

## Omnibus Bill Includes \$900 Billion for Health Crisis Relief; Small Businesses and Unemployed Workers Get Lifeline

**Long-awaited stimulus package becomes law.** After months of negotiations, Congress and the White House agreed to approximately \$900 billion in COVID-19 relief, bringing the total stimulus investment in the past year to more than \$3 trillion. Some major provisions included additional funding for the Paycheck Protection Program (PPP), enhanced and extended unemployment benefits that once again includes contractors and gig-workers, rental assistance, and \$600 stimulus checks for most people. Although a few of the programs extend into April, others may need to be revisited much sooner as vaccine distribution comes into greater focus. The federal unemployment boost until mid-March and eviction moratorium extended to the end of January, for example, still fall short of even optimistic timelines for life to return to normal in most places. Congressional leadership failed to reach a compromise on funding for state and local governments, along with a litigation shield related to COVID-19.

**Bill's multipronged approach provides support to commercial real estate.** The \$25 billion in rental assistance will aid apartment renters and owners in the coming months. As these funds are distributed to state and local government programs similar to those enacted following the CARES Act, direct payments are often made to landlords to cover rent shortfalls. Apartment owners that assist renters accessing these new programs and other local aid can limit future operational disruptions. Expanded unemployment should also help renters who have lost all or some of their wages to keep up with rent, though households significantly behind on monthly obligations will have difficulty getting current. Additional support for commercial real estate comes from the Paycheck Protection Program. A fresh round of shutdowns due to a spike in cases is forcing many businesses to reduce staff levels or temporarily close altogether. These forgivable loans, with extra benefits for restaurants and hotels, will help many small firms weather the new lockdowns until a vaccine is widely distributed and a broad reopening can occur. Additional funding in the new relief bill will support airlines, movie theaters and venues that host live events. Keeping cultural institutions afloat for the next few months will generate a smoother reopening once people are able to congregate again.

**Stimulus to bolster economy.** Beyond the direct effect of helping households cover expenses and keeping small companies afloat, the \$900 billion stimulus will boost economic growth in 2021. In 2020 the \$2.2 trillion CARES Act delivered an estimated 3 percent economic lift through the enhanced unemployment benefits, Paycheck Protection Program, Economic Impact Payments and Coronavirus Relief Fund. The new round of stimulus, with about 40 percent of the funding of the CARES Act, will potentially deliver a 1.0-1.5 percent economic lift in the first quarter. That said, more of the resources of this round of funding will likely be used for necessities because lower-income households have less savings and more debt than they had last year in March during the early stages of the pandemic.

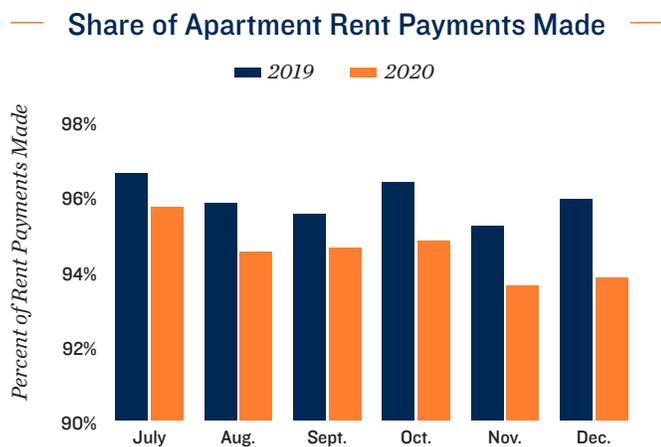
### Stimulus Highlights

- **Supplemented unemployment insurance:** Unemployed individuals including contractors and gig workers will be eligible for weekly payments of \$300, half the value provided by the CARES Act, for up to 10 weeks.
- **Direct payments:** Individuals with an annual income of \$75,000 or less, heads of households earning \$112,500 or less, and married couples earning \$150,000 or less will each receive a one-time payment of \$600, half the level distributed under the CARES Act.
- **Small-business relief:** The Paycheck Protection Program will receive an additional \$284 billion in funds to provide loans to small businesses. Theaters and live entertainment venues will also receive \$15 billion in specially allocated aid.
- **Rental assistance:** The legislation has set aside \$25 billion for rental assistance, and the national moratorium on evictions has been extended by one month to the end of January 2021.
- **COVID-19 vaccine assistance:** Bill allocates \$48 billion for healthcare needs, including \$20 billion for vaccine distribution.
- **Education and other aid:** Approximately \$82 billion has been set aside to aid local schools, colleges and child care. The Supplemental Nutrition Assistance Program will receive \$13 billion.

