9/11: Two Years Later

An Analysis of Federal Aid

William C. Thompson, Jr.
Comptroller
City of New York

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WILLIAM C. THOMPSON, JR.
Comptroller

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Nina Ni
Michael Zhang

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Executive Summary

In the aftermath of 9/11, the President pledged a $21.4 billion aid package to New York to assist with clean-up, recovery, and rebuilding. As a result of program adjustments, the total amount of this assistance has decreased to an estimated $20.8 billion.

The first section of this report outlines the expenditures and allocations to date, revealing that two years after the pledge was made, New York has realized only $5.6 billion, or 27 percent of the promised aid. Given the monumental impact of the attacks on New York's economy and the continuing stagnation of the City's fiscal health, this is disappointing.

Another $11.5 billion is in the pipeline, and is expected to reach the City in the coming years. This funding must be monitored to ensure that it is realized. The remainder of the aid, as much as $3.7 billion – approximately 18 percent of the total Federal pledge – may not be realized. This portion of the aid, identified in the second section of the report, is considered "at risk," and requires prompt action to avoid being lost or unduly delayed.

The timing of the actual flow of Federal funds is critical because of the need to inject funds into the City's economy as rapidly as possible in order to stimulate the growth needed for recovery. In the City's Fiscal 2004 Executive Budget, the average annual growth of New York City's Gross City Product for 2002-2004 is now estimated at negative two percent. Additionally, the City has lost 163,000 jobs since September 2001. The longer funding is delayed, the more it is at risk because of competing Federal priorities.

The Federal assistance package to New York City contains four distinct elements: Federal Emergency Management Agency (FEMA) funding; Community Development Block Grants (CDBG); the Liberty Zone program; and other Federal support, primarily transportation projects.

Most of the aid that the City has received to date has been through FEMA, which has released $3.7 billion, and through the CDBG program, which has provided $1 billion. The Liberty Zone program has not resulted in benefits to the City at the level expected at the time of the program's inception. The transportation funding is expected to reach the City in accordance with the long-term nature of most of the planned projects.

The most serious issue is the "at risk" aid, which includes funding that is not allocated to specific programs or projects, and benefits that may not be realized. The unprogrammed aid includes $1.4 billion in FEMA assistance and $1.2 billion in Community Development Block Grant funds that have yet to be allocated.

The remainder of the aid considered "at risk," about $1.1 billion, involves benefits related to the Liberty Zone initiative. The Liberty Bond program, which offers low-cost, tax-exempt financing for new development, was expected to generate significant investment capital. Because of local market conditions, however, the demand for Liberty Bond financing for commercial projects has been minimal, and a substantial portion of the available financing – as much as $4 billion – is expected to expire on December 31, 2004, without being used.

Additionally, due to the challenging economic climate, businesses are not benefiting from the Work Opportunity Tax Credit portion of the Liberty Zone package as much as expected. Depreciation benefits also have been superceded by the more favorable tax provisions extended to businesses nationwide by the 2003 tax laws, negating the effectiveness of the Liberty Zone depreciation benefits. The Liberty Zone program must be re-assessed in light of the economic climate and changes in the tax laws.

Based on analysis of available data, the Comptroller's Office has developed a set of recommendations both for improving the flow of aid and ensuring that the City receives the full amount that was pledged. The recommendations are found in the second section of the report, followed by an appendix detailing the continuing economic softness in lower Manhattan.

Overall, the Federal aid package needs to be revised to reflect the City's actual recovery needs, and the Federal government must accelerate the rate at which the City receives the funds. If appropriate action is not taken, the total aid package could decrease to $17.1 billion, $3.7 billion less than the amount pledged.

More specifically, the Comptroller's Office recommends that FEMA allocate all unprogrammed funding ($775 million), and accelerate or reprogram all funding currently allocated to programs that have not met their targets ($640 million). Similarly, programs should be developed for the $1.2 billion in undesignated Community Development Block Grant funds.

The Comptroller's office also recommends that the deadline for the Liberty Bond program be extended, and that any unused benefits be redesigned in ways that benefit the City economy and small businesses, as intended.

The report is based on data from the City's financial management system and a variety of publicly available sources. While these sources are the best available, the amount of accessible and timely information is inadequate. Therefore, the Comptroller's Office also recommends that the Federal government provide a unified and systematic accounting of both the funds pledged and expended, so that any shortfall can be identified and reprogrammed.

After a disaster of the magnitude of the World Trade Center attacks, New York needs and deserves the full amount of aid promised by the Federal government. Adoption of the recommendations in this report would go a long way toward setting the Federal commitment back on course.

Summary of Federal Aid

($ in millions)

Program	Prior Estimates	Current Estimates	Funding Released	Funding Expected	Funding At Risk
FEMA Assistance	$9,100	$8,798	$3,651	$3,733	$1,414
CD Block Grants	3,450	3,483	1,002	1,326	1,155
Liberty Zone Program	5,029	5,029	450	3,456	1,123
Transportation Projects	2,352	2,347	182	2,165	0
Other Federal Funding	1,427	1,159	333	826	0
Total	**$21,358**	**$20,816**	**$5,618**	**$11,506**	**$3,692**

I. The Federal Pledge: Expenditures and Allocations

In the wake of the attacks on the World Trade Center, President George W. Bush pledged $21.4 billion to assist New York City with clean-up, recovery and rebuilding. The package included funding for the reimbursement of emergency service costs, housing and business assistance, and transportation initiatives. The aid also included a range of tax incentives for the area designated as the Liberty Zone in lower Manhattan.[1]

Two years after the President made this commitment, the current estimate of Federal disaster relief assistance has fallen to $20.8 billion as a result of program adjustments, as depicted in Table 1. More significantly, only $5.6 billion has actually been released by the Federal government, as shown in Table 2.[2]

The Federal assistance package to New York City contains four distinct elements: Federal Emergency Management Agency (FEMA) assistance, Community Development Block Grants (CDBG), the Liberty Zone Economic Stimulus Package and all other Federal support, primarily for transportation projects.

Table 1. **Federal Disaster Relief Assistance to New York City**

($ in millions)

	Prior Estimates[a]	Current Estimates[b]	Funding Change
Program			
FEMA-Emergency Response and Recovery	$6,350	$6,048	($302)
Intermodal Transit	2,750	2,750	0
Community Development Block Grants	3,450	3,483	33
Liberty Zone Tax Incentives	5,029	5,029	0
Transportation Projects	2,352	2,347	(5)
Other Federal Funding	1,427	1,159	(268)
Total	**$21,358**	**$20,816**	**($542)**

[a] "President's $21.4 Billion New York Funding Package", The White House, March 7, 2002; New York City Office of the Comptroller, September 2002.
[b] "Status of President's $20 Billion Commitment to New York City", The White House, September 9, 2002.

[1] The majority of the Federal pledge results from a series of emergency supplemental appropriations acts, targeted mostly towards clean-up and reconstruction of the immediate World Trade Center area and lower Manhattan. Certain elements of the Federal assistance package, such as the Liberty Zone program, were enacted under separate legislation, apart from the emergency supplemental appropriations acts.
[2] Released funds are defined throughout this report as funding that has already been distributed or has been approved and earmarked for distribution in the near future. In the case of tax benefits, it refers to benefits which are estimated to have been realized. Released funds do not include funding that has been committed, but the flow of which is either undetermined or projected to take place at an undefined time in the future. An example of released funds is FEMA reimbursement to the City covering costs related to clean-up and recovery efforts that were distributed shortly after the attacks. An example of unreleased funds is transportation funding, for which projects are currently in development.

***Table 2.* Federal Funding Released to New York City**

($ in millions)

Program	Current Estimates	Funding Released	Undistributed Funds
FEMA-Emergency Response and Recovery	$6,048	$3,651	$2,397
Intermodal Transit	2,750	0	2,750
LMDC and ESDC (CD Block Grants)	3,483	1,002	2,481
Liberty Zone Tax Incentives	5,029	450	4,579
Transportation Projects	2,347	182	2,165
Other Federal Funding	1,159	333	826
Total	**$20,816**	**$5,618**	**$15,198**

A. FEMA ASSISTANCE

1. Overview

The Federal government allocated a total of $8.8 billion through FEMA, approximately $6 billion of which is earmarked for recovery-related costs resulting from the World Trade Center attacks and assistance to individuals affected by the disaster, as shown in Table 3. The balance is slated to address transportation needs.[3]

***Table 3*. Components of FEMA Commitments**

($ in millions)

	Projected Allocation	Funds Released
Debris Removal and Public Agency Assistance	$2,486	$2,762
Debris Removal Insurance	1,000	0
Hazard Mitigation	426	0
New Jersey Emergency Declaration	87	0
Federal Mission Assignments and Other Administrative Costs	425	317
Human Services and Crisis Counseling	499	322
Pension Funding for Survivors of Police & Firefighter Officers	260	250
Expanded Health Monitoring for Workers at the WTC Site	90	0
Transportation Infrastructure	2,750	0
Estimate of Additional Reimbursements to NYS and NYC	775	0
Total	**$8,798**	**$3,651**

Of the $6 billion, FEMA has released a total of $3.7 billion. This includes most of the $650 million due to the City as a result of a February 2003 expansion of FEMA reimbursement guidelines. The City is already two years removed from the events of 9/11; hence, most direct reimbursable expenses have been incurred and reimbursed.

An allocation of $2.75 billion has been earmarked for the renovation and new construction of mass transit infrastructure in lower Manhattan. These expenditures are

[3] Additional transportation projects are funded through the Federal Transportation Administration and the Federal Highway Administration.

discussed in greater detail under "Transportation and Other Federal Funding," beginning on page 17. The following is a description by category of FEMA assistance.

2. Debris Removal & Public Agency Assistance

The recovery-related funding covers, among other needs, overtime and personnel expenses, replacement costs of lost equipment such as fire and police vehicles, repair of public facilities, and environmental monitoring and remediation. More than two-thirds of the FEMA funds released thus far are related to clean-up and rebuilding costs at the World Trade Center site and vicinity. Through August 2003, FEMA had released approximately \$2.8 billion mainly to the City and the Port Authority (PA). A total of \$2.5 billion has been received by the City, including reimbursement for death-benefit pension costs as discussed in "Pension Funding for Survivors of Police & Firefighter Officers" on page 5. Another \$244 million has been released to the Port Authority of New York and New Jersey (PA), including about \$92 million for the temporary PATH station at the World Trade Center site, which is projected to resume operations by the end of 2003.

3. Debris Removal Insurance

Recently, the Governor signed legislation establishing a captive insurance company to cover potential claims against construction companies that worked on debris removal and clean-up on the World Trade Center site. The Federal government has earmarked \$1 billion in FEMA assistance for this purpose. Both the City and the construction companies involved in the clean-up have estimated that the cost of providing this coverage would range from \$600 million to \$900 million. The City is currently negotiating the structure of this company with FEMA. It is expected that the fund will cover claims for 20 – 25 years into the future. It is unclear whether the City or the Federal government will keep any unspent funds. Claims are expected from firefighters, police officers, other City workers, residents, and property owners.

4. Hazard Mitigation

FEMA estimates that \$426 million will be spent on mitigation projects to reduce damage from potential future terrorist attacks. These projects will be selected by New York City and New York State. Funding has yet to be released for this purpose.

