keep our full time staff fully employed for the next 8 weeks. This funding will not be sufficient to mitigate all of our losses beyond the next 8 weeks.

The Music Hall does not anticipate receiving much or any of the \$75 million appropriated to the National Endowment for the Arts through the CARES Act. Sixty percent of those funds are designated for direct grants to nonprofit arts organizations. Unfortunately, The Music Hall is not eligible for this funding as our most recent grant from the organization was received two months prior to the start of the eligibility period. The remaining 40 percent of the NEA appropriation will go directly to state and regional arts agencies to distribute through their funding programs. We are not certain how much will be awarded to the New Hampshire State Council on the Arts or how they will distribute these funds but we anticipate any award to The Music Hall will be nominal.

(6) Please provide comments on one or more ideas on how some portion of public relief funds could be provided to your enterprise and economic sector, and please comment on how these ideas would achieve the following important public goals:

(a) The proposed use of funds will serve a public use and provide a public benefit.

(b) The proposed use of funds will preserve or increase the social welfare or economic prosperity of the state, and will promote the general welfare of the state's citizens.

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- (c) The proposed use of funds will promote the orderly development of economic and social activities, create or preserve employment opportunities, or protect the physical environment.
- (e) The proposed use of funds will contribute significantly to the continued operation, competitiveness and future success of the organization and the economic sector.
- (f) The proposed use of funds is not in conflict with local or regional development plans and policies.
- (g) The proposed use of funds is structured in a way that will help the community and the State at large, and not just the particular private business or organization.
- (h) The proposed use of funds is consistent with the one-time availability of the public relief funds and will not require future continuing operational support from the public sector in order to maintain success.

The Music Hall respectfully requests that the state of New Hampshire grant the organization a one-time award of relief funds in the amount of \$250,000. The arts have the power to be a robust tool as we work to return New Hampshire to normal; The Music Hall can play a key role in strengthening the economy, enhancing education, improving outcomes for youth, supporting talent acquisition and retention, and building stronger neighborhoods.

- The Music Hall brings 130,000 patrons to downtown Portsmouth, New Hampshire, every year. Our patrons, residents and non-residents of the state, spend an average of \$27 to \$37 per person on event-related expenditures, from dinner and drinks in local restaurants and bars, to parking, souvenirs, and babysitters. Attendees from out of town often stay overnight in a local hotel. Our neighbors, including the 20+ restaurants and 20+ shops within walking distance, recognize and appreciate that Music Hall events bring foot traffic to their places of business.
- Annually, the Music Hall contributes approximately \$9 million to the local economy through show- and visitor-related spending, according to the Arts and Economic Prosperity IV survey conducted by Americans for the Arts.
- By offering programming in every season, The Music Hall contributes to making Portsmouth a 12-month destination that is attractive to retirees and young professionals alike, with year-round jobs for service employees, and a local economy that is linked to continual cultural viability.
- Portsmouth's former city manager, John Bohenko, who served for 22 years, referred to The Music Hall as "the economic engine of downtown."
- The Music Hall has been operating with a balanced budget for the past 10 years; the organization has not run a deficit since 2009, the worst year of the Great Recession.
- A single historic theater in a medium-sized city sustains 159 full time equivalent jobs, according to the League of Historic American Theaters ("Where Main Street Meets Wall Street").

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- A vibrant cultural and community hub with a 30-year track record and the support of 4,000 member households, 350 devoted volunteers, 300 regional businesses, and 60 nonprofit partners, The Music Hall has deep roots. Our singular nature and our commitment and contribution to the continued vitality of our region has been recognized locally, regionally, and nationally.
- The Music Hall has been a leading partner with the City of Portsmouth. In 2017, The Music Hall and the City partnered to upgrade Chestnut Street, site of our Historic Theater, collaborating to fulfill a piece of the City's Comprehensive Improvement Plan. Results include enhanced way-finding, safer vehicle and pedestrian access on Chestnut Street, and the creation of a green gathering space in downtown, all of which will help invigorate the city through increased visitation of local businesses and cultural landmarks.
- A professional staff (including a 6-member leadership team, 24 full-time, and 65 part-time employees), with the assistance of a skilled Board, has grown operating budgets from \$1.7 million to \$6 million in the past 15 years while raising more than \$15 million to successfully conduct a nationally-recognized restoration campaign.
- The best and last surviving example of a 19th-century opera house in New Hampshire, The Music Hall's 1878 Historic Theater is the oldest theater in the state, the second oldest in New England, and the 14th oldest in the United States.
- The arts are fundamental to our humanity. They inspire us, they bring us joy, they help us to grow and express ourselves, and they build bridges between cultures.

(7) Please describe how the receipt and use of the public relief funds described in question 6 would be accounted for in your organization's financial statements.

This money, which will be used for critical operations and to mitigate devastating losses, will be accounted for on our financial statements as a special federal Covid-19 emergency grant. It will be clearly delineated as a one-time grant award. We are audited annually, have a skilled finance committee made up of dedicated financial professionals that oversees detailed financial operations of the organization, and multiple checks and balances in place. We are very experienced in handling restricted funds and have successfully managed restricted funds from foundation and federal sources in the past.

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(8) Please describe specific measures for public reporting on the receipt and use of the public relief funds, so that the State may satisfy any public reporting obligations that may be imposed with respect to such funds.

The Music Hall is experienced in managing public funds. Grants from foundation and government sources are a critical funding stream in The Music Hall's multi-stream budget plan for both annual and capital campaigns. Music Hall staff manage an array of program and general operating support grants; notable funders in recent years include the NH Land and Community Heritage Investment Program (\$100,000 for the rehabilitation of our lobby, successfully completed, with additional monetary rewards for the regularity of our annual reporting), the National Endowment for the Arts (\$10,000 matching grant for our School Days Series, program and reporting successfully completed), Jane's Trust (\$100,000 for the Streetscape Campaign, campaign and reporting successfully completed), and Fidelity Foundation (\$100,000 for the Streetscape Campaign, campaign and reporting successfully completed).

(9) Please identify other important organizations or functions in the State that have an important impact on your organization or economic sector, and, if possible, provide ideas of how those organizations and functions may be assisted by public relief funds in a manner that would help your organization or economic sector.

The Music Hall is the largest of the four major performing arts centers in New Hampshire; the other three community pillars are the Capitol Center for the Arts in Concord, the Colonial Theatre in Keene, and the Lebanon Opera House. Cultural organizations like our neighbors, Strawberry Banke Museum and the Seacoast Science Center, also contribute to the vitality of the state. Though there is healthy competition among our individual organizations, we operate under the shared philosophy that a thriving cultural community benefits all, and work cooperatively to share ideas that result in exciting and diverse programming for New Hampshire audiences. We represent local people planning local entertainment and sending dollars into the local restaurants, hotels, and other businesses.

Arts and cultural organizations in New Hampshire are responsible for direct expenditures totaling \$57 million; support more than 2,200 full-time equivalent jobs creating household income of more than \$47 million; and generate local and state government revenues of more than \$6 million, according to Arts and Economic Prosperity 5, a national economic impact study conducted by Americans for the Arts. Our patrons, more than 2 million residents and non-residents of New Hampshire, spend an average of \$20 to \$50 per person, per event, delivering \$60 million in arts-related spending to our downtowns.

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The health of local business, the restaurants and shops that create a distinct identity for downtown Portsmouth and attract visitors to the Seacoast and New Hampshire at large, also contribute to our success and we are vital to theirs. We fuel these small businesses with our audiences, employees, volunteers, and visiting artists, all of which, park, and shop as part of the experience of visiting and or working at The Music Hall.

