



LOWER MANHATTAN DEVELOPMENT CORPORATION

in partnership with

EMPIRE STATE DEVELOPMENT

and

NEW YORK CITY ECONOMIC DEVELOPMENT CORPORATION

Partial Action Plan S-1

for

New York Firms Suffering Disproportionate Loss of Workforce

Partial Action Plan S-1 is CLOSED.

All funds allocated to this activity identified below have been spent.

Overview

The Lower Manhattan Development Corporation (LMDC) has prepared the following Partial Action Plan with regards to the \$783 million federal appropriation administered by the United States Department of Housing and Urban Development (HUD) for damaged properties and businesses (including the restoration of utility infrastructure) as well as economic revitalization related to the terrorist attacks at the World Trade Center. LMDC received a separate \$2 billion federal appropriation through HUD for the World Trade Center disaster recovery and rebuilding efforts. This plan details the proposed expenditure of \$33,000,000.00 of the \$783 million to fund the following items:

1. Business Recovery from Disproportionate Loss of Workforce totaling up to \$33,000,000.00.
2. Program administration activities totaling up to \$0.00.

To date, HUD has approved four Partial Action Plans allocating approximately \$836 million to LMDC. On June 7, 2002, HUD approved the Partial Action Plan calling for the expenditure of approximately \$306 million for the Residential Grant Program, the Employment Training Assistance Program, the Interim Memorial Program, and Administration and Planning. This Partial Action Plan was amended on September 25, 2002. On November 22, 2002, HUD approved the Partial Action Plan for Business Recovery and Economic Revitalization calling for the expenditure of an additional \$350 million for the WTC Business Recovery Grant Program, the Small Firm Attraction and Retention Grant Program, and the Job Creation and Retention Program. On June 14, 2003, HUD approved the Partial Action Plan calling for the expenditure of approximately \$24 million for Cultural and Community Development. On August 6, 2003, HUD approved the Partial Action Plan calling for the expenditure of approximately \$156 million for Short-Term Capital Projects, Long-Term Planning, and Supplemental Funds for Business

Recovery. Versions of these Plans with public comments and responses thereto are available on the LMDC web site: www.RenewNYC.com. Future partial action plans will detail the projected expenditure of the remainder of funds available from the \$2 billion appropriation and will be subject to a public comment period with later submission to HUD.

The Lower Manhattan Development Corporation (LMDC) has prepared the following Partial Action Plan with respect to the \$783 million federal appropriation to the United States Department of Housing and Urban Development (HUD). This Partial Action Plan allocates \$33 million of the \$783 million appropriation to provide recovery assistance to Lower Manhattan firms that suffered a disproportionate loss of their workforce as a result of the September 11 attacks and retain or re-establish operations in New York City. The balance of \$750 million is addressed in a separate partial action plan issued for public comment on May 28, 2003.

This plan details LMDC's proposed expenditure of \$33 million of that appropriation to fund a program to assist businesses in Lower Manhattan that suffered disproportionate loss of life as a result of the attacks on September 11, 2001. The program will be administered by Empire State Development (ESD), New York State's economic development agency in cooperation with the New York City Economic Development Corporation (EDC).

| Partial Action Plan Activities | Allocation from \$783 million |
|---|--------------------------------------|
| Business Recovery from Disproportionate Loss of Workforce Program | \$33,000,000.00 |
| Program Administration | \$0.00 |
| Total | \$33,000,000.00 |

Any change greater than 5% in the funding committed to a certain activity, the addition or deletion of any activity, or change in the designated beneficiaries of an activity constitutes a substantial amendment and such amendment will be available for public review and approval by HUD.

National Objective

The Lower Manhattan Development Corporation is a subsidiary of the New York State Urban Development Corporation d/b/a Empire State Development created in December 2001 to oversee the rebuilding and revitalization of Lower Manhattan. The activities contained in this Partial Action Plan have been designed to meet community and development needs resulting from the September 11th World Trade Center disaster. These activities have particular urgency because LMDC has determined that existing conditions pose a serious and immediate threat to the health or welfare of the City of New York and the individual residents of the City and other financial resources are not available to meet such needs.

Public Comment to the Partial Action Plan

This Partial Action Plan allocates funds to the Business Recovery from Disproportionate Loss of Workforce Program.

This Partial Action Plan was made available to the public for public comment from May 28, 2003 to June 12, 2003. Comments were accepted by posted mail and electronic mail. The Partial Action Plan Draft for Public Comment was translated into Chinese and Spanish. LMDC placed advertisements inviting public comment on the draft plan in major New York City English, Spanish, and Chinese-language daily newspapers and weekly community newspapers serving lower Manhattan. In addition, the text of the draft plan was made available on LMDC's web site (www.RenewNYC.com).

