

## Business Revival Toolbox – Focus on Senior Living

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The pandemic has created unprecedented upheaval to the national economy, but certain industries and businesses were hit especially hard. Specifically, businesses that provide senior living facilities and senior care services were forced to take dramatic steps to manage the threat from COVID-19, ultimately causing significant business disruption. Moving forward, businesses that provide senior living facilities and senior care services will need utilize all the tools in their “business toolbox” in order to navigate the uncertain times and, hopefully, assist in the revival of the business.

Be Safe and Be Smart. Ensuring the safety of employees, residents, patients, and guests must be on the forefront of every decision made when re-opening a senior living facility or providing senior care services. This may include creating new physical barriers, limiting the volume and pattern of traffic, increased sanitization, and evaluation the highest risk points of contact. Given the susceptibility of this particular demographic to the pandemic, new safeguards, as well as new policies and procedures, should ultimately be aimed at reducing the risk from the COVID-19. Examples of steps taken in senior living facilities include limiting the volume of guests, requiring guests and employees to disclose any sickness or health risks, temperature checks for those on the premises, and mitigating unnecessary interaction. Similarly, most are substantially increasing sanitization protocols and reducing the number of surfaces that need to be touched by guests, employees, and residents.

Maximize PPP Forgiveness. Many in the senior living and senior care industries were able to obtain a forgivable loan under the Paycheck Protection Program (“PPP”). Since many of these businesses have received these proceeds and started to use them, steps should be taken to ensure that, to the extent possible, these loans are forgiven. Any funds forgiven will be transformed from debt to equity. As an example, as senior living facilities try to return to a certain level of normal, these business owners are calculating needs, measuring pre and post employee counts, and making the determination of the right proportion of the loan to be forgiven based on business requirements. This enables maximum forgiveness of the PPP loan, based on business need.

Tax Opportunities. The United States Congress reacted to the pandemic by passing historic legislation, resulting in extended tax deadlines, which means senior living facilities and senior care service providers have been able to defer many important tax decisions. Similarly, the legislation added some incentives, tax credits, and tax opportunities for this industry to revive itself. This means that, once the senior living and senior care industries move to normalize operations, it will be critical to the long-term financial future to re-evaluate past tax decisions in light of the opportunities now available.

Reorganize, Restructure, Renegotiate. Senior living facilities and senior care service providers experienced an unprecedented upheaval to their ordinary course of business as a result of the pandemic, which means that current organizational structure may not be appropriate. Moreover, many vendors, suppliers, and third-parties in the industry have undergone substantial changes. Taken together, a senior living facility or senior care service provider needs to evaluate its overall business operation to determine whether the current structure ensures a steady supply of required materials, including protective equipment, continued high service levels, preservation of assets, limits liability, and enables a streamlined operation. Based on the changing nature of the challenges in the broader senior services industry, simply re-starting in a manner similar to pre-pandemic times, without a thorough review of operations, may not be enough to fully revive the business or, in worst case scenario, survive.

Tap Unexpected Sources of Capital. The legislative response to the pandemic – together with pre-existing programs that may not have been explored previously – provide all businesses with options for revival capital. Non-PPP loans through the Small Business Administration will offer six months of deferred interest and principal in the wake of the pandemic. Creditworthy enterprises may be eligible for favorable credit terms through the Federal Reserve’s Main Street Loan program.

Investors will have a limited option to tap into 401(k) and IRA accounts via loans and/or distributions without penalty. Programs such as Qualified Opportunity Funds will be available in some cases. Unlike many other tax-advantaged programs, businesses that provide senior living facilities are eligible for favorable tax treatment under the opportunity zone program.

Draw Upon Your Community. Anticipate that local leadership – public officials, chambers of commerce, economic development officers and community-based nonprofits – will be offering heightened opportunities for support and public-private partnership. Programs could include economic development incentives, support services, mentoring, investment options or other programs. Most in the senior living facility and/or senior care industries will need the support of the community, whether it is to ensure that employees are readily accessible for continued operation or for the overall sustainment of the business.