The Music Hall plays an active role in regional tourism efforts, and staff serve on the Chamber Collaborative of Greater Portsmouth.

(10) What would your business, agency, organization, sector do with the funds that cannot be done currently?

We cannot assure our anchor position as a nationally renowned arts organization without the help of these funds. Quite simply they will be an integral part of the raft we are building to navigate these unprecedented waters.

11) We consistently hear different stories of what is occurring and what is needed; given the opportunity, please comment on what do you think should be said or considered that hasn't received much attention?

The Music Hall has been told many times that it is the "great room" of the Seacoast. In the coming months and years ahead, this great room will be more necessary than ever as we rebuild our economy. We will also need to rebuild our spirits. The studies on isolation and loss of productivity through depression and the increased risk of suicide and negative behaviors are proven hard data. The Music Hall, along with the arts and culture sector of NH, play a vital role in the development of community social capital, and it is with that capital that the hard work ahead becomes manageable.

Guidelines for Written Comments to the GOFERR Stakeholder Advisory Board

Thank you for agreeing to provide information to assist the GOFERR Stakeholder Advisory Board (“SAB”). Your contribution is critically important to allow the SAB perform its purpose of developing recommendations to the GOFERR for the allocation and expenditure of federal Covid-19 emergency funds to address fundamental needs of the State of New Hampshire.

Because the Covid-19 crisis has impacted almost everyone and every institution across New Hampshire, SAB expects to gather a substantial amount of information from many sources. In order to accomplish this task effectively and efficiently, SAB requests that all persons who submit information (including those persons who are scheduled to provide oral comments before a SAB meeting) please follow these guidelines.

The SAB is hopeful that many interested persons will submit information and ideas on how the State can best allocate federal emergency relief funds. We plan to read all comments, and for those who make oral presentations to the SAB, we intend to ask questions based on the written submissions.

There is no particular format for the comments, and but we request that you focus your comments as efficiently as possible, and try to limit the number of pages to less than 10.

In order to help the SAB members to the greatest extent possible, we request that you try to address each of the information items listed below. The SAB members have identified these information items as highly relevant to their overall task. While some commenters are likely to provide additional information, and others may not be able to address each item, we request that you try to address the following items in your submission:

- (1) Please identify your position and your organization.

The Learning Path, Inc Donna Hajjar, President
Established June 1999
Two locations: Atkinson and Salem
Currently enrolled children – 165
Staff members/teachers – 45
We are a “NH Licensed Plus” Preschool

- (2) Please identify what economic sector your enterprise operates within.

Preschool/Child Care Sector

**Guidelines for Written Comments
to the GOFERR Stakeholder Advisory Board**

- (3) Please describe how your enterprise and economic sector has been impacted by Covid-19.

Due to Covid-19, I was forced to temporarily close my two schools. March 27 was the last date we operated. On March 13, before we even closed, 75% of staff chose to self-quarantine and collect unemployment. I was forced to furlough our remaining 10 staff members on March 30, 2020. All 45 teachers are now collecting unemployment.

Before the Covid-19 scare, 165 children were enrolled. The average weekly incoming tuition for a center my size is approximately \$30,000.00. There has been **no** incoming tuition as of March 30, 2020.

- (4) Please provide an assessment of how you project your organization and economic sector will be impacted over the next 12 months by Covid-19.

I am expecting to be closed for April, May and June 2020, leaving me no incoming tuition to support my current on-going monthly overhead costs. I do not see being in business for much longer, as I am currently using dollars from my operating account, which is almost depleted.

The average monthly overhead costs for centers my size is approximately \$35,000.00 (this does not include payroll).

- (5) Please explain whether your enterprise or economic sector has or is receiving, or may possibly receive in the future, any other governmental support (federal, state or local)

or charitable funds specifically intended to help address Covid-19 impacts; and explain whether the identified need might be covered by other governmental or charitable sources of funding or support programs.

I am a for-profit company. I am not eligible to apply for grants offered by the private sector who award grants only to non-profit organizations.

I have applied for the PPP. I was not eligible because I closed my business two weeks prior to the required timeframe.

I applied to the SBA on April 6. As of today (April 24) I have not heard if I have been approved. I called the SBA office, I was told that the process is delayed due to the amount of applications submitted.

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6) Please provide comments on one or more ideas on how some portion of public relief funds could be provided to your enterprise and economic sector (including, if possible, an estimate of the amount of funds), and please comment on how these ideas would achieve the following important public goals:

- (a) The funds will serve a public use and provide a public benefit.
- (b) The funds will preserve or increase the social welfare or economic prosperity of the state, and will promote the general welfare of the state's citizens.
- (c) The funds will promote the orderly development of economic and social activities, create or preserve employment opportunities, or protect the physical environment.
- (e) The funds will contribute significantly to the continued operation, competitiveness and future success of the organization and the economic sector, and will enhance the resiliency of the organization to survive future economic or health challenges.

The funds will help assist with the success of my small business. With these funds, on-going monthly expenses can be paid to the vendors that serve and deliver to my company, most of them are small businesses, as well. My staff of 45 can return to work without a decrease in salary. My company can remain a much needed, well respected part of the community.

I fear that Bankruptcy is in the future if funds are not received soon.

Available high-quality child care is crucial to the residents of NH. Our teachers have a strong bond with the children and families that we serve. We support children whose parents are pilots, salon owners, first responders, mechanics, doctors/nurses, politicians, city/state employees, restaurant and grocery employees, realtors, small business owners, and so many others. Closing our child care centers has affected so many of our community workers and their ability to perform their work effectively and efficiently, if at all.

We also work closely with the public school districts. We provide before-and-after care and education for special needs children in the community. We are involved in the Early Intervention process, working closely with Easter Seals. We identify and evaluate children showing developmental delays. Our teachers attend IEP meetings and are involved with modifications for children who have been identified with special needs or circumstances. Being closed, our special needs students who were making developmental improvements have possibly halted, or even declined developmentally.

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We are an approved location for families meeting the financial criteria to receive assistance for childcare (State Scholarship). Foster children and children at risk (Protective and Preventative) are also part of our student enrollment. While we are closed, these children are at risk in the home environment.

- (f) The use of funds is not in conflict with local or regional development plans and policies, or any other provision of state or federal law.
 - (g) The funds are structured in a way that will help the community and the State at large, and not just the particular private business or organization.
 - (h) The use of funds is consistent with the one-time availability of the public relief funds and will not require future continuing operational support from the public sector in order to maintain success.
- (7) Please describe how the receipt and use of the public relief funds described in question 6 could be accounted for in your organization's financial statements.

My company, through my accountant, would isolate the funds and the use of the grant income. We would show expenses used and show receipts of spending.

- (8) Please describe specific measures for public reporting on the receipt and use of the public relief funds, so that the State may satisfy any public reporting obligations that may be imposed with respect to such funds.

After consulting with my CPA, Karen Shapiro, she suggested a way to provide detailed accounting of this public relief and use of the funds as a component of my 2020 profit/loss statement.

- (9) Please identify other important organizations or functions in the State that have an important impact on your organization or economic sector, and, if possible, provide ideas of how those organizations and functions may be assisted by public relief funds in a manner that would help your organization or economic sector.

My landlord, who owns both of my locations, has been affected. I did not pay my rent/CAM fees for the month of April and will not be submitting payment in May or June.