LMDC delivered copies of the partial action plan to over 25 civic and neighborhood-based organizations throughout Lower Manhattan - including locations in Chinatown and the Lower East Side, such as Chinatown Manpower Project, Asian Americans for Equality, Chinese Consolidated Benevolent Association, the Lower East Side Business Improvement District, the Educational Alliance, Community Boards 1, 2, and 3, and several local library branches. LMDC also sent the documents electronically in three languages to nearly 200 LMDC Advisory Council members, representing a broad array of stakeholders including residents, small business owners, and neighborhood organizations, in addition to 12 other organizations, such as Henry Street Settlement, University Settlement, and others. Copies of the Partial Action Plan were also delivered to the offices of every state, city, and federal elected official who represents all or part of Lower Manhattan south of Houston Street.

LMDC received four public comment submissions relating to Partial Action Plan S-1 (\$33 million). These comments came from two elected officials, one civic group, and one business located in Lower Manhattan.

The responses to comments received during the comment period have been incorporated into this Partial Action Plan as Submitted to HUD and are reviewed in section II below.

I. Business Recovery from Disproportionate Loss of Workforce Program

Program Objectives

The primary objective of this program is to assist Lower Manhattan firms that lost a disproportionate share of their workforce due to the attacks of September 11, 2001. While such firms may have qualified for other forms of economic recovery and revitalization assistance offered under other HUD funded Action Plan programs, this program recognizes that such disproportionate loss impacts a firm's ability to survive and recover beyond the other forms of assistance previously offered. It is the primary objective of this program to ensure the stabilization and recovery of such disproportionately impacted firms.¹

The secondary objective of this program is to assist in the economic revitalization of New York City, by ensuring that these disproportionately impacted firms retain, resume or relocate their operations and employment in New York City.

Program Eligibility

Firms eligible for assistance under this program must meet the following criteria:

- 1) As of September 11, 2001, the business had operations in the Restricted Zone (as defined below as the eligible area) and, through its own operations or the operations of its affiliates, has continued business operations, or resumed business operations within New York City.
- 2) As a result of the September 11, 2001 attacks, the business suffered a loss of life equal to at least six permanent employees AND at least 20% of its permanent workforce OR at least 50 permanent employees located in New York City.
- 3) At the time of a contract for award from this program, the business, through its own operations or the operations of its affiliates, must have maintained or returned a New York City workforce equal to at least 50% of its New York City workforce on September 10, 2001, after the loss of life suffered in the attacks has been deducted.
- 4) The business must operate as a for-profit entity or a not-for-profit organization established under Sections 501(c), 501(e), 501(f), 501(k), 501(n) or 521(a) of the Federal Tax Code.

Eligible Area

Firms eligible for assistance under this program must have operated from business premises, located in Manhattan on or south of Canal Street on and before September 11, 2001.

Program Award Criteria

Eligibility under this program does not imply entitlement to a specified grant. ESD/EDC will divide the entire \$33 million in assistance among the eligible firms by weighing, in combination, the following factors:

¹ The federal appropriation provided \$33,000,000 "to assist those firms located in New York City at the time of the terrorist attacks which suffered a disproportionate loss of its workforce and who intend to re-establish their operations in New York City."

1. Magnitude of Employee Loss: the total number of employees lost as a result of the September 11, 2001 attacks.
2. Proportionality of Employee Loss: the percentage of the firm's New York City workforce lost as a result of the September 11, 2001 attacks.
3. Current Location of Eligible Firm Within New York City: if at least 50% of an eligible firm's Lower Manhattan² workforce as of September 10, 2001, less its lost employees, have resumed working in Lower Manhattan as of May 15, 2003, the overall weighting factor will be increased by 10%.

Each eligible company will be assigned an overall weighting factor based on the number of employees lost multiplied by the percentage of the firm's New York City workforce lost. The portion of the program funds available for each company will equal each company's overall weighting factor as a percentage of the sum of all of the eligible companies' weighting factors.

Application

Eligible firms must file a completed application for program assistance to include the following:

- 1) Application cover form, completed and signed
- 2) Documentation of the firm's location within the Restricted Zone on and before September 10, 2001.
- 3) Documentation of employment including:
 - i) total New York City workforce as of September 10, 2001
 - ii) employees that lost their lives as a result of the September 11, 2001 attacks
 - iii) current New York City workforce at the time of application

Application Submission and Deadline

The deadline for application to this program will be established as 30 days from the date on which HUD grants final approval of this Partial Action Plan which date will be indicated on the version of this plan as approved by HUD and posted on LMDC's web site in the Funding Initiatives section.

Eligible firms wishing to receive application materials should contact:

WTC Special Appropriation for Disproportionate Loss Grant Program
c/o Strategic Business Division
Empire State Development Corporation
633 Third Avenue
New York, NY 10017
Telephone: 212/803.3128

Grant Recapture

If the grantee fails to maintain at least 50% of the New York City employment level agreed to at the time of award contract for a period of three years, ESD will request repayment of the award.

