



THE CITY OF NEW YORK
INDEPENDENT BUDGET OFFICE

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April 23, 2002

The Honorable Helen Sears
Council of the City of New York
250 Broadway
New York, NY 10007

Dear Council Member Sears:

On January 10, 2002 the President signed the federal fiscal year 2002 Defense Appropriations bill into law. The bill appropriated roughly \$20 billion pursuant to the attacks on the World Trade Center, including \$2 billion in special Community Development Block Grant (CDBG) program funds for New York City economic recovery. The Defense Appropriations bill brought to \$2.7 billion the total CDBG funds for the city's economic recovery. The funds were appropriated to the State of New York for use by the Lower Manhattan Development Corporation (LMDC).

Although these funds flow through the federal Department of Housing and Urban Development's CDBG program, they are not subject to the same use restrictions and public input requirements of normal CDBG funds. Nor does this special grant to LMDC in any way effect the city's normal annual formula grant under the CDBG program, which in calendar year 2002 will be \$218.3 million.

The First Installment—\$700 million. The first \$700 million was made available as part of the \$40 billion emergency appropriation passed by Congress and signed by President Bush in September 2001. The Lower Manhattan Development Corporation released its final plan for the use of the first \$700 million installment of special CDBG funds on January 30, 2002. The LMDC has divided these funds into six categories, encompassing a number of different programs, as detailed in the attached table. The largest components of the program are:

- a small business recovery grant program, funded at \$331 million;
- a job creation and retention program targeted to large companies, funded at \$170 million;
- a program designed to retain and attract small firms, \$80 million;
- a business recovery loan program for small businesses and nonprofits, \$50 million.

With the exception of the business recovery loans, these funds are targeted exclusively to Lower Manhattan.

LMDC began accepting applications for grants in February 2002. Companies requesting funds must submit a simple application, primarily encompassing basic corporate information, such as the number of employees. Organizations wishing to receive a contract to provide technical assistance will be asked to respond to a formal Request for Proposals (RFP), which is expected to be released soon, with the intent of having the program operating by June 2002.

The Second Installment—\$2 billion. To date, LMDC has submitted a draft plan for grants to individuals living south of Canal Street, and grants to businesses south of 14th Street to conduct employee training. Grants for individuals are expected to total \$277 million. Training grants will total approximately \$10 million. The LMDC is crediting the \$350,000 cost of the interim memorial against the \$2 billion, as well as an additional \$14.4 million in administrative costs. The LMDC released a revised action plan for these programs on April 9, 2002. Comments were due April 23, 2002.

LMDC also expects to use \$608 million to expand the programs funded with the first \$700 million. For example, LMDC plans to add \$150 million to the \$331 million initially allocated to the Business Recovery Grant Program. In addition, the total costs of the Business Recovery Loan Fund, the Job Creation and Retention Program, and the Small Firm Attraction and Retention Grants are expected to exceed the amounts budgeted from the initial \$700 million in available funds.

Initial Partial Allocation of \$2 Billion CDBG Appropriation	
<i>Millions of dollars</i>	
Grants to Individuals	\$277
Training	10
Administration & memorial	15
Promotion of tourism	10
Extension of existing programs	608
TOTAL	\$920
Unallocated balance	\$1,080
SOURCE: IBO; LMDC	

The legislation authorizing the \$2 billion requires that no less than \$500 million go to small businesses, not-for-profit organizations, and individuals south of 14th Street, and that \$10 million be used for a program to aid the travel and tourist industry citywide. (LMDC regulations for specific programs define small businesses as firms with fewer than 500 employees, and individuals as residents of Lower Manhattan.) The Business Recovery Grant Program and the grants for individuals described above will count towards this first set-aside; to date, no plan has been developed for assisting tourism.

Assuming that existing programs meet the \$500 million set aside for small businesses, nonprofits, and individuals, as of April, 2002, just under \$1.1 billion of the \$2 billion appropriation remains unallocated. None of the \$2 billion allocation has been disbursed yet.

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I hope you find this information helpful. If you have further questions on this or another topic, please do not hesitate to call me directly. You may also contact Merrill Pond, senior budget and policy analyst, at (212) 442-8616, or Molly Wasow Park, budget and policy analyst at (212) 676-9247.

Sincerely,

Ronnie Lowenstein
Director

Attachment

LMDC Economic Recovery and Revitalization Action Plan Summary		
<i>Dollars in millions</i>		
Action Plan Categories	Funding	Geographic/Other Restrictions
Compensation for Economic Losses		
Small Business Assistance		
• Bridge Loan Program	\$15	Firms applying for SBA loans
• WTC Business Recovery Grant Program	\$331	Small firms south of 14 th Street; dollar amounts depend on location
• Business Recovery Loans	\$50	Small businesses and nonprofit organizations in New York City
Subtotal: Small Businesses	\$396	
Compensation to Other Businesses	\$5	Businesses south of 14 th Street.
Total: Compensation for Economic Losses	\$401	
Technical Assistance for Small Business Recovery		
• Grants to Service Providers	\$5	Nonprofits providing assistance to firms employing fewer than 500 people affected by the attacks.
Retention and Attraction Assistance		
• Job Creation and Retention Grants and Loans	\$170	Large firms located in, with a client base in, or moving to, south of Canal.
• Small Firm Attraction and Retention Grants	\$80	Small firms south of Canal Street
Total: Retention and Attraction	\$250	
Business Information		
• Business Information	\$5	NA
Infrastructure Rebuilding		
• Initial Planning and Design	\$25	NA
Administration		
	\$14	NA
TOTAL	\$700	
SOURCE: IBO, based on Empire State Development: <i>World Trade Center Disaster Final Action Plan for New York Business Recovery and Economic Revitalization</i> ; January 30, 2002.		
NOTE: For full report, see www.empire.state.ny.us . NA: not applicable.		