Monthly rent/CAM for buildings the size that I rent can cost up to well over \$20,000.00.

My philosophy in business is to support and purchase from other small businesses in my community, such as custodial and cleaning services, landscapers, pest control, supply companies, etc. I have had to stop all buying of products, which directly affects these small businesses.

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- (10) What would your business, agency, organization, sector do with the funds that cannot be done currently?

The funds would help pay our monthly on-going bills. We are going to lose the ability to pay very soon.

- 11) We consistently hear different stories of what is occurring and what is needed; given the opportunity, please comment on what do you think should be said or considered that hasn't received much attention?

I have no comment for this question. However, I have been listening in on the meetings with the legislators and the GOFERR call-ins. I am grateful that the people on the advisory boards are caring about the small businesses in NH and want to hear our financial concerns.

* * * * *

SAB anticipates that its members will be reaching out to diverse interests and persons to request submission of comments, and we thank you in advance for considering these requests. We are all in this together, New Hampshire!

Please check the GOFERR website for current information on how to submit comments. All recommendations and information submitted in response to this request will be available for public inspection and copying in their entirety. For further information, please contact Joe Doiron at the GOFERR offices.

Questions for Consideration

(1) Please identify your position and your organization.

Tinios Pro Hospitality Group
John Tinios President

(2) Please identify what economic sector your enterprise operates within.

I am in the hospitality sector, specifically restaurants and a production wholesale bakery all in the seacoast of New Hampshire.

(3) Please describe how your enterprise and economic sector has been impacted by Covid-19.

- The Galley Hatch Restaurant in Hampton NH has been in business for 50 years and is at risk of closing. While we are still doing takeout and delivery of a limited menu there was a furlough of over 110 employees.
- Tinos Mediterranean Bar and Grill, also in Hampton, is in its fifth year and is currently doing a limited menu for takeout and delivery. Tinos furloughed all its employees except for 3 of 28.
- Grill 28 at Pease Golf Course is in its sixth year and closed its doors two weeks after the mandatory shut down of restaurants, furloughing all 35 employees.
- Popovers on the Square in Portsmouth N.H. in its 15th year of operation is now closed after two weeks attempting to pivot to a takeout business due to the mandatory shut down. It has furloughed 28 employees.
- Popovers Brickyard Square in Epping N.H. is in its 7th year and is closed after two weeks of takeout due to Covid-19. Currently 34 employees furloughed.
- The Commissary in Hampton N.H. is operating now with 4 out of 21 employees furloughed.
- At full employment in peak season the combined number of employees including administration is 370, only 40 are currently working.

(4) Please provide an assessment of how you project your organization and economic sector will be impacted over the next 12 months by Covid-19.

We have based the following projections on the current and phased-in operational guidance given by State/local governments and associations, the local Chamber of Commerce and task forces for the beaches, and all other tourism associated representatives.

- The restaurant industry and associated industries will be affected by as much as 60 to 70 % in the next year. We are hoping that we can beat that estimate depending on the pace of the virus and restrictions placed on our restaurant industry.
- With phase one guidelines, we are forced to operate at 50% occupancy in our restaurants
- Due to the constantly changing guidelines from the CDC and media, there is confusion around where and when customers can start dining out again

- Because of the unpredictability of the market, it is impossible to determine how much inventory to purchase for the restaurants and when to start hiring back staff members
- Tourism as a whole in New Hampshire will be impacted indefinitely

(5) Please explain whether your enterprise or economic sector has or is receiving, or may possibly receive in the future, any other governmental support specifically intended to help address Covid-19 impacts.

To date, two of our businesses have received funding from the Payroll Protection Plan. The remaining 4 have been “Bank Approved” but are awaiting funding numbers.

(6) Please provide comments on one or more ideas on how some portion of public relief funds could be provided to your enterprise and economic sector, and please comment on how these ideas would achieve the following important public goals:

- (a) The proposed use of funds will serve a public use and provide a public benefit.**
- (b) The proposed use of funds will preserve or increase the social welfare or economic prosperity of the state and will promote the general welfare of the state's citizens.**
- (c) The proposed use of funds will promote the orderly development of economic and social activities, create or preserve employment opportunities, or protect the physical environment.**
- (e) The proposed use of funds will contribute significantly to the continued operation, competitiveness and future success of the organization and the economic sector.**
- (f) The proposed use of funds is not in conflict with local or regional development plans and policies.**
- (g) The proposed use of funds is structured in a way that will help the community and the State at large, and not just the particular private business or organization.**
- (h) The proposed use of funds is consistent with the one-time availability of the public relief funds and will not require future continuing operational support from the public sector in order to maintain success.**

The Hospitality industry is valuable to the public because it is a top employer in the state of New Hampshire. In addition to providing jobs, we contribute to the economy by way of the Rooms and Meals Taxes, Property Taxes, local and state fees specific to the restaurant industry, as well as all other “feeder industries” that pay taxes. **We also support more local and state charities than any other type of industry just by our numbers.** Restaurants essentially play a part in every sector of the state – We support education, school athletics and the arts, feeding the hungry and the homeless. Giving is what we do in hospitality. Our margins may be small, but our hearts are big and we make a huge difference in our communities.

We promote our communities as desirable places to enjoy leisure activities. Businesses move to places where there are accommodations to dine, meet clients, have group functions and enjoy a social lifestyle. New Hampshire is a tourism state that heavily relies on our industry. A sound and healthy hospitality industry is what draws in new businesses and is what brings tourist from all over to visit and enjoy. For these reasons, the State should contribute during this time of need

to give our industry the help it will need to restart its businesses after we are allowed to start back to normal operations.

The Payroll Protection Plan will have some value for the restaurant industry to start back up, but the program is flawed in its implementation.

- Restaurants must use 75% of the funds for payroll, providing they hire their staff back after they have been funded.
- There is no provision for forgiveness of the loan unless the clock starts immediately after funding.
- Due to CDC guidelines, when we are allowed to open we will only be operating at 50 % capacity, which means that revenue will be off [at least] by the same percent. This leaves little room for covering overhead expenses.
- The other 25 % can be used for utilities, interest on loans for mortgages and/or rent. This is all good, however, we are held to a timeline to pay it back without a clear timeline from the government on when we will be able to operate at full capacity again.
- The other factor is that federal assistance for unemployment benefits along with the States portion competes with the PPP by being a disincentive for people coming back to work and getting less pay than they would if they stayed on unemployment.
- While the current landscape for the PPP can certainly help, it doesn't come close to covering other overhead expenses such as liability insurance, workers compensation, loans for improvements to the business, existing mortgage principal payments, as well as paying vendors so that we can re-stock our inventory.
- **To fix this, I propose**
 - Extend the PPP for 6 months and give businesses the ability to use a portion of the funds for expenses related to overhead.
 - Give a greater percentage of rooms and meals taxes back to the restaurants as a collection fee.

(7) Please describe how the receipt and use of the public relief funds described in question 6 would be accounted for in your organization's financial statements.

Funds are deposited into a separate fund and used only for the purposes of payroll for employees and overhead. As owner I could not take bonuses or use the funds for other reasons foreign to the expenses of the business.

(8) Please describe specific measures for public reporting on the receipt and use of the public relief funds, so that the State may satisfy any public reporting obligations that may be imposed with respect to such funds.

Funds would be tracked in a separate category of QuickBooks. The report would identify only funds described as relief funds.