5. New Jersey Emergency Declaration

FEMA has projected an \$87 million reimbursement to the State of New Jersey for emergency response support provided following the World Trade Center attacks. To date, FEMA has not publicly announced the release of any funds pursuant to this initiative.

6. Federal Mission Assignments and Other Administrative Costs

FEMA projects expenditures of $425 million by other Federal agencies in response to the World Trade Center attacks. This includes $190 million in mission assignments as part of the Federal response plan and $125 million in interagency agreements to support response and recovery efforts. FEMA has announced the release of $317 million to Federal agencies for emergency response activities such as Urban Search and Rescue. These funds reflect spending by agencies such as the U.S. Army Corps of Engineers and the Department of Health and Human Services.

7. Human Services & Crisis Counseling

FEMA estimates that $499 million will be spent to provide assistance to individuals and families affected by the World Trade Center attacks. Approximately $322 million has been released through programs such as Mortgage and Rental Assistance, Individual and Family Grants, and Crisis Counseling, as discussed below.

a. Mortgage and Rental Assistance (MRA)

As of December 2002, the MRA program distributed $84 million in grants to more than 10,000 households. MRA was designed to provide rent or mortgage payments for people financially impacted by major disasters. The program was slated to end by May 1, 2002. Given the unprecedented amount of damage caused by the 9/11 attacks, the deadline was extended to January 31, 2003, with a grace period of up to 60 days for extenuating circumstances.

Addressing a disaster of greater scope than the agency had ever seen, FEMA redesigned this limited program to make it more responsive to New York's special circumstances. However, many applicants still found it problematic to procure all the required documentation. Beginning in October 2001, when it issued eligibility guidelines specifically for 9/11, FEMA continuously expanded coverage in response to advocacy and public outcry regarding the low number of eligible disaster victims. Documentation, eligibility duration, geographic limits and household income loss requirements were somewhat relaxed. Owing to public pressure, FEMA reviewed all 7,323 previously ineligible applicants in April and May 2002. The result was that 22 percent were deemed eligible, 35 percent were rejected again, and 43 percent were categorized as needing more documentation. Any future programs should build upon the experience of the MRA program and provide flexibility in its support of disaster victims.

b. Individual and Family Grant Program

This program provides subsidies to individuals and families to help them meet disaster-related needs that are not fully covered by other types of aid. Grants have been provided for needs ranging from furniture and air filters to clothing for individuals who were unable to return to their homes following the attacks. The program is managed and administered by New York State. As of November 2002, $35 million was committed to 45,000 grantees out of a total of 116,000 applications.

c. Crisis Counseling Program

The program, known as Project Liberty, is designed to provide counseling assistance to New Yorkers. FEMA has allocated $155 million to this program, including $33 million to counsel schoolchildren. Through May 2003, about 800,000 people have requested short-term, one-on-one counseling, far below the original estimate of 2.5 million people expected to request this type of aid. As a result, only about $65 million earmarked for Project Liberty has been spent. The program has been extended twice and expires in December 2003.

d. Temporary Housing Assistance

This initiative provides grants to renters and homeowners whose dwellings were damaged by the World Trade Center attacks. The housing grants are intended to help individuals either pay rent elsewhere while their homes are being repaired or make emergency repairs to their homes. As of March 2002, the program had distributed $26.7 million in grants to 5,306 households.

e. Disaster Unemployment Assistance

This program provided $13 million as of August 2002 to 3,210 workers and business owners who lost employment as a result of the World Trade Center attacks. It is administered by the State Department of Labor. The plan was intended to help those not covered by the State's unemployment compensation program, such as the self-employed.

f. Disaster Food Stamps

The NYC Human Resources Administration has assisted approximately 33,000 individuals with $3.8 million in Disaster Food Stamps. The federally funded program has provided much needed replacement coupons to individuals who already relied on this type of assistance, as well as to other disaster victims.

8. Pension Funding for Survivors of Police & Firefighter Officers

Through March 2003, FEMA has released $250 million to reimburse the State and City for costs associated with pension payments to surviving next of kin of police officers and firefighters killed in the collapse of the World Trade Center. Grants of $186 million to the State and $64 million to the City have been released to cover their increased pension costs. The City portion is consistent with the Comptroller's Office projection of $66 million for death benefits costs for the City.[4]

9. Expanded Health Monitoring for Workers at the World Trade Center Site

Congress approved $90 million in February 2003 to pay for the expansion of clinical examinations for firefighters and World Trade Center site workers and volunteers. However, a dispute between FEMA and the Centers for Disease Control and Prevention blocked the distribution of these funds to New York City. This was resolved in June 2003. The City's Fire Department expects to receive approximately $25 million of this aid to pay for the evaluation of City firefighters for respiratory problems, post-traumatic stress and other ailments.

An additional $4 million will be distributed to Mount Sinai Medical Center for the continuation of screening Ground Zero workers and volunteers. Mount Sinai has already received $12 million in non-FEMA Federal funds for this purpose. The hospital has examined approximately 6,300 people, of whom approximately 40 percent suffered from respiratory problems and more than 50 percent of whom experienced post-traumatic stress syndrome. Most of the remaining funds will be used to finance contracts for long-term examinations. It is expected that Mount Sinai will receive additional funding.

B. COMMUNITY DEVELOPMENT BLOCK GRANTS

1. Overview

The Federal government has appropriated $3.5 billion in Community Development Block Grants for the Department of Housing and Urban Development (HUD) to fund the rebuilding and revitalization of lower Manhattan. Locally, the Empire State Development Corporation (ESDC) currently has responsibility for administering $1.1 billion of the appropriation. ESDC has created a joint City-State subsidiary, the Lower Manhattan Development Corporation (LMDC), to oversee the allocation of the remaining funds. LMDC's mandate includes redevelopment, transportation and infrastructure improvements, and initiatives to attract and retain business throughout the area.

Of the $3.5 billion, ESDC and LMDC have developed action plans for $2.3 billion, of which the Federal government has approved $1.5 billion. Action plans are still needed for the remaining $1.2 billion of the allocation. Approved programs include $894 million for small business recovery, and job creation and retention for large firms. An allocation of $436 million is dedicated to residential grant assistance and small firm attraction and retention, in addition to several other small programs. The major unapproved items are $750 million for projects to upgrade and modernize private utility

[4] One Year Later: The Fiscal Impact of 9/11 on New York City, New York City Office of the Comptroller, September 2002.

infrastructure and $33 in funding for businesses that suffered a disproportionate loss of work force, for which LMDC has submitted plans for approval.

2. Empire State Development Corporation

ESDC's current allocation of $1.1 billion reflects an increase of $434 million from its original level of funding. The additional funds were reassigned from LMDC. As Table 4 shows, the funding increase was driven by overwhelming demand for the World Trade Center Business Recovery Grants (BRG) and the Small Firm Attraction and Retention Grants (SFARG), as well as the Job Creation and Retention Program.

***Table 4*. ESDC Action Plans**

($ in millions)

	Initial Proposal	Current Action Plan	Change
Small Business Assistance			
Business Recovery Grant (BRG)	$331	$574	$243
Small Firm Attraction and Retention Grant	105	155	50
Recovery Loan Fund	50	41	(9)
Bridge Loan Program	15	7	(8)
Technical Assistance	5	5	0
Subtotal	$506	$782	$276
Large Business Assistance			
Job Creation and Retention Program	$170	$320	$150
Compensation for Economic Loss	5	13	8
Subtotal	$175	$333	$158
Business Information	5	$5	$0
Administration	14	$14	$0
Total	**$700**	**$1,134**	**$434**

SOURCE: Empire State Development Corp., Lower Manhattan Development Corp.

a. Small Business Assistance

ESDC has programmed $782 million, or almost 69 percent, of the $1.1 billion it administers to assist small businesses. More than 93 percent, or $729 million, of the programmed aid is in the form of direct grants. Another $48 million is earmarked to support low interest loans, and the remaining $5 million provides funding for technical assistance to small businesses.

The BRG program was created to reimburse small businesses for economic losses resulting from the 9/11 attacks. This program received applications from 15,306 businesses by its application deadline of December 31, 2002. Over 14,000 businesses, directly employing more than 144,000 people, were approved for grants totaling $558 million. Because demand for BRG exceeded the original amount of $331 million, HUD approved the transfer of $234 million from funds originally earmarked for distribution by LMDC. In addition, ESDC obtained approval to shift $9 million from its Business Recovery Loan Program to the BRG program, bringing the total available funding for the BRG program to $574 million. However, because $20 million of the funds are earmarked for repayments to the City and State for the Retail Recovery Grant and Lower Manhattan Non-Recovery Program, the total amount available for these grants is $554 million, leaving a gap of $4 million between available funds and approved reimbursement.

The SFARG program was established to retain small businesses in lower Manhattan, as well as to encourage small firms to relocate to the area. The grant is available to firms employing fewer than 200 employees that sign or renew leases for a term of five or more years between September 11, 2001 and December 31, 2004. Depending on their location on September 11, 2001 and other criteria, eligible firms can receive up to $5,000 per employee. Grants are awarded in two equal installments, the first upon authorization and the second eighteen months later. A total of $155 million is allocated for this program, of which $50 million was reassigned from LMDC. As of the end of April, ESDC had approved grants totaling $50 million to 820 businesses.

The World Trade Center Business Recovery Loan Program provides funding to establish a loan loss reserve for lenders as well as grants to subsidize low cost financing to small businesses and not-for-profit organizations. ESDC has allocated $41 million to fund this program. As of March 31, 2003, ESDC had disbursed $5.8 million to participating lenders, who in turn have made 96 loans totaling $5.5 million.

The Bridge Loan Program provides working capital, through low cost bridge loans, for small businesses that suffered economic loss or physical damage as a result of the World Trade Center attacks. The bridge loans allow qualified businesses quick access to capital while they wait for approval of Small Business Administration (SBA) economic injury and physical disaster loans. ESDC has allocated $7 million to fund the loan guarantee portion of the program. As of March 7, 2003, $32 million in bridge loans had been approved for 953 businesses.

b. Large Business Assistance

In addition to providing assistance to small businesses, ESDC has allocated $333 million to help businesses employing 200 or more employees. This includes $150 million reassigned from LMDC and $8 million reallocated from the Bridge Loan Program. About $320 million of the funds is expected to provide grants, loan guarantees, and low cost loans through the Job Creation and Retention Program (JCRP). This program is available to firms located south of Canal Street that remained after the World Trade Center disaster or those that relocated within New York City since the World Trade Center disaster. In addition, businesses that are planning to relocate to lower Manhattan are also eligible for the program. Firms seeking grants under this program must commit to remain in the City for a minimum of seven years. The deadline for this program is December 31, 2004. ESDC has indicated that it will extend the deadline if funds are available at the end of the initial period. As of March 7, 2003, a total of $215 million had been approved for 63 businesses supporting 64,583 jobs citywide, including 56,794 jobs located in lower Manhattan.

The remaining $13 million will be used as compensation for economic loss suffered by businesses employing more than 500 employees nationwide, with one or more establishments, each employing fewer than 200 employees, located south of 14th Street.

3. Lower Manhattan Development Corporation

To date, of the $2.3 billion that it is currently overseeing, LMDC has developed partial action plans totaling $1.1 billion, of which $402 million has been approved by HUD. No programs have been developed for the remaining $1.2 billion in funding as shown in Table 5.