## Rental Assistance and Eviction Moratorium

**Relief package sets aside \$25 billion in rental assistance.** The CARES Act provided \$17.4 billion in rent relief that was funneled through the Department of Housing and Urban Development to local and state governments. In the latest relief package, an additional \$25 billion has been set aside for low-income renters. Those funds are likely to be pushed through programs to support renters whose income falls below the local median and have been affected by shut-downs. Apartment owners who assist their tenants navigating these programs often face less disruption to operations and their renters are able to stay in their units. In all likelihood, renters that would normally vacate their units due to a decrease in income will be able to stay with the extra rental assistance.

**CDC eviction moratorium extended until January 31.** The relatively short duration of the extension could signal that the federal government may begin surrendering these decisions to the states or passing on the decision to the incoming administration. As of December of last year, rent collections were 93.8 percent, down 210 basis points from the previous year. Delaying evictions for nearly a year may lead to a backlog, though billions in rent relief provided by the federal government could limit a wave of evictions predicted under the most pessimistic forecasts. Furthermore, December represented one of the most challenging months for those unemployed due to the pandemic. Nearly all extra benefits, such as expanded unemployment and PPP finances to support jobs, were exhausted by the last month of the year, and the new additional benefit should help many renters meet their obligations.



Source: National Multihousing Council

## Paycheck Protection Program and EIDL

**Bill replenishes \$284 billion to PPP.** The previous round of funding for forgivable PPP loans ended for new applicants in early August with a balance of approximately \$128 billion remaining from a total of \$670 billion allocated by the CARES Act. Although the program had lost momentum over the summer, much of the decline in demand can be attributed to reopenings in several states. Another set of shut-downs amid a second wave of cases across the country will generate renewed demand for PPP funds. Many service-based companies may be able to survive the latest restrictions with the assistance of these forgivable loans. Restaurants that are limited to takeout-only service in several locations are particularly well positioned to take advantage of these loans to keep employees who would traditionally provide in-house service on payrolls. Other retailers facing capacity restrictions or temporarily closed to help limit the spread of COVID-19 may also find the new PPP funding as a lifeline until the vaccine is distributed. As a result, new unemployment claims should stabilize in the coming weeks. Qualifications have mostly remained the same though some new restrictions have been added to correct loopholes and logistics challenges experienced during the initial rollout.

- Companies with less than 300 employees are eligible for PPP, including those that received an initial round.
- Qualified companies must have experienced a 25 percent quarterly revenue drop in 2020 compared with 2019.
- Loan size remains pegged at 2.5 times monthly payroll in 2019, though restaurants and hotels are eligible for 3.5 times monthly payroll in 2019. Individual loans can reach \$2 million.
- \$35 billion is set aside for first-time borrowers exclusively, of which \$15 billion is allocated for first-time borrowers with 10 or fewer employees.
- Second-time borrowers with 10 or fewer employees are allocated an exclusive pool of \$25 billion.
- Broader range of expenses can be deducted for forgiveness, though 60 percent must still go to payroll.
- Relief package removes tax obligations for costs and benefits associated with acquiring PPP loans.
- Economic Injury Disaster Loans (EIDL) fund replenished with \$20 billion; the EIDL Advance grant no longer deducted from PPP loan.

## Unemployment and Stimulus Checks

**Timing of unemployment crucial to many furloughed workers.** As part of the CARES Act, state-level unemployment benefits were extended until the end of 2020. Following the \$600 weekly boost that expired at the end of July and the executive order that added \$300 in weekly unemployment, most workers laid off due to COVID-19 have only retained state-level support, which typically falls far short of previous wages. The replenished plan will support renters and some retail spending just before millions of unemployed workers were set to lose benefits.