(9) Please identify other important organizations or functions in the State that have an important impact on your organization or economic sector, and, if possible, provide ideas of how those organizations and functions may be assisted by public relief funds in a manner that would help your organization or economic sector.

Local New Hampshire Chambers of Commerce, New Hampshire Hospitality Association, and the BNI. These associations are currently not being funded by their members because their members are out of business. In order for these associations to continue helping us, they need cash now.

10) We consistently hear different stories of what is occurring and what is needed; given the opportunity, please comment on what do you think should be said or considered that hasn't received much attention?

The biggest thing that is not getting enough attention is testing for our employees. We are first responders right now given our role in feeding the public. We could use all the help we can get from the state regarding testing for current infections as well as antibody testing. If all hospitality employees in the state have a certificate of being tested on file, this would help us grow and maintain our employee's confidence as well as our guests'.

Secondly, our industry is known for innovation and connecting to the needs of the customers - Relaxing some of the regulations for seating outdoors by extending patios and relaxing alcohol restrictions to those areas would help us pivot and continue our operations. Also, to permit in certain businesses that have the parking capacity the ability to extend seating would be helpful. All these ideas are to create more available seating while maintaining social distancing.

Finally, people should be able to make their own choices on when and how to return to restaurants. Scaring customers with unnecessary restrictions would harm our businesses. I believe in our industry and our people to be careful in keeping each other safe and accountable. There will always be a few that don't adapt to the situation we find ourselves in with Covid-19, but I truly believe the vast majority of us will work together to fight through this.

The greatest innovations have come at times of great need for action to solve problems in our society. This country thrives when our backs are to the wall. In an industry with small margins for error and big hearts for giving, we will be better when we come out of this pandemic. I have seen my peers coming out of the box with ideas for products, services, and safety, even changing their concept to adapt to the times. While our main priority is the health and safety of our people, we cannot get through this without significant help from our government. We are all in this together, and as a small business owner, I am grateful to have my voice heard.



To: GOFERR Stakeholder Advisory Board

From: NH Alliance of Regional Development Corporations

Date: April 24, 2020

Re: Presentation of Written Comments

Introduction

The NH Alliance of Regional Development Corporations (the “Alliance”) is a long-standing network of 10 nonprofit regional economic development corporations (RDCs), which cumulatively have more than 300 years’ experience providing economic development services to businesses and communities across New Hampshire. Each RDC is governed by its own Board of Directors and bylaws, but each maintain a basic core goal: to offer technical assistance, financing, and economic development services - primarily for the purposes of helping to create and retain jobs in the State, and to help increase the tax base of the State’s communities.

During stable times, the RDCs are a direct conduit between public financing programs and new, emerging, and growing companies. RDCs have worked in various capacities with USDA/Rural Development, US Department of Housing and Urban Development (HUD), the US Small Business Administration (SBA), the US Economic Development Administration (EDA), the Business Finance Authority of New Hampshire (BFA), and the NH Community Development Finance Authority (CDFA) to deliver a wide array of economic development services. During recessionary times we fill the wider gap between entrepreneurs and the traditional market. We have seen the ups and downs in the economy and have always adjusted programs quickly to meet the needs of the businesses and communities we serve.

We have never seen anything like this.

We appreciate the opportunity to answer the GOFERR Stakeholder Advisory Board (SAB) questions prior to presentation before the Board. We submit this on behalf of all RDCs (listed on Appendix A), each of whom know their respective regions intimately and all of whom are prepared to step in immediately to help fill the financing needs of New Hampshire’s small businesses.

Between the 10 RDCs, we are currently managing more than 600 active loans to small business. We have made thousands of more loans over the more than 25-year existence of the RDCs. A great majority of our active loans are in various levels of distress. The RDCs have given their borrowers meaningful concessions – such as blanket loan forbearances for up to 180 days – to deal with the Covid-19 impacts. Forgoing revenue to our own organizations hurts our own future financial condition; but it was an easy decision to make. We exist to help businesses and communities grow through good times, and survive

through bad, and we all operate with the tightest budgets possible – we refuse to let this crisis stop us in our mission. We have a job to do.

It is our sincere hope that the SAB will agree to fund the RDCs through direct grants that we can use for patient, low-interest, flexible, partially-forgivable financing to New Hampshire's small businesses which have nowhere else to obtain it.

The narratives that follow are presented in the format the SAB has provided. To save time, we have attempted to be as concise as possible. If you need any further detail, we would be happy to provide it.

Please identify your position and your organization

The RDCs are led by professionals with many years' experience. Each RDC and their respective Executive Director/President is listed in Appendix A.

Please identify what economic sector your enterprise operates within

The RDCs all operate within the non-profit economic development sector. We are a resource (loans and technical assistance) to all business and non-profit sectors, including: electronics, breweries, distilleries, airports, manufacturing, construction, recreational facilities, aviation technology, trades education, performance arts, restaurants, tourism businesses, training centers, the arts, museums, child-care centers – virtually every segment of New Hampshire's economy.

Please describe how your enterprise and economic sector has been impacted by Covid-19

Business from virtually all sectors of New Hampshire's economy have been affected by the Covid-19 crisis, and this has impacted business owners, the employees, and the customers. The impact on one business has a cascading impact on all businesses through manufacturing and supply chains, distribution, sales, and customers. It is essentially a perfect storm of economic crisis. We believe this can be remedied through hard work and tough decisions.

The RDC's have been impacted by Covid-19 because we depend on income from our loan portfolios as our primary income. As our customers become unable to repay debt, our profit and loss statements and our balance sheets suffer. It is important to note that our primary concern is the impact on our delivery of our services, not how the crisis has affected our bottom line. What is more important is the impact to the services we can provide our businesses and communities.

In the past several weeks, we have seen an exponential growth of a need for our services. Businesses from all sectors of the economy have reached out to the RDCs for help surviving. We have seen the toughness and resilience of our State's business community, and many of us continue to make loans through this crisis.

For example, the *Mount Washington Valley Economic Development Council* just deployed \$578,000 to 27 businesses at an average loan amount of \$25,000. This funding was approved and deployed within two weeks after the Covid-19 crisis started. The *Regional Economic Development Corporation of Southern NH* has tentatively approved \$425,000 in financing to 15 businesses, at an average loan amount of \$20,000.

Funds we can deploy for emergency loans for this type of response are limited and will run out. The demand will not be met by the resources currently available to the RDCs. This type of rapid response to

the immediate and future small business needs can be implemented across the State by the RDCs – quickly and efficiently.

Please provide an assessment of how you project your organization and economic sector will be impacted over the next 12 months by Covid-19.

Our assessments of how the RDCs and the business sectors will be impacted over the next 12 months are below:

Regional Development Corporations:

- Demand for RDCs services will continue over the next 3-9 months for emergency funding to businesses during business closures and major disruptions. RDCs will have limited funds (as they stand now) to meet the needs of the businesses. We will do all that we can to continue to help with the limited resources presently available.
- Demand for the RDCs will eventually shift from “emergency” financing to “re-opening” financing. Businesses will eventually re-open, but recovery will be slow. RDC’s funds that were used for emergency financing will be unavailable to help during the recovery.

