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COVID-19's Toll on Independent Concert Venues

BY [NATALIE LINN](#)/ ON FEBRUARY 1, 2021



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The fallout of the COVID-19 pandemic this past year has been economically devastating for nearly every industry and market, but it has hit the arts and entertainment sectors especially hard.¹ The impacts of long-term lockdown and the resulting recession will stunt the entertainment industry for years to come.² One market within the entertainment industry that has been especially upset, however, is live music.³ Due to the inability to properly practice social distancing in concert venues and the potential liability issues of hosting events that may result in the spread of COVID-19, many venues were one of the first businesses to close its doors in March 2020 and are likely to be one of the last to open.⁴ As a result, many small and independent venues have already shutdown permanently or are hanging on by a thread.⁵ These businesses, many located in expensive real estate areas, have lost essentially all revenue streams but are nevertheless responsible for rent, utilities, liquor licenses, and other overhead costs for buildings that have been empty for nearly a year.

Many venues have tried to raise funds to pay the bills but with little ability to have physical fundraisers and many individuals also experiencing negative economic impacts from the pandemic, these efforts are not enough to obviate the loss in revenue.⁶ According to the National Independent Venue Association (NIVA), a trade association that was founded in the beginning of the pandemic to lobby for federal assistance and provide emergency relief funds for independent venues,⁷ 90% of independent venues associated with NIVA believe that they will be forced to permanently close by the end of the pandemic if adequate aid is not provided.⁸

As a result, independent venues across the country have been faced with a difficult decision: risk permanent closure waiting out the pandemic or give up their independence. A venue is considered independent when it is not a part of large ticketing conglomerates such as Live Nation and AEG.⁹ In the music industry, the status of being independent is worn as a badge of honor. These venues are viewed as creating immense cultural value to their surrounding areas and are celebrated for giving some of music's most popular acts and bands their start.¹⁰ However, many independent venues across the country are facing permanent closure and, seeing no end to their economic plight in sight, have been forced to consider acquisition agreements with large corporate promoters and venture capital firms as a last resort.¹¹

Those that can afford to have chosen to hold out for government assistance. The passage of the \$900 billion COVID-19 relief stimulus package on December 27, 2020 gave remaining venues a new hope.¹² While some were disappointed that the relief bill did not include liability protections—which would have allowed entertainment businesses to open their doors to the public with protections against subsequent claims from employees and attendees that they contracted COVID-19 from the business' events¹³—many independent entertainment businesses rejoiced at the stimulus package's inclusion of the Save Our Stages ("SOS") Act.¹⁴ The SOS Act, introduced by Senators John Cornyn (R-TX) and Amy Klobuchar (D-MN) in July of 2020, establishes the Shuttered Venue Operators ("SVO") grant program.¹⁵ This grant program, totaling \$15 billion, will be administered by the Small Business Administration's ("SBA") Office of Disaster Assistance to struggling independent entertainment businesses.¹⁶ About two-thirds of the total grant money is expected to be allocated to concert venues.¹⁷

Grants provided under the SOS Act will be administered on a first-come, first-serve basis, provided that the venues meet the Act's eligibility requirements.¹⁸ One disqualifying characteristic is if the venue is majority-owned or controlled by a publicly traded company.¹⁹ In other words, venues that have consented to acquisition by large corporate promoters or other public companies would not be able to benefit from the SOS Act.

Eligible businesses will receive the lesser of 45% of its gross earned revenue in 2019 or \$10 million.²⁰ In the event that funds remain after the initial grant period, a supplemental grant of up to 50% of the initial grant may be awarded to venues "experiencing 70% earned revenue

loss when comparing the first quarter of 2021 with the first quarter of 2019.”²¹ The maximum total amount between the initial and supplemental grants received by a venue is capped at \$10 million.²²

To put these numbers into perspective, consider that NIVA represents over 3,000 independent venues²³ and that there are likely many more that have not joined NIVA but may consider applying for the SOS program. Also keep in mind that while the primary recipients of the \$15 billion program are concert venues, grants may be awarded to qualifying promoters, talent representatives, zoos, museums, and movie theaters.²⁴ As of the time of this writing, the SBA is still in the process of setting up the SOS program and has yet to release an application, so estimating the number of interested applicants at this time is impossible.²⁵ But with how highly anticipated and long-awaited the passage of the SOS Act has been over the last few months, the expected number of qualified applicants is high and the amount of time that the grant funds will last is unknown. With so many entertainment businesses in extreme need, the funds have the potential to run dry fast.

Apart from high demand, another issue posed by the SOS Act is that a recipient of the grant becomes ineligible to receive a Paycheck Protection Program (“PPP”) loan under the Economic Aid Act.²⁶ Not only will struggling businesses have to choose which plan to apply to, but businesses may run the risk of being turned down from one form of aid and consequently missing out on the other if funding runs out. Additionally, even if a venue is eligible for the grant and applies early in the process, it will take time between now and when business begins receiving funds—time that some of these businesses do not have.²⁷

Overall, the passage of the Save Our Stages Act is seen as a ray of hope for venues across the United States. It is uncertain, however, how it will ultimately pan out. Perhaps the SVO grant program will provide enough funds for venues to stay afloat until it is safe to open doors, but with even the most optimistic predictions suggesting that live venues will not return until the fall of 2021 at the earliest,²⁸ the number of independent venues able to hold on long enough to survive this pandemic remains unclear.

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