

LOWER MANHATTAN DEVELOPMENT CORPORATION

IN COOPERATION WITH THE STATE OF NEW YORK AND THE CITY OF NEW YORK

PARTIAL ACTION PLAN

The Lower Manhattan Development Corporation (LMDC) has prepared the following Partial Action Plan with respect to the \$2 billion federal appropriation to LMDC through the U.S. Department of Housing and Urban Development (HUD). This plan details the proposed expenditure of \$302 million for the following items:

1. Housing Assistance Program totaling up to \$277 million. Initial criteria for this program were released for public comment and the present program incorporates modifications and clarifications based on the comments received.
2. Employment Training Assistance Program totaling up to \$10 million. Initial criteria for this program were released for public comment and the present program incorporates modifications based on the comments received.
3. Design and installation of the interim memorial for victims of the September 11th World Trade Center attack and the 1993 World Trade Center bombing totaling up to \$350,000.
4. Planning, administration, and overhead costs totaling up to \$14.4 million.

Any change in the funding committed to the activities identified in this Partial Action Plan that is greater than 20% will constitute a substantial amendment and such amendment will be made available for public comment and approval by HUD.

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 submission to HUD thereafter.

| Action Plan Categories | Allocation from \$2 billion |
|---|------------------------------------|
| Housing Assistance Program | \$277,000,000 |
| Employment Training Assistance Program | \$10,000,000 |
| Design and Installation of Interim Memorial | \$350,000 |
| Administration and Planning | \$14,367,500 |
| Total | \$301,717,500.00 |

National Objective

The activities contained in this Partial Action Plan have been designed to meet community development needs having particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the City of New York where other financial resources are not available to meet such needs.

Public Comment Period

LMDC is seeking public comment on the Partial Action Plan which outlines the use of \$302 million out of the \$2 billion federal appropriation to LMDC through HUD. This Partial Action Plan will be submitted to HUD for approval following the close of the public comment period.

Comments must be received no later than 5:00 PM local time on April 23, 2002. Comments may be submitted via e-mail to LMDC@empire.state.ny.us or by mail to:

The Lower Manhattan Development Corporation
Invitation for Public Comment
Partial Action Plan
c/o Empire State Development Corporation
P.O. Box 4438
Grand Central Station
New York, NY 10017

To obtain a copy of the Plan, visit www.nylovesbiz.com, www.renewnyc.com or call 1-800-ILOVENY to hear a list of locations where the Plan can be obtained.

Partial Action Plan

This plan offers several forms of assistance to individuals affected by the World Trade Center disaster. First, the plan recognizes the hardship and quality-of-life disruption suffered by individual residents of lower Manhattan since September 11th. Second, the plan creates economic incentives for individuals to rent or purchase housing in the downtown area. Finally, the plan provides job training assistance to affected individuals to help prepare them for employment at companies in lower Manhattan.

The plan acknowledges that an array of government and private sector programs have already been established to provide assistance to individuals. It does not attempt to provide assistance for needs that are already being met through such sources. Instead, it focuses on those forms of residential and job-training assistance that are not currently available.

Existing programs for individuals impacted by the World Trade Center disaster include:

Government Programs

Victim Compensation Fund. The fund provides economic compensation to families and dependents of victims of the September 11th attack in lieu of pursuing a civil case for damages. The program is intended to provide victims' families with compensation equal to the likely lifetime earnings of the victim and for pain and suffering without the delay normally encountered in seeking damages through the judicial system. Payments from collateral sources, such as insurance and pensions, are deducted from the calculated amount before distribution to the claimant.

Housing Assistance. The Federal Emergency Management Agency's (FEMA's) Disaster Housing Program makes funds and services available to individuals whose homes are uninhabitable because of a disaster. Funding has been provided to affected households for alternate rental housing and to clean residences.

Low-Interest Loans. The Small Business Administration (SBA) offers low interest loans to eligible individuals to repair or replace damaged property and personal belongings not covered by insurance.

Cash grants. A maximum grant of \$14,800 (adjusted annually for inflation) is available under the state-administered Individual and Family Grant program. Individuals who do not qualify for a loan from the SBA may be eligible for these grants from the state to recover unmet necessary expenses and serious needs, including medical, dental, and funeral expenses that are incurred as a result of the disaster. FEMA funds 75% of the grant program's eligible costs with the remaining 25% of the program's eligible costs provided by the state.

