



THE CITY OF NEW YORK
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Testimony
of Preston Niblack, Deputy Director,
before the City Council Select Committee on Lower Manhattan Redevelopment
and the Subcommittee on Small Business, Retail, & Emerging Technologies
on the Effectiveness of 9/11 Small Business Assistance Programs

October 7, 2002

Good morning, Chairman Gerson, Chairman Recchia and members of the Committees. I am Preston Niblack, deputy director of the Independent Budget Office. Thank you for inviting us to testify today on aid available to assist small businesses affected by the terrorist attack on the World Trade Center.

Congress appropriated \$2.7 billion through the Community Development Block Grant (CDBG) program to support the economic revitalization of Lower Manhattan as part of the total \$21.7 billion in disaster-relief aid approved for New York. To date, plans for \$1 billion in program funding have been approved by Department of Housing and Urban Development (HUD), and another \$350 million is pending. (See Table 1 for an overview.) Today I am going to briefly describe the programs funded by these appropriations, and how the money has been used to date, with an emphasis on the small business programs.

The business programs serve two broad purposes: first, aiding downtown businesses that suffered economic losses as a result of the WTC attack, and second, helping to rebuild and revitalize Lower Manhattan by retaining existing businesses and attracting new employment. The business assistance programs have been funded at \$700 million; including \$14 million for administration, and to date have awarded grants totaling \$545.6 million. The Lower Manhattan Development Corporation (LMDC) submitted a plan to HUD in August for an additional \$350 million in funding for these programs, which would bring the total to \$1.05 billion. HUD is currently reviewing the plan.

Most of the media attention has focused on grants made under the **Job Creation and Retention** program. These grants are made to companies with more than 200 employees with a significant share of their economic activity in the downtown area. To date, \$139.1 million in grants, ranging in size from \$200,000 to \$37.5 million, have been awarded to 50 companies.

Nonetheless, it is small businesses that have received the bulk of the assistance awarded thus far—over \$400 million, or three-quarters of the grants and loans made to date.

Small businesses have received grants under two programs—the Business Recovery Grant program, and the Small Firm Attraction and Retention program.

The **Business Recovery Grant (BRG)** program provides aid to companies and not-for-profit organizations south of 14th Street for economic losses they suffered as a result of the attack—because they were forced to close, for example, had no power, or no customers while access to downtown was restricted. Award size is for up to 3, 5, 7, or 25 days of gross revenue, depending on a company’s proximity to ground zero.

Although firms with up to 500 employees are eligible, in practice, the program has primarily benefited small firms—on average, with 10 employees. To date, the program has approved a total of \$337.7 million to 9,428 businesses. The average grant size has been \$35,816. For details of the grant awards by zone, see Table 2.

The other program, the **Small Business Attraction and Retention** program, provides grants to businesses south of Canal Street with up to 200 employees that agree to stay in Lower Manhattan for at least five years. The goal of this program is to attract and retain 52,000 jobs. The size of the grant is determined by both the number of employees and location, ranging from \$3,500 to \$5,000 per employee. Grants are paid in two installments, the first upon approval, and the second 18 months later. To date, 322 applications have been approved to firms employing a total of 7,506 people—23 employees on average, and an average grant size of about \$3,700 per employee. Eligibility for this program was recently extended to firms with fewer than 10 employees. Over 100 such businesses have received grants.

The Empire State Development Corporation (ESDC) and Economic Development Corporation (EDC) are also administering a \$10 million **Employment Training Assistance Program (ETAP)** which provides grants to finance up to one-half the cost of training or re-training employees of small businesses and not-for-profits south of 14th Street.

Finally, EDC and ESDC have also provided \$32.6 million in **bridge loans** to 962 small businesses that are awaiting approval for Small Business Administration loans.

We are often asked whether any of the business assistance funds are available for businesses outside of Lower Manhattan that were affected by the disaster, because, for example, they had a large client base downtown. The federal law that appropriated the second \$2 billion installment in CDBG funds only requires that \$500 million be spent south of 14th Street, although the House-Senate conference notes state that the intent of the \$2 billion is to help New York City recover, and that the majority of the recovery need is in Lower Manhattan. Technically, therefore, \$1.5 billion is available to other parts of the city. However, LMDC has complete discretion over how the CDBG funds are used, and thus far, awards have benefited almost exclusively businesses actually located in Lower Manhattan. We have heard of a very small number of cases where businesses with offices outside of Lower Manhattan that derive most of their revenues from Lower Manhattan have received aid—notably some livery car companies in Brooklyn.

Future Plans

Altogether, plans and programs for \$1.4 billion of the total \$2.7 billion for economic recovery have been formally submitted to and/or approved by HUD. The LMDC has indicated that they anticipate needing another \$350 million for the business assistance programs. In short, there are at least tentative publicly known plans for a total of about \$1.7 billion. According to LMDC staff, grant programs for the remaining \$974 million of the total CDBG appropriation are under review, but are not yet ready to be shared with the public. Deputy Mayor Doctoroff has publicly discussed the possibility of using at least a portion of those funds to help leverage Liberty Bond financing for housing construction in Lower Manhattan in order to create more units affordable to low- and moderate-income households.

The Independent Budget Office will continue to monitor the receipt and spending of WTC-related aid. I would be pleased to answer any question you have now or in the future.

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	Current Funding	Pending	Grants and Loans Awarded
Business Assistance			
Business Recovery Grants ^a	\$331.0	\$150.0	\$346.3
Small Business Attraction and Retention Grants ^b	105.0	50.0	13.9
Job Creation and Retention Grants and Loans	170.0	150.0	139.1
Other	80.0	-	46.3
<i>Total, Business Assistance</i>	<i>\$686.0</i>	<i>\$350.0</i>	<i>\$545.6</i>
Individual Assistance			
Housing Assistance	\$280.5	-	-
Employment Training Assistance	10.0	-	-
<i>Total, Individual Assistance</i>	<i>\$290.5</i>	<i>-</i>	<i>-</i>
Program Support			
Interim Memorial	\$0.4	-	NA
Administration	29.0	-	NA
Travel and Tourism	10.0	-	-
<i>Total, Program Support</i>	<i>\$39.4</i>	<i>-</i>	<i>-</i>
TOTAL	\$1,015.9	\$350.0	\$545.6
SOURCES: Independent Budget Office, Empire State Development, Economic Development Corp., Lower Manhattan Development Corp.			
NOTE: ^a Approved Business Recovery Grants total includes EDC and ESDC precursors to the current program.			
^b First installment payments only.			

	Applications Approved	Funding Approved (millions)	Average Award	Maximum Allowable Award	Average Employment	Total Employment
14th Street to Houston	1,737	\$127.8	\$7,360	\$50,000	11	18,267
Houston to Canal	5,447	\$115.9	\$21,293	\$100,000	11	58,767
South of Canal	2,315	\$36.4	\$15,738	\$150,000	11	26,208
West of Broadway, Chambers to Rector	4,180	\$172.5	\$41,262	\$300,000	7	27,772
TOTAL	13,689	\$337.7	\$24,668	NA	10	131,014
SOURCES: IBO, Economic Development Corporation.						
NOTE: Total applications approved includes 9,428 distinct businesses and 4,260 supplemental awards.						