***Table 5.* LMDC Partial Action Plans**

($ in millions)

	Initial Proposal	Current Action Plan	Change
Programs			
Utility Restoration and Infrastructure Rebuilding	$750.0	$750.0	$0.0
Residential Grant Program	281.0	281.0	0.0
Short Term Capital Projects	0.0	69.0	69.0
Long Term Planning for Capital Projects	0.0	14.0	14.0
Cultural and Community Development	0.3	5.4	5.1
Employment Training	10.0	.5	(9.5)
Disproportionate Loss of Workforce	0.0	33.0	33.0
Expand ESDC's BRG program	350.0	0.0	(350.0)
Administration and Planning	15.0	42.0	27.0
Unprogrammed Funds	1,343.7	1,154.1	(189.6)
Total	**$2,750.0**	**$2,349.0**	**($401.0)**

SOURCE: LMDC

a. Utility Restoration and Infrastructure Rebuilding

This is the largest single component in the LMDC program. The LMDC has submitted action plans to HUD for approval for the $783 million that includes $750 million for rebuilding of utility infrastructure and $33 million for business recovery aid to lower Manhattan firms that lost a disproportionate portion of their workforce due to the attacks. Approximately $485 million of this money will be used for the replacement and enhancement of utility equipment and infrastructure. Another $250 million is earmarked for the reimbursement of costs associated with the stabilization of critical energy and communications services in the aftermath of the attacks. The remaining $15 million will be used for administrative purposes.

b. Residential Grant Program

The Residential Grant Program (RGP) provides compensation to lower Manhattan residents for expenses incurred as a result of the 9/11 attacks. The RGP offers three types of grants to owners and renters based on the proximity of their residences to the World Trade Center: the September 11, 2001 Residents Grant, the Family Grant, and the Two-Year Commitment-Based Grant.

The September 11, 2001 Residents Grant was a one-time $1,000 grant per housing unit available to residents who lived in lower Manhattan on September 11, 2001 and continued to reside in the area. The Family Grant, a one-time grant of $1,500 or $750 depending on location, was available to families with children under the age of 18 who made a one-year commitment to live in lower Manhattan. The Two-Year Commitment-Based Grant was available to residents who made at least a two-year commitment to live in lower Manhattan. Residents receiving Two-Year Commitment-Based Grants are eligible to receive reimbursement equivalent to 30 percent of their monthly rent (or mortgage payments, plus maintenance costs and real estate and related taxes for owner-occupied units). A maximum subsidy of either $6,000 or $12,000 over two years is allowed for each household, depending on location. All leases or purchases had to commence on or before May 31, 2003.

As of June 2003, LMDC had received over 38,000 applications, and grants totaling $172 million had been approved. The RGP achieved significant success in attracting new residents to lower Manhattan. More than 56 percent of the applications approved were Zone 1 applicants who identified themselves as new residents.[5] The occupancy rate of Battery Park City, which plunged to 60 percent after the attacks, climbed to 74 percent after the draft plan was made public, and is now at approximately 95 percent.

c. Capital Projects

To provide immediate relief to lower Manhattan, LMDC consulted with community groups, local businesses, and City and State governments to develop short-term capital projects currently valued at $69 million. These projects are expected to enhance the quality of life in the area and leverage additional private and public funds. Some of the projects included in the proposal are security and aesthetic improvements at the New York Stock Exchange, enhancements in lower Manhattan parks and open spaces such as Hudson River Park, the establishment of the Millennium High School at 75 Broad Street, and the repair of streets, sidewalks and pedestrian crossings. In addition, to date, LMDC has allocated $14 million for the planning of long-term capital projects. Feasibility studies may be conducted for the development of rail access to lower Manhattan from the John F. Kennedy International Airport (JFK), the enhancement of West Street, and the improvement of public space and traffic management in lower Manhattan.

d. Cultural and Community Development

The Cultural and Community Development program was developed to promote downtown Manhattan as a cultural destination and to address the need for public space in Chinatown. HUD has approved $5 million to fund this program and LMDC has allocated $4.6 million for a marketing campaign for the Heritage and History of Downtown NYC

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[5] Zone 1 is defined as the area south of Chambers Street and west of Nassau and Broad Streets and the entirety of Battery Park City.

initiative. An allocation of approximately $400,000 is earmarked for the renovation of the Columbus Park Pavilion in Chinatown.

e. Employment Training

The Employment Training Assistance Program (ETAP) provides grants to train current and prospective employees of small businesses and not-for-profit organizations in the area south of 14th Street. These grants are intended to fund training and skills development. As of May 2003, twenty-four eligible businesses and agencies have applied for these grants, and are expected to receive a combined total of approximately $500,000. The original plan allocated $10 million to fund this program. Because of the lack of demand, the remaining $9.5 million has been shifted to ESDC's Business Recovery Grant program, where demand exceeded expectations.

C. THE LIBERTY ZONE ECONOMIC STIMULUS PACKAGE

1. Overview

The New York Liberty Zone Program, originally authorized in March 2002, consists primarily of a package of tax benefits to New York area businesses. It also includes a granting of authority to the City and the State for the issuance of tax-exempt bonds.[6] As shown in Table 6, the Federal government projected that the package would provide tax benefits totaling $5 billion over an eleven-year period, beginning in 2002. Approximately 95 percent of the benefits will be realized over the first six years.

The tax benefits contained in the Liberty Zone package may be grouped into four broad categories: tax credits, depreciation, tax-exempt bonds, and tax deferrals. Together, tax benefits in these four categories were projected to total about $5.3 billion, offset by an increase of $285 million in tax liabilities as a result of the interaction of these tax programs with other business provisions in the Job Creation and Worker Assistance Act of 2002 (JCWA).

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[6] The New York Liberty Zone is defined as the area located on or south of Canal Street, East Broadway (east of its intersection with Canal Street), or Grand Street (east of its intersection with East Broadway) in the Borough of Manhattan in the City of New York, New York ("Title II. Tax Benefits for Area of New York City Damaged in Terrorist Attacks on September 11, 2001," *General Explanation of Tax Legislation Enacted in the 107th Congress*, Joint Committee on Taxation, 235; January 24, 2003).

***Table 6.* Liberty Zone Economic Package and Projected Cost to the Federal Government as of 2002, FYs 2002-2012**

($ in millions)

	2002	2003	2004	2005	2006	2007	2008-2012	Total
Tax Credit								
Tax credit to small businesses	$119	$259	$176	$52	$19	$6	$0	$631
Depreciation								
Depreciation acceleration								
a. Personal property	$535	$490	$464	$445	$411	($192)	($1,613)	542
b. Residential and non-residential property [a]	87	114	136	152	154	150	233	1,026
Accelerated leasehold improv. Depreciation	11	26	45	70	102	115	228	595
Write-offs on equipment - increase by $35,000	36	56	37	29	23	(20)	(124)	37
Subtotal	$669	$686	$682	$696	$690	$53	($1,276)	$2,200
Tax Exempt bonds								
Liberty Bonds	$11	$41	$90	$127	$137	$137	$685	$1,228
Advanced refunding of municipal bonds	103	124	133	125	115	98	238	937
Subtotal	$114	$165	$223	$252	$252	$235	$923	$2,165
Tax Deferral								
Deferring taxes on insurance proceeds	145	199	18	(1)	(2)	(3)	(37)	318
Interaction with General Business Tax Provisions	(563)	(520)	(470)	42	303	270	653	(285)
Total	**$484**	**$789**	**$629**	**$1,041**	**$1,262**	**$561**	**$263**	**$5,029**

SOURCE: Congressional Joint Committee on Taxation.

[a] Eligible only for properties that replace or rehabilitate real property destroyed or condemned as a result of the terrorist attacks.

2. Tax Credits

The Liberty Zone Economic Stimulus package expands the Work Opportunity Tax Credit (WOTC) of the JCWA by allowing all businesses operating in the Liberty Zone which have 200 or fewer employees to qualify for a credit of $2,400 per worker over a two-year period beginning January 1, 2002 and ending December 31, 2003. The WOTC also covers businesses forced to relocate from the Liberty Zone to elsewhere within New York City as a result of the terrorist attacks on 9/11.

By providing tax relief to small businesses over two years, the WOTC is expected to encourage businesses that might otherwise have relocated, to remain in the Liberty Zone. In addition, because the WOTC also applies to small businesses moving into the Liberty Zone within the two-year period, it is intended to provide an incentive to attract new businesses, thereby spurring economic activity in the area.

The Federal government initially projected that this program would cost $631 million in forgone tax revenue. Based on the $2,400 per employee tax credit, this tax benefit would cover approximately 131,000 workers for qualified businesses. According to the Department of Labor, as of the fourth quarter of 2002, there were almost 12,000 businesses with 200 or fewer employees south of Canal Street, employing a combined total of more than 136,000 employees. Thus it appears that, including qualified small businesses that have relocated outside of the Liberty Zone since the World Trade Center attacks, almost all eligible businesses would have to apply for the tax credit in order to reach this figure.

3. Depreciation

Unlike tax credits, which reduce business taxes by the amount of the credit, accelerated depreciation lowers businesses' taxable income in the early years of fixed assets' lives by allowing greater up-front write-offs against the costs of the assets. Because of the larger write-offs in the early years, depreciation expenses against these assets are lower in the later years. However, businesses that make capital expenditures and have taxable income are able to realize significant immediate cash savings from the rapid early write-offs. For example, when the Liberty Zone package was adopted, under rules governing personal property depreciation, businesses were expected to realize $2.3 billion in tax benefits during 2002-06.[7] Lower depreciation expensing in later years would reduce revenue to the Federal government by a smaller total of $542 million by the end of ten years.

The Federal government assembled four depreciation programs in the Liberty Zone package. These programs were projected to provide benefits of $3.4 billion to downtown businesses during 2002-06. Due to the timing effect described above, however, over a ten-year period, tax revenues would be reduced only by $2.2 billion. This issue is discussed further in Part II of this report.

Liberty Zone Depreciation Package
($ in millions)

	Tax Benefits[a]	Sunset
30% First Year Bonus Depreciation		
a. Personal Property	$542	12/31/06
b. Non-res. Real and Res. Rental Prop.	1,026	12/31/09
Subtotal	$1,568	
5 Year Life for Leasehold Improvement	$595	12/31/06
Increase in Section 179 Expensing	$37	12/31/06
Total	**$2,200**	

[a] Projected forgone tax revenues over a ten-year period.

As reflected in the figure to the right, the provision allowing an additional 30 percent bonus depreciation in the first year of service for certain properties provides the majority of the benefits. This provision applies to qualified property purchased after September 10th, 2001 and is available for qualified personal property placed into service no later than December 31, 2006. It is also available for the rehabilitation or replacement of non-residential real property and residential rental property damaged in the World Trade Center attacks, provided that the properties are placed into service on or before December 31, 2009. In addition, the depreciation schedule of leasehold improvements made to office space, which is currently depreciated over thirty-nine years, will be accelerated to five years. Finally, businesses in the Liberty Zone will be allowed to increase Section

[7] Personal property is defined as property other than real estate or intellectual property owned by businesses.

179 expensing to $59,000 from $24,000.[8] Both of these provisions will end in Dec 31, 2006.