Veterans Benefits. The Department of Veterans' Affairs provides death benefits, pensions, insurance settlements and adjustments to home mortgages for veterans.

Tax Refunds. The Internal Revenue Service allows certain casualty losses to be deducted on federal income tax returns for the year of the loss or through an immediate amendment to the previous year's return.

Unemployment Benefits. Disaster unemployment assistance and unemployment insurance benefits are funded by the United States Department of Labor and distributed through the state unemployment office. Individuals receiving such unemployment benefits may also receive retraining vouchers worth \$4,000 to enhance their employability.

Private Sector Programs

Private charities have collected approximately \$2 billion to assist individuals affected by the disaster. These charities provide funds to the families of victims, as well as assistance to those living or working in the area who suffered as a result of the World Trade Center disaster.

Among the charities providing assistance are:

The American Red Cross will spend \$850 million to help impacted individuals. Programs supported by the Red Cross include:

- Assistance to families of deceased, missing or seriously injured. The Red Cross provides financial assistance for up to one year, as well as food, clothing, utilities, mortgage or rent payments, childcare, tuition, medical bills, funeral and memorial service costs. The Red Cross will also provide future supplemental grants of \$45,000 per estate, and future need-based assistance for dependents, extended families, and non-traditional family members of up to \$15 million.
- Financial support for displaced residents, economically impacted individuals and disaster responders. To date, the Red Cross has provided \$270 million for this purpose.
- Long-term services, such as support and referrals for mental health care, uncovered health care, and family services. The Red Cross will provide approximately \$80 million for this purpose.

The September 11th Fund of the United Way of New York City and the New York Community Trust has raised \$456 million for assistance to victims, families and communities. Programs supported by the September 11th Fund include:

- Cash assistance to those who were seriously injured and surviving families (\$10,000) and those who were displaced from their home or job (\$2,500).
- Grants to providers of health care and mental health care who serve those affected by the disaster.

The Twin Towers Fund has collected approximately \$150 million to provide assistance to families of uniformed services members who lost their lives as a result of the disaster. The fund provides: surviving spouses, \$75,000; next of kin where no surviving spouse is present, \$50,000;

surviving children aged 23 or younger, \$25,000; surviving children aged 24 or older, \$10,000. All heads of household (surviving spouses) will receive additional \$10,000 payments.

The New York State World Trade Center Relief Fund raised more than \$56 million to assist families of victims of the World Trade Center Disaster. The fund provides grants of:

- \$10,000 to surviving spouses and domestic partners;
- \$5,000 to surviving children age 21 or younger and those older than 21 who received at least 50% of their financial support from the victim;
- Parents of victims where no surviving spouse, domestic partner or children are eligible for an award receive \$10,000; and
- Other individuals receiving at least 50% of their financial support from the victim, where there is no other eligible survivor receive \$10,000.

NOTE: For more information on existing individual aid programs, please contact the Federal Emergency Management Agency (FEMA) at 1-800-462-9029 (TTY for the speech- or hearing-impaired: 1-800-462-7585). FEMA's website offers information on assistance available through multiple existing sources: <http://www.fema.gov>

Public Comment

The Draft Assistance Plan for Individuals was made available to the public on February 21 and was followed by a twenty-day period during which LMDC accepted public comment on the plan. Over 1,100 individual comments were received, in addition to over twenty comments submitted by organizations and public officials. The overwhelming majority of comments received were related to the Housing Assistance Program. An in-depth analysis of LMDC's response to the comments received will appear as the final section of this Partial Action Plan.

Based on a thorough review of the comments by a sub-committee of the LMDC Board of Directors, the full Board adopted modifications to the Draft Plan on April 9, 2002.

This Partial Action Plan will also be made available for public comment as required by HUD. LMDC is seeking public comment on the Partial Action Plan which outlines the use of \$302 million out of the \$2 billion appropriated to LMDC through HUD. This Partial Action Plan is being made available on the web site www.renewnyc.com. It will be available for public comment and review from April 11, 2002 through April 22, 2002. Comments must be submitted in writing and will be received by mail or e-mail. Comments may be submitted in English, Spanish, or Chinese. All comments must be received by 5:00 PM local time on April 22, 2002. Information about the public comment period and inviting such public comments will be made available in advertisements in newspapers throughout the area. The Partial Action Plan will be submitted to HUD after the public comment period.