NH Business Sectors:

- Financing needs for re-opening will include working capital for inventory, accounts payable, and operating expenses.
- Federal programs will not continue to be re-filled after the trillions of dollars spent on the Covid-19 response. **Banks will be caught between regulation and the needs of their customers.** Non-traditional, non-bank financing such as RDCs need to fill that gap. Bankable deals may still be able to rely on SBA guarantees through the 7a and 504 Programs, but many businesses will not qualify. The need for non-bank financing from RDCs will explode.
- Banks will be hesitant to finance certain businesses, with loan to value ratios having already dropped from 85-90% to 70-75%. Accounts receivable will build eventually but bank discounted value rates will drop to reflect the uncertainty of payment to the business. Small businesses that do not carry receivables will be without an avenue for financing. RDC financing can be flexible and, in some instances, which can be tied to job retention, partially forgivable.

Please explain whether your enterprise or economic sector has or is receiving, or may possibly receive in the future, any other governmental support (federal, state or local) or charitable funds specifically intended to help address Covid-19 impacts; and explain whether the identified need might be covered by other governmental or charitable sources of funding or support programs.

RDC’s have historically worked with US Housing and Urban Development, USDA/Rural Development, US Small Business Administration, US Economic Development Administration, Business Finance Authority of NH, and the NH Community Development Finance Authority. The RDCs have been intermediary re-lenders, or sub-grantees of funds disbursed for small business and community development projects. Our success dealing with various programs to disburse capital to the State’s businesses is unmatched.

We are confident that we have the experience, processes, and best practices to implement funding recommended by SAB.

Before the Covid-19 crisis, access to some of these programs had become very difficult. RDC's have encountered change from regulations and rules to policy and guidance, making these funds unpredictable and harder to get. This has not stopped the RDCs from working tirelessly to get them for our clients.

We receive limited operational funding from HUD and CDFA in recognition of our important role. Other federal processes are many months or years long. The need is immediate, and we cannot rely on the historic Federal programs to meet the urgent needs of the businesses that need help.

Please provide comments on one or more ideas on how some portion of public relief funds could be provided to your enterprise and economic sector (including, if possible, an estimate of the amount of funds), and please comment on how these ideas would achieve the following important public goals:

(a) The funds will serve a public use and provide a public benefit

Nonprofits perform duties for the public benefit where the government does not or cannot. That is why the IRS provides tax-exemption to the RDC's. We work for the public benefit: economic development, job creation/retention, encouraging tax revenue through business growth, etc. We are all nonprofit organizations and our missions uniformly address public benefits.

(b) The funds will preserve or increase the social welfare or economic prosperity of the state and will promote the general welfare of the state's citizens.

We have entered a unique time of New Hampshire's history where the public benefit involves essentially shutting down our economy - to the benefit of the public welfare and the detriment of economic prosperity. Soon the general welfare of the State will tilt less toward survival and more to health of the business community. If allocated funds for business financing, the RDC's will be on the front line of promoting the economic prosperity of the State and the employment of its citizens. We have been on the front line for more than 25 years.

(c) The funds will promote the orderly development of economic and social activities, create, or preserve employment opportunities, or protect the physical environment.

The funds will be used as financing to small business to do just that: to promote the orderly development of economic and social activities and to create or preserve employment. ***There is no network of nonprofits in New Hampshire that knows more businesses than the RDC's.*** We know their owners, their employees, their pasts, their plans for the future, the challenges they have already overcome and the challenges they now face. We know their needs and they feel comfortable working with us. *Our request is simple: provide us the resources to do what we are best at – helping small businesses survive, help them grow, incent them to retain employees, and get them the resources they need quickly to get the New Hampshire economy moving again.*

(d) The funds will contribute significantly to the continued operation, competitiveness and future success of the organization and the economic sector and will enhance the resiliency of the organization to survive future economic or health challenges.

RDC's are nothing if not resilient. We all operate revolving loan funds which provide most of our operating revenue. We all work with limited overhead and limited staff while maximizing our impacts. We are unique in that our reliance on on-going operating support from grantors goes down the busier we are and the more loans we make. Our request to SAB focuses on funds for lending through our long-standing programs and we are not seeking grant monies for operating funds. We will design the program to provide minimal administrative reimbursement for our efforts¹ and will receive minimal return of interest for as long as the funds are deployed (excepting the portion that may be forgivable). Any non-forgiven funds used through an allocation recommended by SAB will revolve into perpetuity. Loan funds will be used in future years for similar purpose and will have beneficial impact to the New Hampshire economy in the years ahead.

(e) The use of funds is not in conflict with local or regional development plans and policies, or any other provision of state or federal law.

The funds will be used in direct accordance with regional development plans. We are a network of regional economic development corporations. We have support of the communities and businesses within our regions and we will use the funds in the scope and manner by which we were awarded nonprofit status. The RDC's are used to working with state and Federal regulations and reporting requirements. Any such requirements imposed on this funding will be met by the RDC's.

(f) The funds are structured such that they will help the community and the State, and not just the particular private business or organization.

Our proposed loan program shown in Appendix B is designed to help businesses and the State economy during the crisis and during the recovery. It is not designed as a tool for operational support for the RDC. We must cover our costs to originate and process these loans. Our goal is to provide as much sensible financing to small businesses in New Hampshire, with the flexibility to tailor that financing within broad program guidelines, while keeping the cost of those funds as low as possible. We are very cognizant of the issue of loan forgiveness to private businesses. While the Federal Payroll Protection Program (PPP) has been deploying funds, it has yet to be determined what the impact of this program will be. We have all heard the stories of small businesses being unable to access those funds because they did not have a strong enough advocate with a bank or other SBA-approved lender. Certain instances of the forgivable nature of the PPP loans may be controversial at some point. The RDC program will allow limited forgivability of loans so long as jobs were retained over a 2-year period (as opposed to an eight-week period imposed by the PPP). The RDC's will impose more stringent requirements than the PPP – such as personal guarantees and/or UCC-1 filings on all business assets - so that repayment is more assured. Our program is designed to give the business a strong helping hand, not a hand-out.

(g) The use of funds is consistent with the one-time availability of the public relief funds and will not require future continuing operational support from the public sector in order to maintain success.

The RDCs have been successful by many metrics for more than 25 years. The funds we are requesting do not create new programs – they allow for an immediate expansion of programs we have been running

¹ We are proposing a 2.5% administration fee on draw down of funds for loans. This is lower than what the SBA allows. The borrower will not be responsible for paying this fee. These reduced administrative fees will help cover costs of originating, deploying, and servicing these loans and for reporting the outcomes in whatever intervals are required.

all along. Not only will we not require continuing operating support, we have designed a program where most of the funds we receive (except for that portion that may be forgiven) will revolve back to the RDCs, to be deployed as financing to businesses in perpetuity.

Please describe how the receipt and use of the public relief funds described in question 6 could be accounted for in your organization's financial statements.

All RDC's operate revolving loan funds. Most RDCs' operate several loan funds, which involve separate agency funding and cannot be co-mingled. Grant funds we receive that are intended for lending capital are received as income (because they are not a liability) but are recorded as loan receivables when deployed as financing. An equal amount of grant income to the RDC will end up on our balance sheets as 'loans receivable'.

All RDC's operate with Boards of Directors, who provide oversight and loan approvals. All financial statements of RDC's are audited every year, as required by Federal funders.

We would be glad to provide audited financial statements to SAB.

Please describe specific measures for public reporting on the receipt and use of the public relief funds, so that the State may satisfy any public reporting obligations that may be imposed with respect to such funds.

RDC's are adept at collecting information from borrowers to ensure that funds are being used in accordance with any requirement.