4. Tax Exempt Bonds

The Federal government is also prepared to forgo estimated revenues totaling approximately $2.2 billion over an eleven-year period by allowing the State and City to issue tax-exempt private activity bonds above the normal limit, and to undertake a second advance refinancing of certain municipal bonds.[9]

a. New York Liberty Bond Program

The New York Liberty Bond Program allows a total of $8 billion in low-cost, tax-exempt private activity bonds to be issued to support construction and renovation projects in New York City, with a preference for projects in the Liberty Zone as shown in Table 7. The Governor and the Mayor will each have the responsibility of allocating $4 billion under this program. The bonds must be issued by December 31, 2004. The allocation of the bond financing includes:

i) Up to $800 million for retail development within the Liberty Zone; no bonds have been approved for this purpose to date.

ii) A residual allocation of $3.6 billion for other commercial and utility projects in the Liberty Zone; $442 million of bonds have been approved for this purpose to date. There are no additional projects awaiting approval at this time.

iii) Up to $2 billion for commercial projects within New York City but outside the Liberty Zone; $114 million of bonds have been approved for this purpose to date, and there is a substantial number of proposed projects awaiting evaluation or development.

iv) Up to $1.6 billion for residential rental projects within the Liberty Zone; $634 million of bonds have been approved for this purpose to date, and there is a substantial number of proposed projects awaiting evaluation or development.

[8] Businesses with a sufficiently small amount of investment may deduct up to $24,000 of the cost of Section 179 property (generally any tangible property that can be depreciated under the Modified Accelerated Cost Recovery System). The Liberty Zone package increases this amount by $35,000.

[9] Federal regulations typically allow only one advance refunding of municipal bonds.

***Table 7.* Progress of Liberty Bond Program**

($ in millions)

Description	Maximum Amount	Proposed Applications	Approved Applications	(Over) / Under-subscribed
Commercial:				
Inside Liberty Zone	$4,400	$442	$442	$3,958
Outside Liberty Zone[a]	2,000	1,214	114	1,886
Residential:				
Inside Liberty Zone	$1,600	$1,872	$634	$966
Outside Liberty Zone	0	0	0	0
Total	**$8,000**	**$3,528**	**$1,190**	**$6,810**

[a] $2 billion for commercial projects outside the Liberty Zone are permitted to be re-programmed inside Liberty Zone.

The tax benefits to investors, as calculated by the Federal government, are intended to reach $1.2 billion. While the Federal government defines the benefit to New York City as forgone tax revenue, the tangible benefit to New York City is from the interest cost spread between lower tax-exempt financing compared with traditionally higher taxable financing alternatives. Thus, this will give developers access to lower project financing costs, which should encourage development in the affected areas.

According to a New York City Economic Development Corporation tally, and as shown in Table 8, as of mid-August 2003, $556 million in commercial projects and $634 million of residential projects have been approved. Of these amounts, $316 million in Liberty Bonds have actually been issued as of August 2003. In addition, there are approximately $2.3 billion of projects awaiting evaluation.

Commercial projects are administered by the New York City Industrial Development Agency (NYCIDA) and New York State Liberty Development Corporation (NYSLDC) and include such approved projects as $400 million in Liberty Bonds for the reconstruction of 7 World Trade Center, $114 million for the construction of an office tower at the Atlantic Terminal site in downtown Brooklyn, $32 million for a new hotel to be located at 377 Greenwich Street in lower Manhattan, and $10 million for the construction of the Port Convention Center. In addition to the projects listed above, the NYCIDA has been approached to approve $1.1 billion in commercial projects located outside the Liberty Zone in midtown Manhattan.

Of the $634 million of residential projects, $352 million of projects are administered by the New York State Housing Finance Agency (NYSHFA) and $282 million by the New York City Housing Development Corporation (NYCHDC). These figures include such projects as: $200 million for a 650-unit residential building at 2 Gold Street, $110 million for a 264-unit residential building at Battery Park City - Site 19 B, $100 million for a 293-unit residential structure at 20 River Terrace, $95 million for a 284-unit building at 10 Liberty Street, and $82 million for a 398-unit building at 90 Washington Street. In addition, both the NYSHFA and the NYCHDC have been approached to induce approximately $1.3 billion in other residential projects that are still in the early planning stages.

Table 8. **Induced Liberty Bond Projects, Inception-to-August 2003**

($ in millions)

	Amount Induced[a]	Liberty Bonds Issued	Remaining to be Issued[b]	Status
Commercial:				
7 World Trade Center	$400	0	400	Developer has started construction
Atlantic Terminal – Brooklyn	114	0	114	Developer has started construction
Port Convention Center	10	0	10	Developer working to structure project and financing
377 Greenwich Street	32	0	32	Developer working to structure project and financing
Subtotal	**$556**	**$0**	**$556**	
Residential:				
20 River Terrace	$100	$100	0	Bonds Issued
10 Liberty Street	95	95	0	Bonds Issued
Front Street near South Street Seaport	47	46	0	Bonds Issued
90 Washington Street[c]	82	75	0	Bonds Issued
2 Gold Street	200	0	200	Plans to issue in September 2003
Battery Park City – Site # 19 B	110	0	110	Plans to issue in December 2003
Subtotal	**$634**	**$316**	**$310**	
Grand Total	**$1,190**	**$316**	**$866**	

[a] An inducement is an IRS tax code provision under which developers are allowed to include eligible project costs incurred in the first 60 days of a potential project. The inducement stage commits neither the developer nor the responsible government agency pursuing the potential project.
[b] Does not reconcile due to some projects having a taxable debt component to their financing.
[c] Includes $7 million of taxable bonds.

b. Advance Refunding

Provisions in the Liberty Zone package allow, with some restrictions, a second advance refunding on up to $9 billion of bonds issued by the City, the Metropolitan Transit Authority (MTA), Municipal Water Authority, and New York City hospitals. Federal laws allow municipal bonds to be advance refunded one time. The Liberty Bond program allows a second advance refunding on certain issues that have already been advance refunded. The City, the MTA and the New York City Water Finance Authority (NYCWFA) have taken advantage of the additional advance refunding to undertake a total of $5.3 billion in advance refunding. The City has refunded approximately $1.8 billion of its General Obligation (G.O.) debt while the MTA and NYCWFA have refunded $3 billion and $485 million respectively. If interest rates maintain their current historically low levels, it is more likely that the $9 billion in additional advance refunding will be achieved before the expiration of the program on December 31, 2004 and that the $937 million of projected tax benefits will be realized.

5. Tax Deferral

The Liberty Zone package permits businesses to extend the replacement period for properties that were damaged or destroyed by the terrorist attacks from three years to five years. This allows businesses to defer paying taxes for five years on any gains from insurance proceeds resulting from the terrorist attacks. The Federal government projects that this tax deferral will lower tax revenue by $318 million over a ten-year period.

D. TRANSPORTATION AND OTHER FEDERAL FUNDING

1. Transportation

Total funding for the upgrade of the existing transportation infrastructure in lower Manhattan is nearly $5.1 billion, of which $2.75 billion consists of FEMA allocations for transit projects, and $2.4 billion is allocated to the Federal Transportation Administration (FTA) and Federal Highway Administration (FHA). A total of $4.6 billion of the $5.1 billion total is designated for intermodal transit projects, while the balance is dedicated to other transportation projects such as street improvements in lower Manhattan.

A small portion of the funding has been spent to date. Thus far, about $182 million in Federal funding has been distributed for road repairs, and the planning and evaluation of the Fulton Street transit project. Because of the extensive planning and implementation process surrounding transportation construction, completion of these and most other proposed projects could take between four to six years. The City has recently begun the selection process to determine which of the many proposed projects will be approved for implementation. Given the timelines, it is unlikely that New York City will receive the full transportation funding before 2010.

Although concrete spending plans have not been developed, some New York State priorities appear to be emerging, including three top projects: a new transportation hub at the World Trade Center site; the Fulton Street Transit Center; and the rebuilding of the South Ferry Terminal. As Table 9 shows, these projects are estimated to cost between $2.85 billion to $3.15 billion.[10] All are in planning stages, and environmental reviews are underway.

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[10] If $300 million in PA insurance proceeds are included, the FEMA/FTA costs could, in theory, be reduced to a range of $2.55 to $2.85 billion. This funding would likely be reallocated, and is not considered at risk.

***Table 9*. Top Priority Transportation Projects**

($ in millions)

	Cost Estimates	
	Low	High
Lower Manhattan Transit Complex		
WTC Transit Hub	$1,700	$2,000
Fulton Street Transit Center	750	750
South Ferry Terminal	400	400
Total	**$2,850**	**$3,150**

Business leaders in lower Manhattan have expressed frustration with the long time frame relating to transportation rebuilding projects. In surveys conducted by the Alliance for Downtown New York, business executives listed as top priorities a transportation complex near the World Trade Center site and a rail link to JFK/Long Island, which was also included in the State proposals, although as a lower priority project than the three listed above.

The Lower Manhattan Transit Complex will consist of a transportation hub at the World Trade Center site and a new Fulton Street Transit Center. This complex will allow for easy connections among transit lines, and will include space reserved for retailers.

The World Trade Center transportation hub is estimated to cost between $1.7 billion to $2 billion. The hub project will be phased for completion over three to six years, and will be run primarily by the Port Authority (PA).

The Fulton Street Transit Center is estimated to cost $750 million, with an expected completion timeline of three to four years. The MTA is currently in the process of applying for funding from the FTA to be applied against the $1.8 billion portion of the pledged transportation funding. The MTA has already begun receiving funding toward this project.

The MTA also plans to redesign the South Ferry station to accommodate the full length of a ten-car subway train, in place of the current five-car platform. Additionally, new connections to the Staten Island Ferry and the Whitehall Street station will be built. These projects will cost an estimated $400 million and be completed in three to four years.

The remainder of the State transportation proposals are shown in Table 10. Cost estimates for these projects range from $3.15 billion to $7 billion. All of these projects are in the early planning stages. Since $2.85 billion to $3.15 billion of the intermodal transit funding will likely be used for the three priority projects, only $1.4 billion to $1.7 billion will be available for these initiatives, which will be insufficient to fund them fully. Among these projects is the construction of rail access from lower Manhattan to regional airports and Long Island. LMDC currently expects to work jointly with the City and transportation agencies to analyze various options for the JFK/Long Island link, and to select the best plan within one year.

Table 10. **Other Transportation Projects**

($ in millions)

	Cost Estimates	
	Low	**High**
JFK Airport/Long Island Access	$2000	$5,300
West Street	400	900
Tour Bus Facility and World Trade Center Sub-Grade Infrastructure	500	500
Commuter Ferries	150	200
Street Configuration and Circulation	100	100
Total	**$3,150**	**$7,000**

The State transportation plan also outlines further proposals to transform lower Manhattan streets, including West Street, Fulton Street and Greenwich Street. A short tunnel could be built from Vesey Street to Liberty Street to divert highway traffic. If completed, it is expected that these investments will eventually link together the neighborhoods of lower Manhattan. Additionally, analysis is being done to determine the feasibility of developing a tour bus facility at the World Trade Center site.

Given the limited available funding for the eight proposed projects shown in Tables 9 and 10, if the JFK Airport Access project is selected, the other remaining projects will likely have to be postponed or abandoned unless additional funding becomes available.

The PA and MTA are currently conducting feasibility studies for other transportation projects which would have a major impact on lower Manhattan. Among these projects are plans to build a new pedestrian link between Metro-North trains and the 4 and 5 trains at the Grand Central Terminal and to establish a ferry service to LaGuardia Airport. Funding for these projects is currently uncertain. Given the enormous demand for transportation projects in lower Manhattan, it is probable that all available funds will be utilized.