Housing Assistance Program

Background

The World Trade Center disaster had an immediate negative impact on the housing market in lower Manhattan, which has resulted in a significant increase in vacancy rates. The residents of lower Manhattan, particularly in the area south of Chambers Street and west of Nassau and Broad Streets including Battery Park City (“Zone 1”), face a number of concerns regarding the effects of the attack such as quality of life issues, transportation issues, and the disruption caused by ongoing construction that will be necessary to rebuild lower Manhattan. As part of the recovery process, the economic impact of many of these issues is being addressed through existing grant programs administered by FEMA, as well as recovery efforts by other Federal, State and City agencies. Unfortunately, the lower Manhattan housing market remains depressed despite the efforts that are being made in the area.

The United States Housing Market Conditions Regional Activity Report issued by the Department of Housing and Urban Development reported that lower Manhattan rental rates were down approximately 10 to 15%. In December, occupancy rates were reported to be about 70%, with some buildings as low as 50%. Many tenants were reported to have broken their leases. Others successfully obtained rent reductions from their landlords.¹

Battery Park City’s occupancy rate fell to 60% after the disaster.² Battery Park City’s occupancy rate was at 74% a few weeks after the Draft Assistance Plan for Individuals was released for public comment.³

Owner-occupied housing saw a similar downturn in the aftermath of the attack. Many residents have sold their condominiums or co-operative apartments in lower Manhattan because of the same concerns facing tenants in the area. In addition, real estate analysts report a decreasing interest in purchasing owner-occupied housing in lower Manhattan.

Lower Manhattan’s residential population is essential to the continued viability of the area’s businesses. Increased housing vacancy rates have a significant negative impact on the area’s economic recovery. Increasing vacancies in the rental and owner-occupied housing market begin a downward economic cycle, reducing business activity, which in turn makes housing in the area less attractive. Development of an effective program to encourage individuals to remain in, or move to, housing in lower Manhattan will require the creation of significant incentives to encourage individuals to renew existing leases, sign new lease agreements or purchase residential units. Without such a program, the perceived disadvantages of lower Manhattan as a housing location will continue to adversely impact the area’s housing market and commercial activity.

¹ “As Economy Slumps, Even Manhattan Rents Fall,” New York Times, December 20, 2001, page 1.

² “New Residents Moving to Lower Manhattan,” New York Times, March 26, 2002, page B5.

³ “Lure of Grants Draws Tenants to Areas Hurt by Attack,” New York Times, March 12, 2002, page B1.

Area Characteristics

The population of the area south of Canal Street is diverse. Approximately half of the area's residents live within walking distance of their place of employment. Residential income characteristics reflect the area's industry mix, which includes a significant number of financial service businesses, small manufacturers (including garment producers), retailers, and providers of professional and personal services. For example, residents of the area east of Broadway and south of Canal Street have a median household income that is lower than the area west of Broadway, which is characterized by relatively high household incomes.⁴

The area of lower Manhattan adjacent to the World Trade Center had been attractive to urban professionals because of the presence of the major transportation hub at the World Trade Center, and a major shopping area located at the World Trade Center and the World Financial Center. These attributes were complimented by the presence of attractive residential units in locations like Battery Park City and TriBeCa. In TriBeCa alone, more than 5,000 units were converted to housing from other purposes in the 1990's.

Criteria for Assistance

This program offers substantial financial incentives to offset the perceived and real disadvantages of a lower Manhattan location. To encourage individuals to sign or renew leases, or purchase housing, in lower Manhattan, the following is proposed:

1. Rental units and owner occupied housing within Zone 1 (defined as the area south of Chambers Street and west of Nassau and Broad Streets -- including all buildings which face on those streets -- and the entirety of Battery Park City) will be eligible for a grant of 30% of the monthly rent (or mortgage payments, plus maintenance costs and real estate and related taxes for purchased units), up to \$12,000 over two years. To provide maximum benefit to lower income individuals in the area, the Plan provides a minimum grant of \$4,000 per assisted unit over two years. However, no residents will receive grants in excess of their total two year payments.
2. Rental units and owner occupied housing within Zone 2 (defined as the area outside Zone 1 but South of Canal Street and Rutgers Street, including all buildings which face on those streets) will be eligible for a grant of 30% of the monthly rent (or mortgage payments plus maintenance costs and real estate and related taxes for owner occupied units), up to \$6,000 over two years. To provide maximum benefit to lower income individuals in the area, the Plan provides a minimum grant of \$2,000 per assisted unit over two years. However, no residents will receive grants in excess of their total two year payments.
3. Eligible rental units and owner occupied housing within Zone 1 whose household includes one or more children under age 18 at the date of their application will be eligible for an additional family grant of \$1,500.

