

Bush Administration Approves \$700 Million Grant to Help Rebuild Lower Manhattan

By **ROBERT PEAR**

WASHINGTON, Feb. 2 — The Bush administration said today that it had approved a \$700 million grant for New York State to help rebuild Lower Manhattan, create jobs and revive businesses devastated by the terrorist attack on the World Trade Center.

The secretary of housing and urban development, Mel Martinez, said the money would be released next week, after Congress reviews the spending plan. The money is being provided through the Community Development Block Grant program.

"It's the largest single grant in the history of our department," Mr. Martinez said in an interview. "We worked hard to get it out as quick as we could. The focus is on economic development, with a particular emphasis on small business."

Of the \$700 million, \$396 million is earmarked for loans and grants to small businesses. The next largest portion, \$250 million, is to provide incentives for companies to stay in Lower Manhattan or relocate there.

New York could, for example, provide a loan or a grant to a company that signs a long-term lease or agrees to hire a certain number of workers.

State officials estimate that the attack disrupted more than 10,000 businesses and displaced 377,000 workers, forcing many relocations. Some investment banks and law firms moved to Midtown or to New Jersey.

Federal officials said the grant also included \$25 million for planning and design and up to \$14 million for administrative costs.

Senator Charles E. Schumer, Democrat of New York, praised the Bush administration for moving quickly to release the money, provided in an appropriations bill signed by President Bush on Nov. 26.

"It's really vital to the city's future, and it will have a big bang for the buck," Mr. Schumer said. "It could be the difference between life and death for many small businesses and nonprofit organizations, and it will help the city retain larger businesses."

Federal housing officials said they expected to approve another Community Development Block Grant

for New York within two months. It would provide \$2 billion for similar purposes. But before approving that grant, a federal official said, the Bush administration must resolve "a lot of controversial issues," including the amount to be provided as cash assistance to individuals and the amount to be spent on housing.

In the days after the terrorist attack, Mr. Bush said the federal government would provide \$20 billion in aid to New York, and he reaffirmed that pledge last month. But so far, Mr. Schumer said, the federal government has come up with only \$11.2 billion. That sum includes the two community development grants, as well as money spent on disaster assistance by the Federal Emergency Management Agency.

Senator Hillary Rodham Clinton, Democrat of New York, said the \$700 million was "just a down payment" on what was needed to revive the city's economy and keep residents and businesses in Lower Manhattan. She and other New York lawmakers said they would press for more federal aid.

Recognizing that New York's problems were unlike those spawned by any other disaster, Congress allowed the administration to waive laws and rules that usually apply to the community development grants. For example, federal law says that at least 70 percent of the money in a community development grant is to be used for activities that benefit people with low or moderate incomes. Secretary Martinez said he

had waived that requirement.

"Lower Manhattan certainly doesn't fit that profile," he said.

Under a normal grant, a state must distribute the federal money to local government agencies, which then spend it on various activities. Administration officials waived this requirement, so that Gov. George E. Pataki and the state government can, if they wish, carry out such activities directly in New York City.

Mr. Pataki unveiled a proposal for spending the money in December. The proposal for use of the \$700 million was devised jointly by state and city officials, with advice from citizens and businesses affected by the Sept. 11 attack. But they have not reached a consensus on what to do with the trade center site.

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