2. Other Federal Funding

The Federal aid package is also intended to provide $1.2 billion to New York City for programs such as small business loans, workers compensation and health-related projects through other agencies and programs. Only $900 million of this package is earmarked for specific programs. As the remaining $300 million has not been publicly earmarked, its current level of risk cannot be determined. The $900 million includes specific allocations to Small Business Administration (SBA) loans, workers compensation benefits, health programs, relocation of Federal offices and counter terrorism initiatives. At least $333 million of the total has been released for SBA loans, workers compensation benefits, and health programs.

The Federal government projects that it will provide $175 million to cover interest subsidy and administrative expenses associated with aid to small businesses through the SBA. This will support $651 million in SBA loans. The SBA has received 13,927 applications. Of those, 6,072 applications have been approved thus far, for loans totaling

$512 million. The estimated Federal subsidy for this loan amount totals $146 million. About 2,400 applications were withdrawn for reasons such as the lack of required information, and 236 applications were rejected.

New York State has received $175 million toward workers compensation claims, including $25 million for volunteer workers. As of June 9, 2003, the State has paid only $44 million in claims. Since the World Trade Center attacks, the Workers Compensation Board has processed 2,000 death cases, resolving more than 95 percent of claims, and processed 5,000 injury claims, resolving 90 percent of claims. The Board initially did not process volunteer workers claims because it was unclear if those workers qualified for such benefits. As of June 2003, volunteer workers had submitted about 20 claims. This issue has been subsequently resolved, and on June 26, 2003, the Governor directed the Board to expedite World Trade Center volunteer claims.

II. Risks and Recommendations

There are two major concerns regarding the Federal pledge: the level of assistance that New York City will actually receive under the disaster relief package, and the timing of that assistance. The Federal aid package needs to be revised to reflect the City's actual recovery needs, and the Federal government needs to accelerate the rate at which the City receives the funds.

A. RISKS

Based on available information, of the $20.8 billion committed by the President and Congress, $15.2 billion has not yet been released. The majority of this funding is not considered to be at risk at this time, as it has been committed to projects that have been approved. In the case of long-term transportation projects, the funding will in all likelihood be absorbed by identified projects currently in the planning process. This funding must be monitored, however, to ensure that it is realized. As shown in Table 11, a total of $3.7 billion in Federal disaster relief funding, however, currently either is not programmed for a specific use or is unlikely to be realized. This amount represents approximately 18 percent of the total Federal pledge and is considered to be at risk.

***Table 11*. Disaster Relief Funding At Risk**

($ in millions)

Program	Program Estimates	Funding Released	Funding Expected	At Risk
FEMA Assistance	$8,798	$3,651	$3,733	$1,414
CD Block Grants (LMDC and ESDC)	3,483	1,002	1,326	1,155
Liberty Zone Tax Incentives	5,029	450	3,456	1,123
Transportation Projects	2,347	182	2,165	0
Other Federal Funding	1,159	333	826	0
Total	**$20,816**	**$5,618**	**$11,506**	**$3,692**

1. FEMA Risks

FEMA Risk ($ in billions)	
Total FEMA Commitment	**$8.8**
Releases to Date	(3.7)
Debris Removal Insurance	(0.9)
Transportation-Related	(2.8)
Balance at Risk	**$1.4**

After taking into account funds released to date and likely expenditures for insurance claims, $1.4 billion in FEMA funds remain that are either unallocated or not earmarked for immediate release. The $1.4 billion is derived as shown in the figure to the right, by deducting released and planned spending from the total $8.8 billion FEMA commitment.[11] The balance includes $775 million in funds which are currently set aside as a reserve, and $640 million associated with other programs which

[11] If debris insurance claims are at the lower projected level, an additional $300 million could be available for other purposes.

have been announced, but for which no spending programs have been finalized. Given that further claims for direct FEMA reimbursement of City expenses will soon trickle to a halt, the Federal government must act quickly to ensure that these funds will flow to New York City.

2. CDBG Risks

LMDC and ESDC have reallocated unused funds and developed action plans to respond to new needs and changing conditions on an ongoing basis. A total of $1.5 billion in LMDC and ESDC action plans have been approved by HUD, and an additional $783 million in action plans primarily related to public utility infrastructure are far enough along that they are not at risk. However, the remaining $1.2 billion of the total $3.5 billion CDBG allocation still lacks well developed action plans, and are therefore considered at risk.

3. Liberty Zone Risks

There are substantial risks to $1.1 billion of benefits expected under the Liberty Zone program. The risks are related both to changes in the tax code and to market conditions, which have developed differently than anticipated at the time the Liberty Zone legislation was adopted. These risks are of particularly great concern because the purpose of these funds was to stimulate the New York City and lower Manhattan economies by encouraging investment, construction, and job creation. Since the benefits are tied to the tax code and to business investment and profitability, additional changes to the tax code or continued weakness in the lower Manhattan commercial real estate market could further erode these benefits. Of the $5 billion originally anticipated under the Liberty Zone program, an estimated $450 million was realized in 2002. Changes to the Internal Revenue Code have superceded the provisions of the Liberty Zone tax package that would have provided most of the benefits in 2003 and 2004.

a. Liberty Bonds

As discussed in Part I, only $1.2 billion of Liberty Bond financing has been approved, and only $316 million of bonds have been issued. There is a growing consensus in the business and real estate development communities that, with the December 2004 bond issuance deadline less than 16 months away, and in light of the depressed state of the commercial real estate market in lower Manhattan (as discussed in the Appendix), the full $8 billion of Liberty Bonds will not be issued. More specifically, it is expected that the $1.6 billion set aside for residential construction within the Liberty Zone area will be fully used, but the commercial allocation will not. There are currently no concrete proposals for $4 billion of the $4.4 billion allocated for commercial projects within the Liberty Zone, and is considered unlikely that there will be any demand before the program expires on December 31, 2004. If the final $4 billion in bonds is not issued, the tax benefits of the Liberty Zone program would be reduced by $590 million. If long term interest rates rise, additional components of the Liberty Zone package associated with the advance refunding of tax-exempt debt could be placed at risk.

b. Accelerated Depreciation

The Jobs and Growth Tax Relief Reconciliation Act of 2003 amending the Internal Revenue Code has rendered a significant portion of the depreciation benefits specific to the Liberty Zone less attractive. The largest impact of the Act on the Liberty Zone depreciation benefits results from the new tax law's provision to increase the first year bonus depreciation to 50 percent to businesses nationwide, beginning with the 2003 tax year. Since these provisions are more generous than those in the Liberty Zone package, it is unlikely that any taxpayers will make use of the Liberty Zone provisions during 2003 or 2004, when the new tax law provisions are in effect. This reduces the personal property depreciation tax benefits of the Liberty Zone package during 2002-06 from $2.3 billion to $1.4 billion. As discussed in Part I, the initial benefits of the accelerated depreciation provisions are reversed over longer periods of time. After taking this fact into account, over the eleven-year period between 2002-12, the total depreciation tax benefits will diminish from $542 million to $325 million.

c. Tax Credits

It is also extremely unlikely that the expanded Work Opportunity Tax Credit contained in the Liberty Zone Economic Stimulus Package will be fully utilized. These credits are available to businesses with 200 or fewer employees which are located in the Liberty Zone, or which relocated out of the Zone to another New York City location. Because the credit is non-refundable (that is, it can be credited against taxes owed, or carried forward, but has no current value if there are no taxable profits), businesses must be profitable to take advantage of it. Economic conditions in New York City have been much weaker than had been expected at the time the tax credit legislation was adopted. For example, between mid-2002 and mid-2003, the Administration's Executive Budget lowered the estimate of the average annual NYC Gross City Product growth for 2002-2004 from a positive 2.8 percent to a negative 2 percent. As a result of adverse economic conditions, many small firms have not been profitable since the World Trade Center attacks. A recent study by the Alliance for Downtown New York reported that only 8.4 percent of retailers and 13.7 percent of commercial establishments had applied for the credit. Although some businesses outside of downtown which were forced to relocate are eligible for this credit, the Comptroller's Office estimates that no more than 50 percent of the tax credit will be utilized before it expires at the end of this year. As a result, the benefits from this program will be reduced by half, from $631 million to $315 million.

4. Timing

The timing of the actual flow of Federal funds is critical because of the need to inject funds into the City's economy as rapidly as possible in order to stimulate the growth needed for recovery. Additionally, the longer funding is delayed, the more it is placed at risk by competing Federal priorities.

The timing issues related to the Federal pledge focus on two areas: the transportation funding and the Liberty Zone program.

Of the \$5.1 billion dedicated to transportation, \$4.9 billion has yet to be spent. While relatively small amounts of this funding may be spent on feasibility and engineering studies during 2003 and 2004, most of the funds will not be spent, even under the most optimistic scenarios, until 2005 or beyond. Approximately \$3.1 billion of the \$5 billion initially proposed under the Liberty Zone program will not be realized until 2005 or thereafter. While for both programs the anticipated timeframes are appropriate, funds deployed in this way will not impact the New York City economy in the near term. For this reason, spending should be accelerated in areas where expenditures can take place more expeditiously.

B. RECOMMENDATIONS

Regrettably, there has been no public Federal accounting of the funds pledged to New York City. Given the importance of these funds to the economy of New York City and to the City's capacity to recover from the economic, physical, and social damage caused by the terrorist attacks, it is imperative that New York City and New York State receive the aid that has been pledged. As a result of the risks outlined above, the Federal commitment could fall to \$17.1 billion, unless new action plans are adopted and changes are made to existing programs. At-risk funds should be directed to programs where demand exceeds availability and where the funds can be used now to stimulate the City's economy. Specifically:

- The Federal government must provide a unified and systematic accounting of both the funds pledged and expended and the use of tax credits and accelerated depreciation benefits, so that any shortfall can be identified and unused funds redeployed.

- FEMA must define programs for the \$775 million currently held in reserve and for the \$640 million currently allocated to programs that are not meeting their targets. One of the largest programs that has not used its funds is hazard mitigation, which is intended to reduce the impact of any possible future terrorist attacks. The continuing threat of terrorism underlines the importance of effectively deploying these funds.

- LMDC and ESDC must develop and receive approval for projects to utilize the \$1.2 billion in currently unprogrammed CDBG funds. The potential for these funds to have an immediate impact on the New York City economy should be given substantial weight in decision-making. As efforts to use these funds for job training and promotion of employment have not so far been successful, the criteria for the program should be evaluated to determine if funds can be effectively used to respond to continued high unemployment resulting in part from the impact of the World Trade Center attacks.

- The Liberty Zone program must be re-assessed to ensure that the support intended by the Federal government for workers and businesses in lower Manhattan reaches its intended recipients, and meets their needs. Two years after the attacks, the economy of lower Manhattan remains softer than that of the rest of the City. Many features of the Liberty Zone program do not appear to be meeting their intended goals. The Federal government must:

- Adjust the depreciation-related benefits likely to be lost to area businesses as a result of general changes to the tax code.

- Retarget benefits to small businesses originally intended to be delivered through the Work Opportunity Tax Credit program in more effective ways, modeled on the highly successful Business Recovery Grant program.

- Extend the deadline for issuance of bonds under the Liberty Bond program, and increase the portion of the bonds which can be used to fund residential construction in lower Manhattan from $1.6 billion to $3 billion, in line with demand projections from the Real Estate Board of New York (REBNY). Efforts to ensure the affordability of some of this housing, including the use of CDBG funds to provide subsidies for low-income tenants should be emphasized.

