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## The Real Estate Roundtable

March 24, 2020

The Honorable Mitch McConnell  
Majority Leader  
United States Senate  
317 Russell Senate Office Building  
Washington, DC 20510

The Honorable Marco Rubio  
Chairman  
Committee on Small Business  
United States Senate  
284 Russell Senate Office Building  
Washington, DC 20510

The Honorable Susan Collins  
United States Senate  
413 Dirksen Senate Office Building  
Washington, DC 20510

The Honorable Charles Schumer  
Minority Leader  
United States Senate  
322 Hart Senate Office Building  
Washington, DC 20510

The Honorable Ben Cardin  
Ranking Member  
Committee on Small Business  
United States Senate  
509 Hart Senate Office Building  
Washington, DC 20510

The Honorable Lamar Alexander  
United States Senate  
455 Dirksen Senate Office Building  
Washington, DC 20510

### **Re: *Emergency Small Business Loans, Division A of CARES Act***

Dear Senators:

The Real Estate Roundtable ([www.rer.org](http://www.rer.org)) applauds the inclusion of the emergency small business loan provisions in Division A of the *CARES Act*. It is a critical component of COVID-19 response legislation.

Temporary expansion of the Section 7(a) loan program is essential to provide a lifeline to employees, independent contractors, and businesses during the unprecedented economic crisis caused by the pandemic. We strongly agree that Congress should expand the size of eligible 7(a) businesses, expand the allowable uses of SBA loan proceeds, and forgive a portion of these loans for a temporary period of time – as Division A of the *CARES Act* proposes.

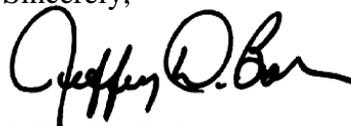
However, access to these crisis measures must be equitable. All kinds of small- and medium- sized businesses should be eligible for emergency Section 7(a) loans to provide maximum support for the U.S. workforce. Congress should not pick “winners and losers” when deciding what business sectors get assistance to pay employees, cover their sick leave and health insurance, keep the lights on, and pay rents and mortgages.

Accordingly, please consider key improvements to Division A as follows:

- **For the limited “covered period,” we urge an across-the-board waiver of SBA’s otherwise applicable “affiliation rules.”** We strongly support the suspension of 13 C.F.R. § 121.103 for business concerns in the NAICS Code 72 category (as the bill presently proposes at p. 14 line 19 and p. 15 line 9). However, we urge Congress to go further. The workers in our grocery stores and pharmacies, stocking shelves and enabling the supply chain, must be protected. The devastating loss sustained by our retail sector while stores are shuttered must be mitigated. Workers in our medical and senior care facilities are on the frontlines and should not have to worry about whether they are getting a paycheck. Accordingly, *we urge that the “affiliation rules” should be suspended for any distinct business entity, in any sector, legally structured as its own unit and recognized as such under state laws regarding formation of corporations, partnerships, and other business forms.*
- **Individual business locations should be eligible for their own emergency SBA loan.** The paragraph “Business Concerns with More Than 1 Physical Location” (p. 14, line 12) should be clarified. The bill is unclear as to whether each individual location can apply for its own loan, or only whether a “parent” company (in layman’s terms) is eligible for a single loan as long as none of its affiliated physical locations employs more than 500 employees. We assume that individual franchise outlets covered by NAICS Code 72 under the current bill are eligible for their own loans. But again, arbitrarily favoring only one sector during the crisis is not sound or fair policy. Complementary to our first bullet above, *we recommend that the bill clarify that all individual business locations (employing no more than 500 employees) should be eligible to receive their own emergency SBA loan during the covered period.*
- **The amount of the loan should track operating expenses – not just payroll expenses.** The amount of the emergency SBA loan is the lesser of \$10 million dollars, or a formula pegged to 2.5 times payroll. Allowable uses for the loan, however, cover more than just payroll costs and also include other essential business operating expenses paid by employers such as health care benefits, mortgage payments, rents, utilities, and interest on other debt obligations. The emergency Section 7(a) loan amount should be pegged to these other essential business expenses. Accordingly, *we recommend that the maximum loan amount should be the lesser of \$10 million or 2.5 times the business concern’s operating expenses. Further, a “2.5 times operating expenses” formula should apply per physical location that is eligible for emergency SBA relief.*

We greatly appreciate your leadership during these trying times. We look forward to working with you on the small business elements and other critical aspects of COVID-19 response. Together, we can make our economy roar back stronger than ever.

Sincerely,



Jeffrey D. DeBoer

President and Chief Executive Officer