⁴ The area east of Broadway and South of Canal Street has a median household income of \$40,000, below the Metropolitan Statistical Area median family income of \$62,800. In contrast, the median household income for the entire area west of Broadway and South of Canal Street (the area closest to the attack site) was approximately \$125,000.

4. Eligible rental units and owner occupied housing within Zone 2 whose household includes one or more children under age 18 at the date of their application will be eligible for an additional family grant of \$750.
5. For rental housing, all grantees described in Items 1 – 4 above, must meet the following criteria:
 - Payments will be made available to:
 - (a) New tenants who enter into at least a two-year lease effective after the commencement date of the program and whose lease term begins prior to or on 6/01/03.
 - (b) Existing tenants who entered into at least a two-year lease effective prior to the commencement date of the program and whose lease term expires after 5/31/03.
 - (c) Existing tenants whose lease term ends prior to 6/01/03 will be eligible for payments under the program upon the renewal of their lease for at least a two-year term.
 - To be eligible for the program, the rents paid by tenants in categories (a) and (c) may not be more than the following:
 - In Zone 1 -- 90% of pre-9/11/01 rates for the same rental unit, plus applicable increases for rent-stabilized and rent-controlled units.
 - In Zone 2 -- 95% of pre-9/11/01 rates for the same rental unit, plus applicable increases for rent-stabilized and rent-controlled units.
 - These rates do not apply to newly constructed units, units subject to vacancy deregulation, and other rent regulated units that become unregulated.
 - Going forward, these rates may be adjusted to reflect market conditions.
 - Renegotiated leases where the term of the lease is or has been renegotiated will only be eligible if their term expires at least two years after the effective date of the renegotiated lease or at least two years after the date the renegotiated lease was executed, whichever is later.
 - The tenant must occupy the unit for which assistance is provided.
 - Existing tenants must show that their rental payments are up to date (or have otherwise been lawfully placed in escrow).
 - Payments under the program will be made directly to eligible tenants for up to two years. One grant will be made per housing unit.

- Additional eligibility criteria regarding health, safety, and habitability of buildings may be applied.
6. For owner occupied housing, all grantees described in items 1 – 4 above must meet the following criteria:
 - Payments will be made available to:
 - (a) Existing owners who agree to remain for two years after the commencement date of the program.
 - (b) For new owners who purchase after the commencement date of the program and prior to 5/31/03 and who agree to remain for at least two years.
 - Only owner-occupied residences will be eligible for assistance. Owners who lease out their residences will not be eligible for this assistance, but their tenants will be eligible pursuant to Item 5. See Item 9 for possible exceptions.
 - Existing owners who have completed the payment of their mortgages will be eligible for a grant of 50% of maintenance costs and real estate and related taxes, up to the maximum amounts of \$12,000 or \$6,000.
 - Existing owners will be required to show that mortgage, maintenance and real estate and related tax payments are current (or have otherwise been lawfully placed in escrow).
 7. Special criteria may apply to units leased or owned for residential purposes by corporations, universities, and other designated institutions. These units will only be eligible for grants described in Item 1 and Item 2.
 8. Buildings will be certified, i.e. determined to be in compliance with the rules of this program, for its housing units to be deemed eligible.
 9. Other abatements and subsidies may be factored into the determination of eligibility and the calculation of grant amounts.

One-Time Grant Per Housing Unit for September 11, 2001 Residents: Points 10 & 11

10. Existing residents in rental units and owner occupied housing in Zone 3 (defined as the area north of Canal Street, south of Delancey or Kenmare Streets, and east of Lafayette Street in Manhattan, including all buildings which face on those streets with the exception of Canal Street) who resided in Zone 1, Zone 2 or Zone 3 on 9/11/01 will be eligible for a one-time grant of \$1,000. One grant will be made per current housing unit. Residents who have relocated within the eligible zones will be eligible for this grant. Zone 3 housing units are not eligible for the other grants offered to Zone 1 and Zone 2 in this housing assistance program.