C. CONCLUSION

Two years after the terrorist attacks of 9/11, New York City's economy remains sluggish and continues to suffer from the economic impact of the disaster. Federal aid has been slow to arrive, and a significant portion is at risk of not being realized.

Despite these challenges, New York has taken important strides toward economic recovery. New Yorkers themselves have played a critical role in the process, from the Congressional delegation and other elected leaders, who have been dedicated and effective advocates on behalf of the City, to the residents, merchants, and business leaders who are still working hard to rebuild their lives and livelihoods.

After a disaster of such magnitude, the City needs and deserves the full amount of aid promised by the Federal government. We cannot let bureaucratic deadlines and programmatic inflexibility hinder the City's recovery. To do so would be unfair and simply unacceptable. Adoption of the recommendations in this report would go a long way toward setting the Federal commitment back on course.

Appendix —Impact On Lower Manhattan Jobs, Office and Housing Markets

DOWNTOWN BUSINESSES: IMPACT OF 9/11 AND RECOVERY

This appendix examines the ongoing impact of the 9/11 attacks on jobs, businesses, wages and real estate markets in lower Manhattan.[12] Data for job-related economic variables were available at the zip code level, for all North American Industry Classification System (NAICS) industries.[13] Data for the real estate market were available from numerous commercial sources.

The data indicate that job losses in lower Manhattan continue to be higher than the rest of the City. Rapid action and draw down of Federal funds, as outlined in the Recommendations section of this report are necessary to alleviate the conditions described. The failure to act soon will inhibit the recovery of the City's economy.

Changes in Jobs & Wages for Lower Manhattan

From the fourth quarter of 2000 (Q4 2000) to the fourth quarter of 2002 (Q4 2002), 66,998 jobs were lost in lower Manhattan: 57,109 between Q4 2000 and Q4 2001, and an additional 9,889 in the following year.

Jobs and Wages Q4 2000 – Q4 2001

The job losses from Q4 2000 to Q4 2001 represent a decline of 11 percent, while the average quarterly salary fell by $2,948, a decline of 14 percent, reflecting the large loss of jobs in the finance and insurance sectors. The World Trade Center area lost 26,052 jobs, as a result of 9/11. Chinatown's true losses may not be accurately reflected in the NYS Department of Labor Statistics, because employment may have been significantly under-reported.[14] The 57,000 jobs lost from Q4 2000 to Q4 2001 represent 37 percent of the total jobs lost in NYC during this period. The decline in the number of businesses was approximately 2 percent as shown in Table 12.

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[12] Lower Manhattan is defined as the area encompassed by the sixteen zip codes referred to in the tables. These sixteen zip codes primarily cover Chinatown, SOHO, Tribeca, and the areas south of Chambers Street.

[13] Since industries were reclassified into NAICS only a few years ago, quarterly data for this small region are limited. Without enough points to accurately seasonally adjust the data, the following approach focuses on two sets of year-over-year fourth quarter changes. The fourth quarter was selected because the impact of the attacks on jobs, wages, and the number of businesses was most noticeable in fourth quarter 2001 data. The fourth quarter 2002 information therefore lends itself to a comparison of recovery, without concerns about seasonality in the data.

[14] Chinatown: Most of zip code 10002; Soho and Tribeca: zip code 10013, most of zip code 10012, almost half of zip code 10007 and one-third of zip code 10014; south of Chambers Street: all other zip codes.

Table 12. **Year-Over-Year Changes in Jobs, Wages and Businesses: Q4 2000 – Q4 2001**

Zip Code	Change in Units	Change in Jobs	Change in Avg. Quarterly Salary	% Change in Units	% Change in Jobs	% Change in Avg. Quarterly Salary
10002	71	137	($82)	4%	1%	(1%)
10004	1	(4,993)	($7,564)	0%	(8%)	(19%)
10005	24	(3,396)	($18,583)	2%	(8%)	(42%)
10006	(31)	(4,210)	($2,574)	(3%)	(20%)	(7%)
10007	(27)	(2,747)	$1,061	(2%	(5%)	9%
10012	10	(4,585)	$139	0%	(14%)	1%
10013	110	(3,263)	$276	2%	(3%)	3%
10014	23	(1,415)	($694)	1%	(5%)	(5%)
10038	(11)	(4,381)	$1,311	(1%)	(5%)	9%
10041	(1)	(809)	$4,793	(3%)	(14%)	21%
10048[a]	**(639)**	**(26,052)**	**($28,688)**	**(100%)**	**(100%)**	**(100%)**
10270	0	(183)	$1,540	0%	(3%)	7%
10271	3	524	$13,455	3%	17%	51%
10278	(1)	23	($194)	(6%)	19%	(2%)
10279	3	184	($4,859)	4%	28%	(12%)
10281	(8)	(1,943)	($9,886)	(7%)	(13%)	(22%)
Total	**(473)**	**(57,109)**	**($2,948)**	**(2%)**	**(11%)**	**(14%)**

SOURCE: New York State Department of Labor and New York City Comptroller's Office.
NOTE: Units equal number of businesses.
[a] World Trade Center

As shown in Table 13, the Finance & Insurance sector sustained the biggest job losses (25,087), followed by Professional, Scientific & Technical Services (8,879), Accommodation & Food Services (5,110), and Manufacturing (4,130). Health Care and Social Assistance actually registered significant gains of 2,550 jobs.

Table 13. **Change in Reported Jobs (Q4 2000 – Q4 2001) Ranked By Industry**

Description	Change in Jobs
Finance and Insurance	(25,087)
Professional, Scientific, & Technical Services	(8,879)
Accommodation and Food Services	(5,110)
Manufacturing	(4,130)
Retail Trade	(3,624)
Information	(3,290)
Administrative & Support & Waste Mgmt & Remediation Services	(2,170)
Construction	(1,136)
Public Administration	(1,117)
Transportation and Warehousing	(1,112)
Management of Companies and Enterprises	(1,070)
Wholesale Trade	(844)
Educational Services	(731)
Other Services	(255)
Arts, Entertainment, and Recreation	(239)
Real Estate and Rental and Leasing	(179)
Unclassified	(1)
Health Care and Social Assistance	2,550

SOURCE: New York State Department of Labor and New York City Comptroller's Office.

Jobs and Wages Q4 2001 – Q4 2002

The continuing impact of the World Trade Center attacks on the lower Manhattan economy is evidenced by continuing job losses, wage losses, and declines in the number of businesses in the year following the attack. During this period 9,889 jobs were lost, corresponding to a decline of 2 percent, while the average quarterly salary fell by $1,780, a decline of 9 percent. The decline in the number of businesses was approximately 1 percent, as shown in Table 14.

***Table 14*. Year-Over-Year Changes in Jobs, Wages and Businesses: Q4 2001 – Q4 2002**

Zip Code	Change in Units	Change in Jobs	Change in Avg. Quarterly Salary	% Change in Units	% Change in Jobs	% Change in Avg. Quarterly Salary
10002	19	514	$277	1%	3%	4%
10004	(42)	(1,937)	($7,901)	(3%)	(3%)	(24%)
10005	(53)	(3,312)	($2,243)	(4%)	(9%)	(9%)
10006	(30)	(699)	($861)	(3%)	(4%)	(3%)
10007	(26)	1,903	($1,056)	(2%)	3%	(8%)
10012	(31)	(567)	$939	(1%)	(2%)	7%
10013	(35)	(5,193)	$328	(1%)	(4%)	3%
10014	54	(457)	$572	2%	(2%)	4%
10038	18	4,220	$1,738	1%	5%	11%
10041	(11)	(645)	$1,414	(28%)	(13%)	5%
10048[a]	**0**	**0**	**$0**	**0%**	**0%**	**0%**
10270	(1)	84	($629)	(2%)	1%	(3%)
10271	(5)	(298)	($15,355)	(5%)	(8%)	(39%)
10278	3	285	($147)	19%	201%	(2%)
10279	(2)	231	($6,953)	(2%)	27%	(20%)
10281	(21)	(4,018)	($3,004)	(20%)	(32%)	(8%)
Total Change:	(163)	(9,889)	($1,780)	(1%)	(2%)	(9%)

Source: New York State Department of Labor and New York City Comptroller's Office.
[a]World Trade Center

The Finance and Insurance sector suffered the biggest job losses (10,099), followed by Professional, Scientific and Technical Services (4,362), Manufacturing (2,202), Wholesale Trade (1,311), and Information (1,119). However, there were noticeable gains in some industries. Jobs in Health Care and Social Assistance increased again by 2,163 followed by Public Administration 2,115; Accommodation and Food Services 2,023; Real Estate and Rental and Leasing 1,715; and Administrative and Support and Waste Management and Remediation Services with 1,087. (See Table 15.)

Table 15. **Change in Reported Jobs (Q4 2001 – Q4 2002), Ranked By Industry**

Description	Change in Jobs
Finance and Insurance	(10,099)
Professional, Scientific, and Technical Services	(4,362)
Manufacturing	(2,202)
Wholesale Trade	(1,311)
Information	(1,119)
Management of Companies and Enterprises	(328)
Transportation and Warehousing	(203)
Educational Services	(144)
Arts, Entertainment, and Recreation	238
Construction	255
Unclassified	529
Retail Trade	778
Other Services	778
Administrative and Support and Waste Mgmt & Remediation Services	1,087
Real Estate and Rental and Leasing	1,715
Accommodation and Food Services	2,023
Public Administration	2,115
Health Care and Social Assistance	2,163

Source: New York State Department of Labor and New York City Comptroller's Office.

Lower Manhattan's job losses remain large relative to citywide trends. About 18 percent of citywide job losses were concentrated in lower Manhattan, which had 13.4 percent of the citywide workforce as of the fourth quarter of 2001. (In the aftermath of the attacks, the previous year-over-year changes showed 37 percent of citywide job losses being concentrated in lower Manhattan, which at the time had 14 percent of the City's workforce).