In this case, we would envision requiring the following:

- Establishing a baseline of employment of all business who receive financing as of January 1, 2020.
- Requiring certified payroll reports every six-months to track employment numbers.
- Requiring a final certified payroll at the time of any loan forgiveness to ensure the requirements of the RDCs loan program have been met.

Please identify other important organizations or functions in the State that have an important impact on your organization or economic sector, and, if possible, provide ideas of how those organizations and functions may be assisted by public relief funds in a manner that would help your organization or economic sector.

BFA has been a valuable partner of the RDCs over the years – providing lending capital (at a cost) to the RDC's for economic development projects. We think there is a critical role of the BFA to help finance businesses during the crisis and the recovery. We envision a two-tier loan program through the SAB process: a loan program provided through the BFA for larger financing needs and a loan program through the RDCs.

History has proven, State bodies could not have the relationships that the RDC's have with the businesses within our regions. BFA and CDFA simply cannot allocate the staff capacity to handle the hundreds of loans that will be made through the RDC program.

Businesses have supported the RDC's through tax credit purchases. We request that any funds provided to BFA also be available (with BFA approval) to RDCs for larger loans within our regions at very low cost,

and no recourse on the RDCs. Currently, all financing through the BFA to the RDC's is at a cost and the BFA does have recourse against the RDC's loan portfolio.

What would your business, agency, organization, sector do with the funds that cannot be done currently?

RDCs have established emergency financing programs to address the COVID-19 crisis, and many have deployed that financing within a short period of time. Those funds are running out. With the funds requested, we could continue our work to address the dire economic crisis and would be able to meet the financing demands of the State's small businesses.

A \$50 million allocation to the RDCs could result in 1,000 critical loans to businesses within a short period of time, assuming the average loan is \$50,000. Assuming 50% of those funds revolve back to the RDCs over a period no longer than 5 years, we would have revolving \$25 million in business lending in New Hampshire in perpetuity².

We consistently hear different stories of what is occurring and what is needed; given the opportunity, please comment on what do you think should be said or considered that hasn't received much attention?

We would re-iterate one simple point: The Federal government has committed immense funds for the crisis – both in public health and into the economy. The goal is to get through this crisis, and we have seen the resolve of New Hampshire citizens and businesses in every corner of the State. The RDC's are an optimistic group of nonprofits and we believe that the nature of the New Hampshire economy is stronger than the damage caused by this virus. *We also see that the Federal funds expended thus far – particularly the PPP – have been designed to get through the short term, immediate crisis. Our plan is to help business move on from the crisis.* We want to be able to help when the doors are opened, the customers come back, the orders start again, and the capital needs of businesses from all regions of this State present themselves. We want to be there not to compete with banks, but to compliment what they can do - through participated loans or subordinated debt if necessary - and to provide what they simply cannot: financing for businesses that do not qualify at the banks. There will be challenges that will present themselves that nobody can now predict, but the RDCs have seen a lot, and we have designed programs that can address those challenges.

We express our deep gratitude for your work and for the ability to present our ideas.

² **Important Note:** Loan forgiveness envisioned in this plan would be for initial loans only. Revolved funds will not have forgiveness as part of the ongoing financing, but it will have flexible terms and will be used only for portions of projects that are not provided by traditional bank programs.

APPENDIX A

NH Regional Economic Development Corporations

Justin Slattery, Executive Director
Belknap Economic Development Council (Belknap EDC)
Established 1992

Stephen Heavener, Executive Director
Capital Region Development Council (CRDC)
Established 1953

Daniel Gray, President
Coastal Economic Development Corporation (Coastal EDC)
Established 1989

Lise Howson, Executive Director
Coos Economic Development Corporation
Established 1996

Anne Duncan Cooley, Chief Executive Officer
Grafton Regional Development Corporation (GRDC)
Established 1997

Jac Cuddy, Executive Director
Mount Washington Economic Development Council
Established 1991

Laurel Adams, President
Regional Economic Development Center of Southern New Hampshire (REDC)
Established 1994

Dennis McCann, Executive Director
Strafford Economic Development Corporation (SEDC)
Established 1997

Denise Roy Palmer, Executive Director
Wentworth Economic Development Corporation (WEDCO)
Established 1993

Arthur Robert, President
Monadnock Economic Development Corporations (MEDC)
Established 1995

APPENDIX B

NH Regional Economic Development Corporations

Loan Program Outline

- \$50 million small business loan program distributed amongst 10 RDCs equally
- Loan applications will be underwritten to test credit
- Applicants must prove to greatest extent possible that bank financing is not available
- Loan amount: up to \$100,000 maximum per business
- Interest rates no greater than 3.0%
- Six-month period of no interest accrual, then;
- Six-month period of interest only, then;
- Loan amortizes over a period up to 48 months.
- After two years (one year of amortization), 50% of the remaining loan balance will be forgiven if the business can prove it has retained baseline employment (established at closing).
- Remaining balance amortizes over the remaining term.
- Personal guarantees of all persons owning 20% or more of the business
- UCC-1 filing on all business assets (fully subordinated to existing or new bank financing)
- Administrative fee of 2.5% of loan draw down, plus \$500 legal and recording fees.
Borrower does not pay these fees.
- All principal repaid to the RDCs will be permanently restricted to their revolving loan funds.

NH BFA Small Business Relief Package

(1) Please identify your position and your organization.

James Key-Wallace
Executive Director
New Hampshire Business Finance Authority

(2) Please identify what economic sector your enterprise operates within.

We are the State of New Hampshire's economic development finance authority, delivering programs that support job creation across all sectors of our state's economy. This includes sole proprietors, small businesses, as well as our state's largest employers. Created by the legislature in 1992, the BFA has consistently provided highly impactful programs in a very efficient manner that balance the needs of private employers with the essential role of delivering public benefit.

Providing our work through a combination of direct loans and partnerships with banks, non-profits, and other state agencies, over 5,000 local NH companies have worked with the BFA since our history. This has resulted in over \$5,000,000,000 (five billion) in financing for NH employers, including non-profit organizations.

(3) Please describe how your enterprise and economic sector has been impacted by Covid-19.

COVID-19 has wreaked havoc on the New Hampshire economy. Bank lending has been substantially curtailed outside of PPP, businesses are closing their doors, unemployment claims have spiked dramatically, and non-profits are being stretched beyond their maximum. The consequences to our economy are already severe and immediate action must be taken to mitigate further damage. Federal programs delivered via the SBA have helped some companies, but certainly not all that need it. A state-level response is imperative to support small businesses and non-profits across New Hampshire.

By providing relief funds, our goal is to reduce the number of firms that close as a result of COVID-19 fueled economic disruption, and ensure that surviving companies are not so financially impaired that they cannot restore prior employment levels once the pandemic subsides. We also want to ensure that non-profits have access to both grant and loan resources required to continue delivering essential services during the crisis and subsequent recovery.

In the past few weeks alone the BFA has received requests from over 150 businesses and non-profits who need capital support. The total amount of loan requests exceeds \$45,000,000 to date and grows each day. Based on reports previously provided to GOFFER, the amount needed to support small businesses across the state is potentially several hundred million dollars.

(4) Please provide an assessment of how you project your organization and economic sector will be impacted over the next 12 months by Covid-19.

Given that the BFA works with every sector of the state's economy it would be impossible to accurately describe the impacts that will be felt over the next 12 months by COVID-19. However we can be certain of a number of things. Unemployment will be significantly higher than it was pre COVID-19. Certain industries will continue to struggle for long periods of time. Lending and investing activity from conventional sources will be reduced. Demand for alternative sources of financing will increase while loan losses are likely to mount. Downtowns will have increased vacancy and communities will feel less complete. Non-profits will face increased demand for services while having fewer resources to deliver them. The list could go on and on.