11. Existing residents in rental units and owner occupied housing in Zone 1 and Zone 2 who resided in Zone 1, Zone 2 or Zone 3 on 9/11/01 will be eligible for a one-time grant of \$1,000, regardless of whether they meet the criteria set forth in Item 5 and Item 6. Residents who have relocated within the eligible zones will be eligible for this grant. One grant will be made per current housing unit and would be in addition to any grant awarded pursuant to the criteria set forth in Item 5 and Item 6.

Estimated number of units included in the program:

- Housing units in Zone 1: 9,361
- Housing units in Zone 2: 22,052
- Housing units in Zone 3: 16,141

Estimated program cost: Up to approximately \$277,000,000.

Administration of the Housing Assistance Program

LMDC will contract with one or more entities to provide administrative services in connection with this Housing Assistance Program. The program administrator(s) and the LMDC staff will establish specific guidelines for the program based generally on the criteria for the Housing Assistance Program in the Partial Action Plan.

Employment Training Assistance Program

Background

An array of job training programs is being provided through existing workforce development programs to help individuals affected by 9/11 obtain basic skills needed for employment in the New York City area. For example, New York State has received a \$25 million National Emergency Grant from the federal government to provide job training, placement services, career counseling, resume preparation and access to job banks to individuals impacted by the attack. The grant, provided through the New York State Department of Labor to 14 organizations offering these services, will help workers dislocated as a result of the tragedy transition back into the workforce.

In addition, unemployed individuals can receive training vouchers valued at \$5,000 through the Workforce Investment Act for training that prepares them for jobs that are in occupations in high demand.

However, to be effective in specific employment settings, new and existing employees often require specific skills not taught in traditional classroom training programs. The customized training needed by individuals for their particular jobs involves special preparation, often in on-the-job settings, in the use of proprietary work or production techniques.

Plan for Assistance

This program will provide grants to train current and prospective employees of businesses and not-for-profit organizations in the area south of 14th Street. Such grants will prioritize individuals affected by 9/11, providing them with the skills they need to succeed at the specific work processes found at those businesses.

1. Assistance will be in the form of grants to businesses and not-for-profit organizations south of 14th street. These grants will be used for training and retraining for skills specific to these businesses'/not-for-profit organizations' and employees' needs.
2. Eligible firms must employ fewer than 500 people.
3. The maximum benefit will be 50% of eligible training costs.
4. Groups of small firms (so-called training consortia) will be eligible applicants, and could receive a fee of up to 5% of training costs for administration.
5. Up to \$10 million will be allocated through this Plan.
6. This program will provide assistance to approximately 5,000 individuals.⁵

⁵ ESD estimate

Administration of the Employment Training Assistance Program

The Employment Training Assistance Program will be administered by the Empire State Development Corporation.

Interim Memorial

The Lower Manhattan Development Corporation will provide funding for the design and installation of the interim memorial for victims of the September 11th World Trade Center attack and the 1993 World Trade Center bombing. It is located in a section of historic Battery Park known as Eisenhower Mall, near Bowling Green and adjacent to Hope Garden. The centerpiece of the memorial is "The Sphere for Plaza Fountain," a monument to fostering world peace that sat atop a granite fountain in the center of the 5-acre World Trade Center Plaza. The Sphere is framed on either side by a row of trees and park benches.

The LMDC Board and staff worked closely with representatives of victims' families, area residents, and city and state officials to design the plan for the interim memorial and to identify an appropriate site. A team consisting of LMDC, city and state planners, engineers and architects prepared the site and installed the interim memorial. Extensive preparation of the site was necessary to support The Sphere. Preparation of the site included landscaping, the installation of decorative stones, and the construction of structural supports to hold The Sphere in place.

Program cost is up to \$350,000.

Planning and Administration

With the creation of the Lower Manhattan Development Corporation, New York State and The City of New York have established a coordinating vehicle for recovery and rebuilding efforts in Lower Manhattan. LMDC has secured facilities and staff that will provide planning, administration, and management services related to the recovery and rebuilding efforts. In addition, LMDC will oversee and monitor the program administration by others of the Housing Assistance Program and the Employment Training Assistance Program described in this Partial Action Plan. HUD has authorized the use of up to 5% of the proposed expenditure, equaling approximately \$14.4 million, for costs associated with these planning, administration, and management activities, which includes such additional items as outreach, overhead, and research.