- Those receiving unemployment will collect an additional \$300 weekly from the federal government until March 13.
- All state unemployment eligibility that was set to expire at the end of 2020 is extended until March 13, bringing total unemployment eligibility to 56 weeks.
- Gig workers and independent contractors are eligible for the additional weekly bonus, similar to the first round of unemployment benefits.

**Second round of stimulus checks.** Although some challenges with stimulus checks emerged following the passage of the omnibus bill, eventually the previous congress settled on \$600 for most residents. The incoming administration has signaled a willingness to pass another round of stimulus checks, though those plans have yet to be affirmed. Furthermore, more support for state and local governments could be on the horizon as less resistance is anticipated in the new legislature.

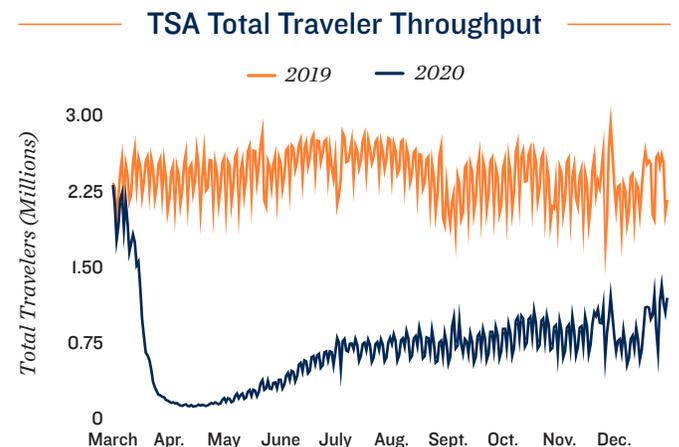
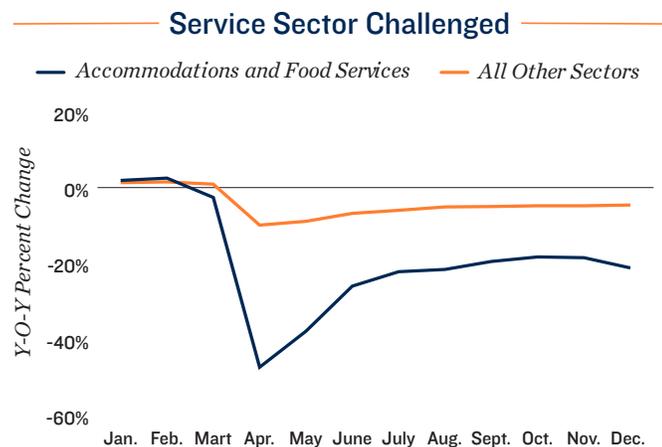
## Targeted Industry Support

**Relief for cultural institutions key to keeping venues afloat.** Largely focused at venues that host live events, the latest round of spending provides some support for places closed for months due to occupancy limitations. The \$15 billion set aside should help movie theaters, music venues, Broadway theaters, museums and other locations to return after being mostly shuttered for nearly a year.

- Applicants must have lost at least 25 percent of their revenue to qualify, and those that have lost 90 percent of revenue are provided a two-week window to apply first.
- The Small Business Administration will provide grants for six months of payments that cover payroll, rent, utilities and maintenance. These grants are capped at \$10 million.

**Airlines receive fresh round of funding.** The hamstrung airline industry will receive a \$15 billion boost in the new relief package, which will help restart the tourism industry as vaccine distribution rises. More than 4 million tourism-related jobs have been lost due to the health crisis, but demand will likely recover as vaccines are delivered. Positions lost in the accommodations and food services sector totaled 21.2 percent through November, compared with 4.6 percent for all other sectors. Hub cities including Atlanta, Phoenix, Dallas and others will have an outsized benefit from the additional airline relief as employees remain on rosters.