While the above effects may be inevitable, and not everyone can be made whole, how deep these negative impacts run will be directly affected by the choices made in allocating the CARES Act relief funds. It is much easier for an economy to recover with a surviving base of job creating organizations vs. letting those organizations fail and be left with no opportunities for employment rebound during the recovery. It is by providing relief to keep small businesses and non-profits afloat during this temporary period that we can mitigate the damage done in the short-term and long-term.

(5) Please explain whether your enterprise or economic sector has or is receiving, or may possibly receive in the future, any other governmental support (federal, state or local) or charitable funds specifically intended to help address Covid-19 impacts; and explain whether the identified need might be covered by other governmental or charitable sources of funding or support programs.

The BFA does not receive state taxpayer support for its programs, and does not anticipate any additional federal programs or significant charitable sources being provided for the purposes outlined in this document.

It is worth noting, however, that BFA programs are designed to unlock significant private capital each time our financing tools are deployed. By utilizing the BFA's programs as a vehicle for CARES Act relief funds, substantial capital from the private sector will also be unleashed in support of NH businesses and non-profits.

(6) Please provide comments on one or more ideas on how some portion of public relief funds could be provided to your enterprise and economic sector (including, if possible, an estimate of the amount of funds), and please comment on how these ideas would achieve the following important public goals:

(a) The funds will serve a public use and provide a public benefit.

(b) The funds will preserve or increase the social welfare or economic prosperity of the state, and will promote the general welfare of the state's citizens.

(c) The funds will promote the orderly development of economic and social activities, create or preserve employment opportunities, or protect the physical environment.

- (d) The funds will contribute significantly to the continued operation, competitiveness and future success of the organization and the economic sector, and will enhance the resiliency of the organization to survive future economic or health challenges.*
- (e) The use of funds is not in conflict with local or regional development plans and policies, or any other provision of state or federal law.*
- (f) The funds are structured in a way that will help the community and the State at large, and not just the particular private business or organization.*
- (g) The use of funds is consistent with the one-time availability of the public relief funds and will not require future continuing operational support from the public sector in order to maintain success.*

The primary components of a NH Small Business Relief Package include investments in:

1. Bridge Loans and Grants for NH Businesses and Non-Profits Affected by COVID-19
2. Encouraging the Resumption of Bank Lending to Local NH Businesses
3. Entrepreneurship Support for New Companies

Details on each of these components is provided below. However I would like to draw special attention to our complete agreement with the above list (a – g) that is immutably woven into all activities of the BFA.

A healthy and robust economy is indispensable to the public good. It is a strong economy that provides the tax revenue to support state and local government programs that are essential to the well-being of every citizen in the state. As we clearly see in NH, when an economic rough patch negatively impacts state and municipal revenue levels, real and immediate pain is felt by NH families as a result of reduced support programs and budgets. The BFA's mission is to create and preserve economic health so that society can provide worthy initiatives that support families and individuals across the state.

The requirements of (a – f) above are built directly into the BFA's statute under RSA 162-A and RSA 162-I. These statutes require specific public-purpose findings to be made when deploying certain programs. While not a complete list, below are examples of language taken directly from the BFA statutes that define the various programs we operate:

- (a) The proposed action will serve a public use and provide a public benefit.
- (b) The proposed action will preserve or increase the social welfare or economic prosperity of the state and one or more of its political subdivisions, and will promote the general welfare of the state's citizens.
- (c) The proposed action will promote the orderly development of business activities, create or preserve employment opportunities, or protect the physical environment.
- (d) The expenditure is consistent with local or regional development plans and policies.
- (e) Reasonable and appropriate measures have been taken to minimize the risk of loss to the state and to ensure that any private benefit from the award of the guarantee will be only incidental to the public purpose served thereby.

This list speaks directly to the items outlined by the GOFFER's SAB. Additionally, regarding item (g) in the list, the programs designed by the BFA do not require ongoing budgetary support to operate. It is the nature of the organization to scale up its support during times of crisis and retract when the private capital markets begin normal functioning. This allows the BFA to provide ongoing support to NH at the level that is needed at any given time, adapting to circumstances as they evolve in the future, without any need for future support from the general budget of the state.

(7) Please describe how the receipt and use of the public relief funds described in question 6 could be accounted for in your organization's financial statements.

Rapid and effective delivery system:

The BFA can quickly deliver targeted support with the highest degree of impact. Our programs to support small businesses and non-profits are immediately available, have a proven track record, and can be delivered directly to organizations facing challenges across the state. During the 2008 financial crisis the BFA was the recipient of federal SSBCI funds for exactly those reasons. What is required is an infusion of capital that matches the scale of the COVID-19 crisis.

The NH BFA has strong internal systems that perform the following functions:

- Outreach networks to identify businesses and non-profits in need
- Loan underwriting & vetting
- Loan servicing and support
- Reporting and tracking capacity to ensure compliance with federal requirements
- Combining state resources with other resources from the public, private, and philanthropic sector
- Mechanisms to ensure smaller businesses have priority access to available funding support

The BFA would receive the CARES Act Relief Funds as a one-time influx of income on our profit and loss statement, which is a separate reporting entity from the State of New Hampshire. Correspondingly, the state records the delivery of the funds as an expense on the state's accounting records. Funds at the BFA would be maintained in a separate account to ensure full compliance with all federal reporting requirements.

Loan programs for providing relief to small businesses and non-profits (described below) are recorded on our statements as loans receivable(s), while grants are recorded as expenses. The BFA receives an annual 3rd party financial audit to certify compliance with GAAP. This audit is made available to the public every year.

(8) Please describe specific measures for public reporting on the receipt and use of the public relief funds, so that the State may satisfy any public reporting obligations that may be imposed with respect to such funds.

Experience with Federal Requirements:

The BFA has substantial experience with complex federal funding programs, and the associated need for transparency, data reporting, and interfacing with the federal Office of Inspector General's auditing mechanisms. During the 2008 financial crisis, the BFA was the recipient of

substantial federal relief funds for small businesses in New Hampshire. We successfully deployed those funds according to highly complex federal guidelines and received a 100% compliance rating as a result of an OIG audit process.

The BFA also managed a federal New Market Tax Credit allocation on behalf of economic development projects across the Granite State. This program is one of the most complex federal funding sources available. We managed the process successfully, deployed all funds, navigated complex reporting requirements, and again were in 100% compliance with all federal guidelines for the funds. The BFA is an excellent delivery vehicle for the CARES act relief funds due to our combination of speed, effectiveness, deep knowledge of the business and non-profit landscape, and capacity to report on and comply with federal funding requirements.

For the purposes of the CARES ACT funding, the state would enter into a contract with the BFA that requires our organization to both comply with all federal requirements and supply all mandated federal reporting. In turn, the BFA would require each business and non-profit to also be contractually bound by those duties. This is the same structure that was employed by the State of New Hampshire when using the BFA as the allocatee of federal SSBCI funds that held numerous federal requirements and reporting obligations. All of these obligations were 100% satisfied under this system and the BFA is confident the same would occur with CARES Act funding.

