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HUD on verge of granting NY federal payday

Downtown eagerly awaits $700 million for business help; more on the way

BY PHILIP LENTZ

The Bush and Pataki administrations are close to an agreement that will lead to the release of $700 million earmarked for downtown businesses hurt by the World Trade Center attack.

Officials say the state will likely get the money in the next week or so. The funds are the first installment of what could be as much as $2.7 billion for lower Manhattan companies.

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The Bush administration approved the $700 million in early November. But the funds have been held up pending negotiations between the Empire State Development Corp. and the U.S. Department of Housing and Urban Development over rules governing how the money is spent.

That has prompted grumbling from business advocates that the Pataki administration has been slow to come up with a plan for spending the funds. They fear that without quick action, more and more companies will abandon downtown, creating a business spiral that will be difficult to reverse over the short term.

"We hope the money will be used to help give businesses a good financial reason to stay downtown, especially during the next several months when commuting is tough for their employees and when the quality of life is not what it was pre-Sept. 11," says Carl Weisbrod, president of the Alliance for Downtown New York, the business improvement district for lower Manhattan.

A spokesman for the Empire State Development Corp. says the talks with HUD are going smoothly and money could reach businesses as early as late next month.

Setting up flexible spending ground rules has been difficult because the source of the money—HUD's Community Development Block Grant program—is typically used to help build low-income housing, not to generate open-ended business development.

Congress allowed HUD to

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waive its low-income requirements, but let the agency write the rules overseeing the lower Manhattan funds.

"HUD is designed to be an agency that helps more with housing and residential development," says one Pataki official. "That's what the waiver process is all about."

Toward the displaced

Pataki aides are reluctant to discuss exactly how the funds will be used until their plan wins HUD approval. But it is likely the money will be directed toward companies displaced or otherwise affected by the Sept. 11 attack, and for incentives to persuade companies to stay downtown or move to lower Manhattan.

The funds also may be used as incentives to persuade displaced companies to stay in New York City, though not necessarily downtown. Such a move could be controversial.

The governor's plan could resemble a proposal from Mayor Rudy Giuliani to give grants of up to $10,000 per employee to businesses displaced by the attack. The mayor's plan also would offer bridge loans to firms waiting for loans from the federal Small Business Administration, as well as grants to companies to make up for physical damages not covered by insurance.

New firms, too

"It's for displaced companies and companies that were damaged or destroyed by the attack, as well as for new companies moving downtown," says Kathryn Wylde, president of the New York City Partnership and Chamber of Commerce.

Some have urged that the funds also be used to help maintain downtown's nascent residential community. "Residents were an important part of the revitalization that had taken place before Sept. 11," Mr. Weisbrod says.

> Some urge that funds also be used to help the residential community

Eventually, the $700 million will be distributed by the Lower Manhattan Redevelopment Corp., a new state agency created to oversee downtown rebuilding. But it will take several months for LMRC to become operational, so ESDC, its parent agency, will handle the initial disbursements.

This week, Congress is likely to add $2 billion to the money available to help businesses as part of an overall New York aid package. The $2.7 billion is part of President George W. Bush's original commitment of $20 billion to help New York.

Sens. Charles Schumer and Hillary Rodham Clinton continue to seek federal tax breaks and assistance amounting to about $5 billion to help downtown companies and residents. The senators say their plan is to help revive the economy and is designed to be in addition to the $20 billion. ■

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