Changes in Lower Manhattan Real Estate Market

Office Market

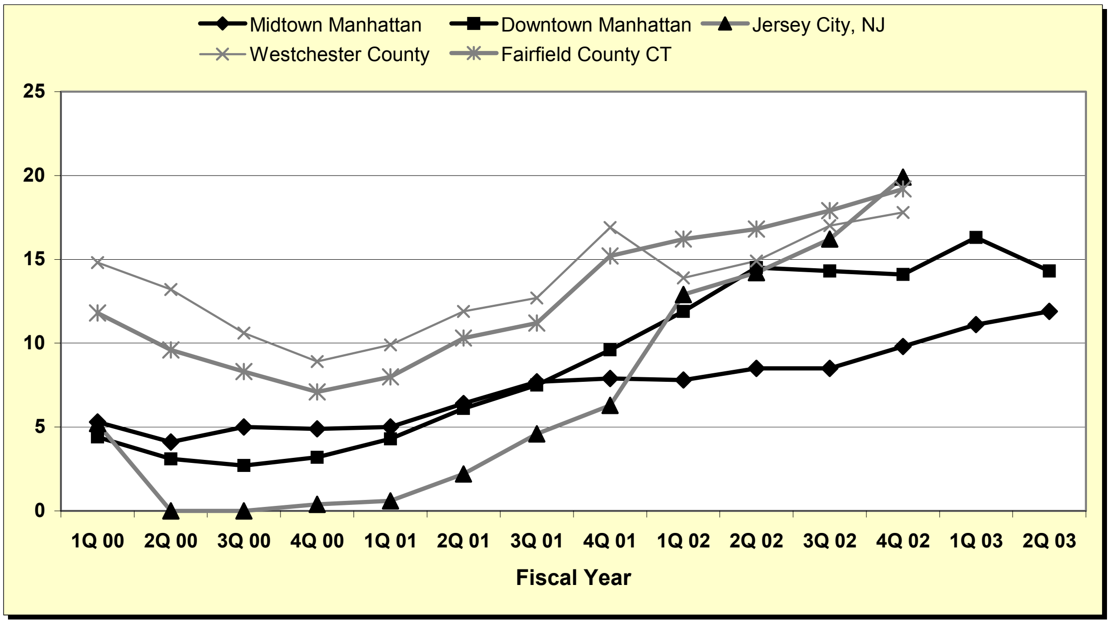
From the first quarter of 2000 through the second quarter of 2003, there has been no significant construction of new commercial office space in Downtown Manhattan.[15] By contrast there has been construction in Midtown Manhattan for every quarter during that period, reaching as much as 10 million square feet under construction in the third quarter of 2001, and holding at 5 million square feet in the second quarter of 2003. The construction of predominantly Class A office space in Midtown Manhattan has occurred despite rising vacancy rates and declining rents. The lack of construction and continued high vacancy rates in lower Manhattan reflect continuing uncertainty about the economic future of lower Manhattan, exacerbated by uncertainty over the timing and final plans for transportation infrastructure and the new office space which will be built to replace what was destroyed in the attacks.

As Chart 1 shows, vacancy rates for Downtown Manhattan, Midtown Manhattan, Fairfield CT, Jersey City NJ, and Westchester have all trended upwards since the fourth

[15] Downtown Manhattan is defined roughly as below 14th Street, encompassing Battery Park City, Greenwich Village, the Financial District, Soho/Tribeca, and the Lower East Side.

quarter of 2000, with vacancy rates Downtown reaching a peak of 16.3 percent in the first quarter of 2003.[16] Vacancy rates for lower Manhattan are generally acknowledged to be understated because of "phantom occupancy"— that is, the relatively large amount of space which is being leased but not used.

Chart 1. *Vacancy Rates for Class A Office Space*

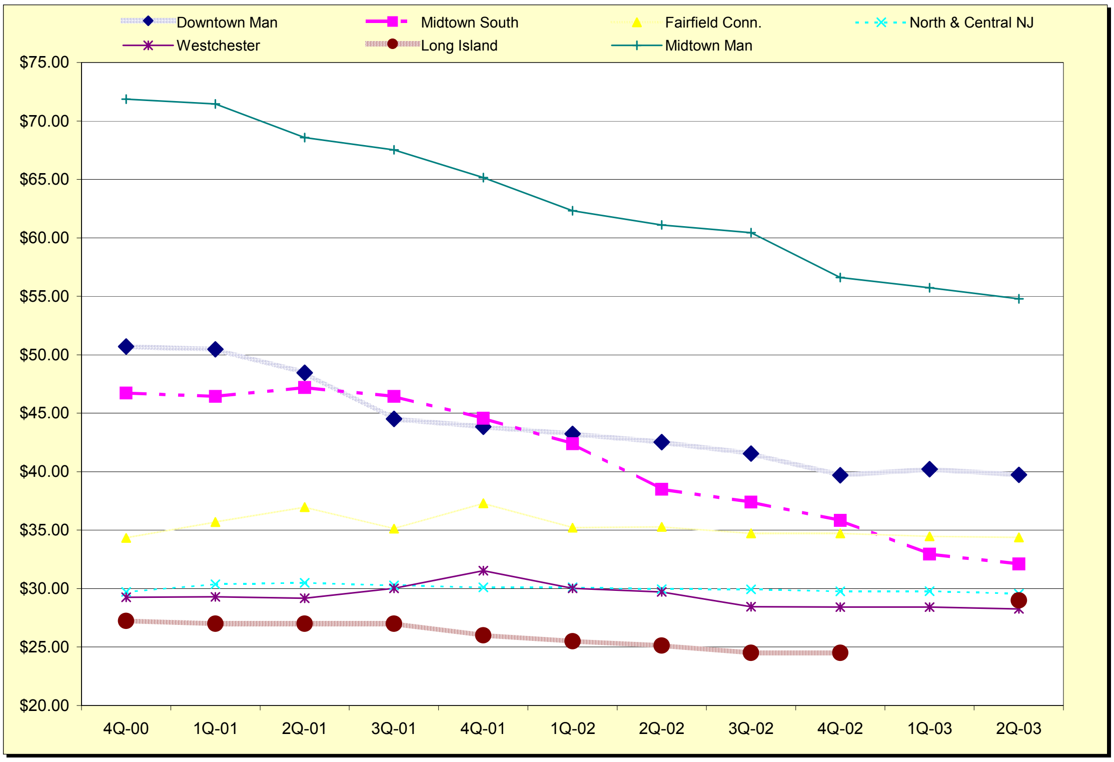


SOURCES: 1. Colliers (1Q 00 to 4Q02). 2. Cushman and Wakefield (1Q03 and 2Q03).

Downtown Class A office rents were in decline almost a year prior to the attacks, and have continued their decline at roughly the same pace, except for a slight gain in the first quarter of 2003. However, from the fourth quarter of 2000 to the second quarter of 2003, downtown rents have become more competitive relative to those seen in Fairfield Connecticut, North and Central New Jersey, and Westchester, and to a lesser extent, Long Island. (See Chart 2.)

[16] Colliers data from 2000 to 2002. Cushman & Wakefield data available only for Manhattan in 2003.

Chart 2. ***Asking Rents for Class A Office Space***



SOURCE: Grubb and Ellis.

Housing Market

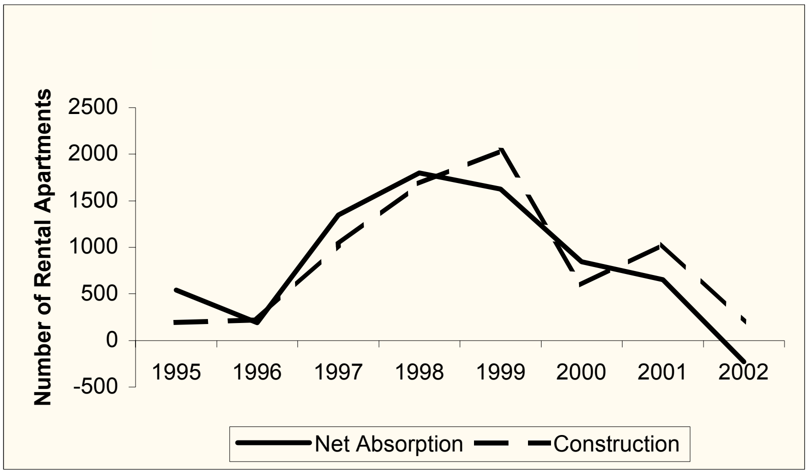
The Downtown housing market has shown greater strength than the office market since the 9/11 attacks. Sales volume has increased significantly, due mostly to favorable mortgage rates. Sales prices have also seen a modest increase.

By comparison, the rental market has been weaker, with post-9/11 vacancy rates soaring as high as two to four times their previous year's rates. There are grounds for cautious optimism in the vacancy rates, however, as the most recent data available, for the first quarter of 2003, shows a 5.4 percent vacancy rate, an improvement over the 6.8 percent level in the first quarter of 2002 as seen below in Chart 4. Market rents, although improving, have not recovered to pre-9/11 levels. Similar trends in residential apartment vacancy rates and rent levels were observed citywide.

Rental Market

From 1995 to 2001, net absorption, or net change of occupied space, of apartments in buildings of 40 or more units in the area below 14th St. remained positive, giving the area one of the lowest vacancy rates in the nation.[17] Then, for the first time in seven years, as shown in Chart 3, net absorption registered negative in year-end 2002.

Chart 3. ***Net Absorption and Construction in Downtown Manhattan***

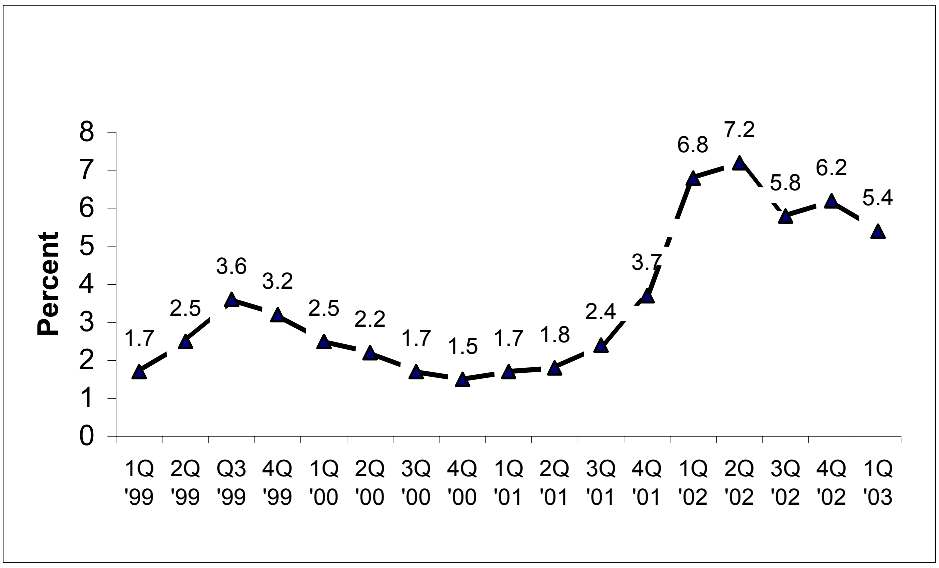


SOURCE: Reis, Inc.

As shown in Chart 4, in the five quarters immediately following September 11th, the average vacancy rate was 2.8 times higher than the average vacancy rate for the previous five quarters. While the economy certainly played a role in increasing the vacancy rates in lower Manhattan, the dramatic and sustained change after the attacks suggest that 9/11 is the dominant factor. Vacancy rates have not recovered to levels observed before 9/11, despite the general decrease in construction delivering new units, and despite Federal incentives.

[17] All data on rental apartments supplied by Reis, Inc. unless otherwise noted. Data includes non-rent controlled units in apartment buildings of 40 or more units.

Chart 4. ***Vacancy Rates***



SOURCE: Reis, Inc.