² Manhattan, South of Canal Street in New York City

II. Public Comments and Responses

This section describes the comments received from the public following the release of this proposed Partial Action Plan. The following section details the comments and responses relating to the draft Partial Action Plan, after it was released for public comment from May 28, 2003 through June 12, 2003.

LMDC received four public comment submissions relating to Partial Action Plan S-1 (\$33 million). These comments came from two elected officials, one civic group, and one business located in Lower Manhattan, listed below.

The comments are summarized in bold, with responses following.

One commenter suggested that the value of each of the lost lives to the firm's survival be taken into account in determining the amount of assistance that a firm would receive.

This program was developed in accordance with a federal appropriation that recognizes the impact of the lost lives on a firm's operations only in terms of its overall magnitude and proportion of the firm's workforce ("disproportionate loss of its workforce"). Therefore, the action plan's award criteria does not include the role or recognized value of any individual employee.

One commenter, a firm eligible for assistance under this program and a recipient of a WTC Job Creation & Retention Program grant, suggested that a firm's economic impact be considered in determining the amount of assistance an eligible firm would receive.

The scope of this program is limited to the extent of a firm's disproportionate loss of life. Other HUD financed programs in place since 2002 and administered by New York State and City have based their assistance, to a large degree, on the business magnitude and economic impact of the eligible firms. These programs include: the WTC Business Recovery Grant Program and the WTC Job Creation and Retention Grant Program. Over sixty-seven percent of the firms expected to be eligible for the Disproportionate Loss of Workforce program have been offered assistance under the aforementioned HUD programs.

One commenter, a Lower Manhattan firm eligible for assistance under this program and a recipient of a WTC Job Creation & Retention Program grant, suggested that a firm's return to Lower Manhattan should positively weigh on the amount of assistance an eligible firm would receive.

The federal appropriation from which this program was developed expressed a "strong desire to support the redevelopment of the areas of New York City affected by the [Sept. 11] attacks." Since Lower Manhattan was most affected by the attack, the program's award criteria has been amended to take into account those firms that already had a majority of its employees back in Lower Manhattan as of May 15, 2003, the date LMDC's Board of Directors approved the Action Plan. The program award criteria's weighting factor will be increased by 10% for those firms that have already re-established operations in Lower Manhattan.

One commenter, a financial services firm eligible for assistance under this program, suggested that financial service firms receive a higher weighting factor in determining the award amount than firms in other industries. The commenter justified its suggestion based on the vital market liquidity role the financial services industry plays as well as the industry's disproportionately high contribution to New York City's overall fiscal health.

The federal appropriation from which this program was developed does not identify a specific industry for additional assistance. Of the firms expected to be eligible under this program, over ninety percent are financial services firms. Therefore, the additional weighting suggested by the commenter would have little impact on the assistance level that each eligible firm receives.

Three commenters suggested that the eligibility requirement of at least 6 permanent employees lost in the attacks be eliminated in order allow small firms that lost at least 20% of their workforce in the attack be eligible for assistance.

Several hundred companies lost employees on September 11, 2001. All of those losses were significant. However, these funds were meant for those very few firms, which suffered losses far in excess of those suffered by the larger Lower Manhattan community. This may be best measured by looking at both the absolute number and the proportion of a firm's employees that lost their lives. On an absolute basis, we understand that the greatest such disproportionate loss was suffered by the firms (and their surviving employees) that lost more than 5 employees. Companies that lost more than 5 employees represent just over 10 percent of the companies that lost employees, but 85 percent of the total loss of life. Even among this population, though, some were impacted far more dramatically than others -- a number of these firms have several hundred or even several thousand employees. Accordingly, we have additionally required that the loss of life also represent 20 percent of a firm's employment, or that the firm's losses exceed an increased threshold of 50 employees. We believe, without minimizing the impact of the attack on every company that lost employees, that these limitations clearly distinguish those firms that were most severely affected, as is our mandate under the federal law authorizing this funding.

One commenter said that the grant allocation factor was too subjective.

The amount of assistance available to an eligible firm is a direct calculation based on the following inputs:

A = The number of employees a company lost as a result of the attack

B = The percentage of the firm's New York City workforce lost as a result of the attack

Calculation of Assistance:

“Company Y” Assistance = \$33 million x $\frac{(A \times B)^* \text{ for Company Y}}{\text{Sum } (A \times B)^* \text{ for all eligible companies}}$

* (A x B) is increased by 10% for those firms that have already returned at least 50% of its pre-9/11 workforce (less its workforce loss) to South of Canal Street.

One commenter suggested that “full-time equivalent” employees should be counted as “full-time” employees for purposes of determining an eligible firm’s employment level.

For the purposes of determining the number of employees for each eligible firm, all full-time and part-time permanent employees on the payroll of the firm will be considered.

Commenters to the Draft Partial Action Plan

Alan J. Gerson, Council Member, 1st District of Manhattan
Jerold Nadler, Member of Congress, 8th District of New York
Euro Brokers Inc.
From The Ground Up