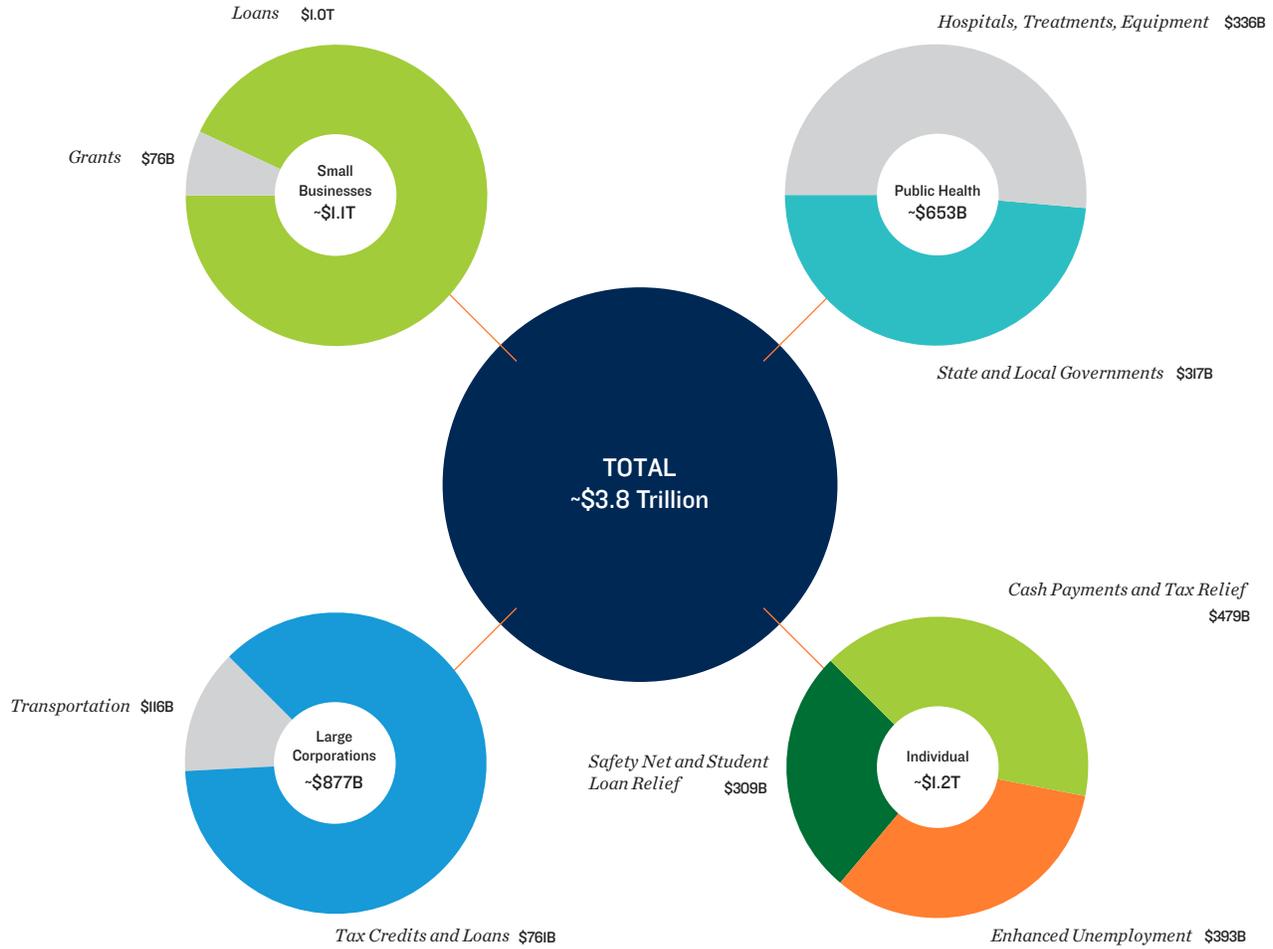
- Airlines must agree to delay furloughs and layoffs, and maintain pay and benefits until March 31.
- Employees involuntarily laid off or furloughed after October 1 must be recalled.



Sources: Bureau of Labor Statistics; TSA

Total 2020 Stimulus Packages

Fiscal Stimulus: A Foundation to Withstand the Shock



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