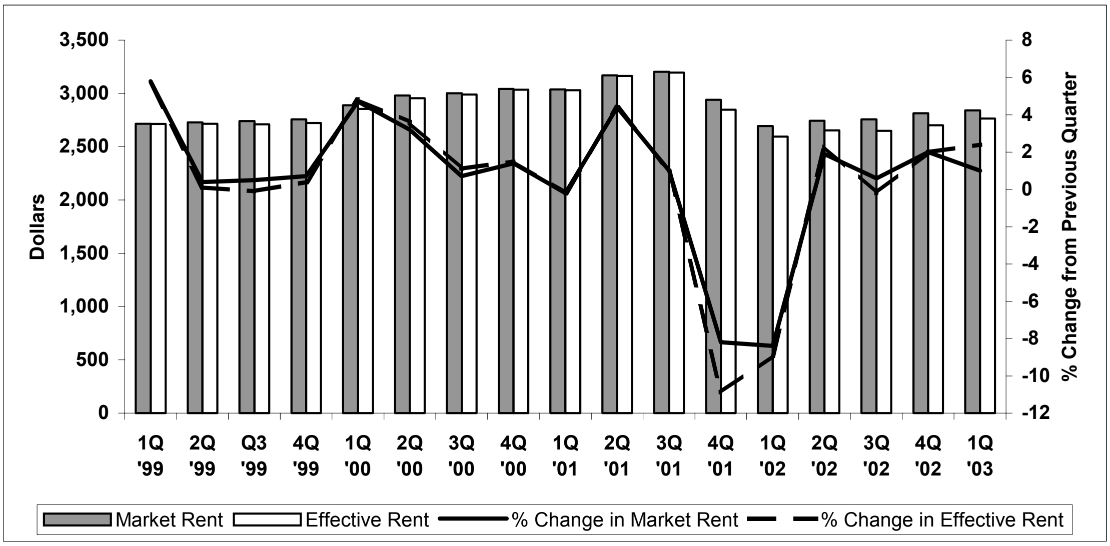
After a 15.9 percent drop from the third quarter of 2001 to the first quarter of 2002, market rents are making a slow recovery from their lowest level since 9/11, as shown in Chart 5.[18] Immediately following September 9/11, some landlords let existing tenants break leases, and then offered rent breaks of up to 25 percent.[19] They also began offering months of free rent.[20] Effective rent is the average monthly market rent less the average monthly rent concessions over the lease term. Both increased from 2000 through the third quarter of 2001 when rents were at their peak

[18] In the opinion of some experts in the industry, market rents for downtown Manhattan have not demonstrated significant seasonality for most of the 90s through the first half of 2001. Hence the data in Chart 5 was not seasonally adjusted.

[19] *Daily News* (New York) September 12, 2002 by Eric Herman. "New York's Downtown Real Estate Has Rebounded in Year since Sept. 11 attacks."

[20] *New York Times*, January 25, 2003 by Charles V. Bagli. "In Land of Vacant Apartments, a Renter's Market."

Chart 5. ***Market and Effective Rents***



SOURCE: Reis, Inc.

Lagging absorption and occupancy indicators by a quarter, rent levels fell in the fourth quarter of 2001 and again in the first quarter of 2002. However, rent was also quicker to recover than occupancy, with average rent increasing since the second quarter of 2002. The biggest difference between market and effective rent is seen in the fourth quarter of 2001, right after September 11th. The gap continued through the first quarter of 2003 as both market and effective rent increased at roughly the same rate. The smallest gap was seen with the most up-to-date data of the first quarter of 2003, an indicator of the increasingly robust rental market. Nevertheless, rents have not recovered to peak pre-9/11 levels.

Sales Market

The downtown sales market, roughly below 14th Street and encompassing Battery Park City, Greenwich Village, the Financial District, Soho/Tribeca, and the Lower East Side, remained strong in the wake of September 11th. However, the submarkets closest to the site of the World Trade Center have not performed as well. For the Downtown area in general, 2002 annual sales volume was 83 percent greater than 2001 sales volume, while the average sale price increased by 4 percent during the same period as shown in Table 16.[21]

[21] All data on sales supplied by Douglas Elliman Manhattan Market Overview prepared by Miller Samuel Inc., unless otherwise noted. Data includes condos and co-ops, which constitute the majority of the residential sales market. Chinatown was not included as a neighborhood because data were only developed for areas that have enough transactions to measure.

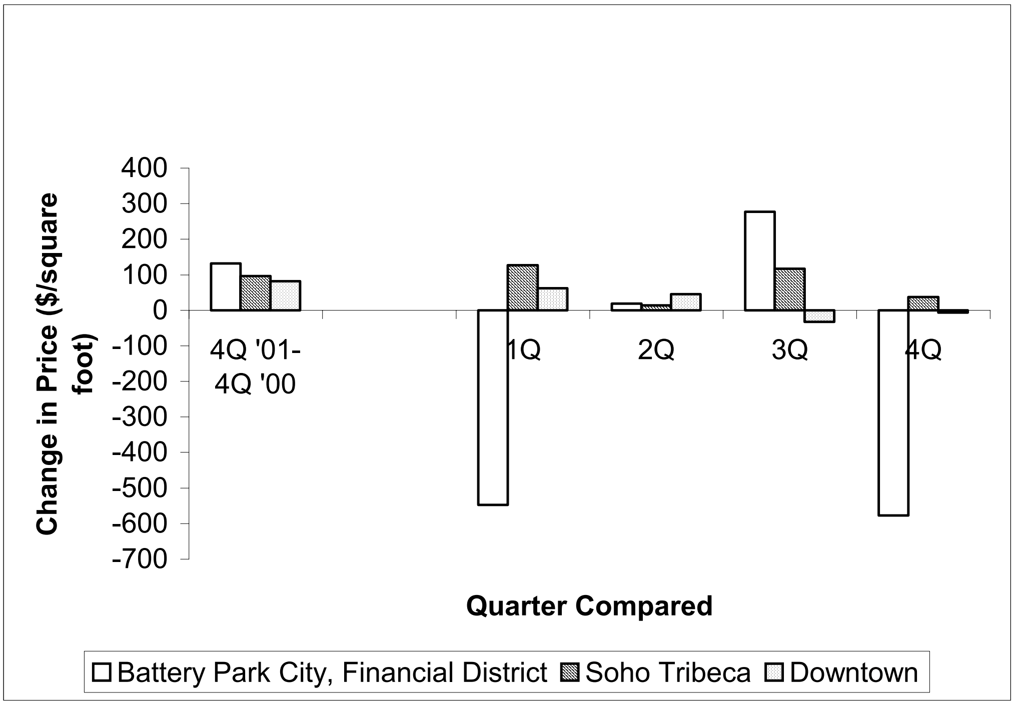
Table 16. **Year-Over-Year Percent Change in Downtown Housing Statistics 2001-2002**

	1Q	2Q	3Q	4Q	1st Half	2nd Half	Annual
Rent ($/unit)	(11%)	(13%)	(14%)	(4%)	(12%)	(9%)	(11%)
Sales ($/Square Foot)	11%	8%	(6%)	(1%)	10%	0%	4%
Sales Transactions	21%	138%	(9%)	154%	81%	85%	83%

SOURCE: "Douglas Elliman Manhattan Market Overview", Miller Samuel Inc.
New York City Comptroller's Office

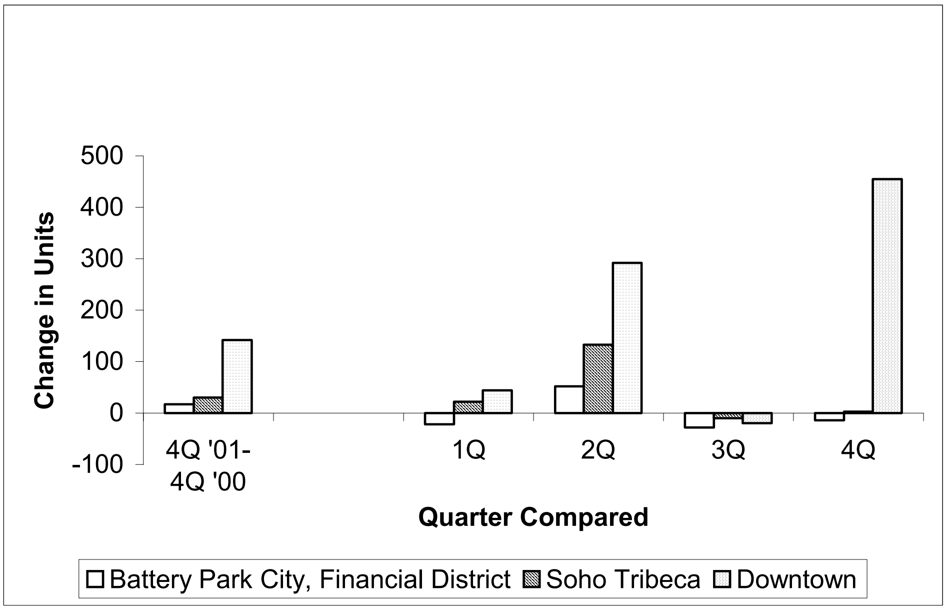
A neighborhood sales breakdown reveals that the Battery Park City and Financial District submarket, the area closest to the attacks, has not enjoyed the same level of year-over-year increases in price and volume as the overall Downtown area. In terms of price, Soho and Tribeca have generally shown bigger increases than the Downtown average, as shown in Chart 6, but Battery Park City and the Financial District again rarely perform as well as the area average. A case in point is the 4th quarter difference between 2002 and 2001. Whereas the Downtown area experienced a sizeable sales volume increase, volume in Battery Park City and the Financial District actually fell, as Chart 7 illustrates. The price decrease in those areas was also more drastic than the modest Downtown average.

Chart 6. ***Change in Sales Price, 2001 - 2002***



SOURCE: "Douglas Elliman Manhattan Market Overview", Miller Samuel Inc.
New York City Comptroller's Office

Chart 7. ***Change in Sales Volume, 2001 - 2002***



SOURCE: "Douglas Elliman Manhattan Market Overview", Miller Samuel Inc.
New York City Comptroller's Office

Conclusion

Buyers have been more willing to make the investment Downtown, while new renters have not been as eager to occupy apartments. Rent levels would have fallen further except for Federal aid programs, such as FEMA's Mortgage and Rental Assistance program and LMDC's Residential Grant Program, as well as rent concessions from owners offering incentives for current and potential tenants as a result of the events of 9/11. The Downtown area is being increasingly occupied by the younger population segment who respond quicker to interest rates and who are not as apprehensive about location issues.[22] On the supply side, several construction projects have been slated for the area, financed by Liberty Bonds.

However, the deadlines of both residential assistance programs have already passed, and uncertainty surrounds the state of business relocation and transportation projects downtown. A temporary PATH station re-linking the World Trade Center site to New Jersey is expected to open later in 2003. Since jobs bring in renters and buyers, it remains to be seen whether the market can keep up the gains in occupancy and absorption over the past year and a half, despite job losses, and recover to pre-9/11 strength.

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[22] The Financial Times Limited. *Financial Times* (London) May 17, 2003 by Eric Uhlfelder. "Battery Park Shakes off the Dust." Corcoran, Inc.

Glossary

BRG	Business Recovery Grants
CDBG	Community Development Block Grant
ESDC	Empire State Development Corporation
ETAP	Employment Training Assistance Program
FEMA	Federal Emergency Management Agency
FHA	Federal Highway Administration
FTA	Federal Transportation Administration
G.O.	General Obligation
HUD	United States Department of Housing and Urban Development
JCRP	Job Creation and Retention Program
JFK	John F. Kennedy International Airport
LMDC	Lower Manhattan Development Corporation
MRA	Mortgage and Rental Assistance
NAICS	North American Industry Classification System
NYCHDC	New York City Housing Development Corporation
NYCIDA	New York City Industrial Development Agency
NYSHFA	New York State Housing Finance Agency
NYSLDC	New York State Liberty Development Corporation
PA	Port Authority
REBNY	Real Estate Board of New York
RGP	Residential Grant Program
SBA	Small Business Administration
SFARG	Small Firm Attraction and Retention Grants
WOTC	Work Opportunity Tax Credit