- (9) **Please identify other important organizations or functions in the State that have an important impact on your organization or economic sector, and, if possible, provide ideas of how those organizations and functions may be assisted by public relief funds in a manner that would help your organization or economic sector.**

The non-profit community is in need of significant grant funding to provide support to organizations on the front line of the crisis, and those supporting the most vulnerable populations. NH's Community Development Finance Authority (CDFA) has been a reliable steward and delivery vehicle for the majority of NH's grant and state tax credit programs for many years. In our opinion, they would do an excellent job of facilitating grants to non-profits that are assisting the state respond to COVID-19.

- (10) **What would your business, agency, organization, sector do with the funds that cannot be done currently?**

Component 1: Small Business and Non-Profit Relief \$75,000,000

There are several essential programs that will blunt the negative impact of COVID-19 on today's economy, while also promoting a robust recovery in a post-pandemic environment. Some of these encourage the resumption of normal bank lending while others ensure businesses have access to flexible loan repayment terms as they recover. Capital support will be deployed flexibly across these program areas to match the needs of businesses across the state.

1. *BFA CAP Program:*

Capital Access Programs (CAP) exist across the country, managed by each state's finance authority. CAP is a tool whereby loans of \$200,000 or less are provided to Main St. businesses by participating local banks. The BFA's role in CAP is to help matching funds for loan loss reserves provided cooperatively by the banks and the borrowers. These reserves serve as fuel for banks to make loans they otherwise would not be able to. The BFA has facilitated almost 5,000 CAP loans in our history. But in order to induce banks to lend now, and during the recovery, extra reserve contributions will be required until banks resume normal lending activity. This capital is "reusable" in that once those loans are repaid to the bank, the reserve funds are used over and over to facilitate future loans to other local New Hampshire companies.

Each dollar deployed via CAP loan is turned into over 10x that amount in lending. Using real life numbers, the BFA has deployed approximately \$20,000,000 in CAP funds resulting in over \$230,000,000 in lending to NH companies. This amplified impact is a key feature of BFA programs and will multiply the power of allocated funding for NH businesses and non-profits. The CAP program has impacted more than 36,000 jobs in the state and will be essential to assist during the COVID-19 pandemic.

2. *BFA Loan Guarantees:*

A key function of the BFA is to guarantee loans made by banks to New Hampshire companies. These guarantees allow banks to support companies that otherwise would not receive capital, yet are creditworthy companies who are important to NH's economy. We have provided over \$246,000,000 in guarantees to date, impacting over 10,000 jobs.

Our economy will recover faster and more broadly with the resumption of bank lending to support our local businesses. With a capital infusion the BFA can broaden the scope of companies eligible to receive BFA guarantee support. Specifically, many companies affected by COVID-19 lack the collateral base needed to secure traditional financing. Funding capital reserves that secure these guarantees is all that is needed to allow this program to have an immediate impact on businesses across the state.

3. *BFA Bridge Loans*

The BFA has authority to make temporary loans to businesses in an amount up to \$2,000,000 per borrower. These loans catch businesses and non-profits who "fall through the cracks" of state and federal programs. The loans have flexible repayment schedules to accommodate the needs of businesses and are designed to be complementary to other resources, such as those provided by the SBA, with the primary NH differentiators being response time, nimbleness, and flexibility to create custom solutions vs. a one-size fits-all federal program.

The BFA's Temporary Loan Program is highly effective program and has a proven track record. However the scale of need spawned by the crisis, with over \$45,000,000 in requests received to date, far exceeds the BFA's pool of lendable capital.

Component 2: Targeted Industry Relief

\$250,000,000

It comes as no surprise that certain industries have been hit particularly hard by the COVID-19 crisis. These industries include, but are not limited to, restaurants, hospitality, and local retail. And yet many of these businesses have been shut out of the programs that were supposed to help them. Ensuring the survival of these businesses is critical to NH's ability to generate state revenue, and, these businesses comprise the heart of New Hampshire's downtowns and are essential to communities both large and small.

Given the nature of COVID-19's impact on these areas of our economy, larger and different solutions are required.

The BFA's lending programs have the capacity to deploy grant/loan combination financing. We have the capacity to deploy a relief package where smaller local companies get first access to available funds and receive a proportionally higher share of grant support. Larger companies would not be shut out entirely, but the focus of the relief is squarely on those NH businesses who are in most need. This is accomplished in the following way:

1. Phased application process:

Applications would be accepted by the BFA in stages that prioritizes small businesses in New Hampshire. The first phase would only accept applications from businesses who need \$100,000 or less in financing. Once applications are received, the next phase would accept applications for businesses who need \$250,000 or less in financing. If funding is still available, the next round would be open for companies who need larger amounts.

Applicants would need to demonstrate that their business was viable prior to the COVID-19 pandemic, that they have been negatively affected in a financial manner, and are using the funds for legitimate business purposes. In this way we are ensured that these programs serve who they are intended to serve.

2. Targeted grant support:

Smaller businesses may not be able to borrow their way out of this crisis. Therefore loans made via this relief package will be up to 50% forgivable, with a maximum forgiveness of \$50,000. This amount of grant is extraordinarily meaningful to a locally-owned NH business, but is not so large that it will attract interest from large companies who may not require the assistance. Mid-sized companies would be eligible for this grant support, but the proportion of grant to loan would be much smaller when compared to their smaller counterparts. This is a pragmatic and fair approach to the distribution of these funds.

It is important to structure these loan/grant combinations in a manner that encourages repayment of the non-forgivable loan portion. The BFA's experience in this area will be helpful. The forgiveness/grant will only occur once the business has fully paid back the non-forgivable "regular" portion of the loan, and importantly, supplied all needed information to allow the BFA to comply with federal reporting requirements.

3. Flexible Loan Terms

To be impactful, loan terms will be flexible for the borrower. Interest rates will be low and repayment time horizons will be patient. The BFA suggests that GOFFER avoid being overly specific in this area however. This is because the BFA should have the flexibility to have certain borrowers pay back loans more quickly if they can afford to do so. However the general

guidance should instruct the BFA to provide affordable loans, patient repayment schedules, and flexible underwriting standards.

(11) We consistently hear different stories of what is occurring and what is needed; given the opportunity, please comment on what do you think should be said or considered that hasn't received much attention?

In a post-pandemic environment the state will face a situation where many companies have gone out of business despite the best efforts of all involved. It will be critical to support new business formation to replace the lost economic opportunity caused by COVID-19. Capital providers will be in a "risk-off" mode for some time to come, and new businesses may not be able to access the capital they need to get started. By providing capital to support new companies the economic recovery will be quicker and spread more broadly across the state.

The BFA has extensive experience supporting the development of new companies in New Hampshire. We were the originators of the Granite Fund, NH's first state-focused venture capital fund. That fund invested in many NH success stories, one notable example being Dyn in Manchester NH. The BFA since went on to invest in a bio-technology specific fund, as well as partner with 40 New Hampshire Angel Investors to provide essential start-up capital and mentorship opportunities for companies across the state.

During the recovery phase of this initiative, investments to support entrepreneurship in NH would include:

- Capital to support the formation of new businesses
- Specialized matched-savings accounts for low-income entrepreneurs starting a business
- Grants for technical assistance and entrepreneurial support

We wanted to again thank you for your continued leadership and support during these extraordinarily trying times. We fully believe that the State of NH is doing all that it can to support both the citizens and businesses of New Hampshire as we navigate these uncharted waters. With the allocation of federal support as described above, the BFA be a highly effective partner in mitigating the economic damage being caused by COVID-19.

Regards,



James Key-Wallace
Executive Director
NH Business Finance Authority