

World Trade Center Economic Recovery: Rebuilding the Economy of Lower Manhattan



A Report to Empire State Development

Prepared by



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The story of the World Trade Center economic recovery is one of commitment and sacrifice. Countless public and private sector professionals contributed time, energy, and spirit far beyond what could reasonably have been expected to aid those suffering economic hardship. It is to these individuals that we dedicate this report.

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EXECUTIVE SUMMARY

The unprecedented death and destruction wrought by the attacks of September 11th, 2001 were accompanied by tremendous panic and confusion in Lower Manhattan's business sector along with the entire downtown community. Lower Manhattan businesses were devastated in physical, economic, and human terms. The sudden dislocation and disruption of thousands of businesses and the collapse of demand among residents, workers, firms, and tourists reduced output, employment, and income generation, and dealt a devastating blow to a city economy already reeling from job loss.

Not only its scale, but its locus in the densely populated urban area that was home to the financial district, made this disaster unique in terms of economic impact. With the world's most critical financial center and the primary driver of both the city's and state's economies in shambles, federal disaster relief agencies found themselves strapped for resources and overwhelmed by needs of a magnitude that had not been imagined in their conception.

In the four years since the attack of September 11th, every organization that played a role in the recovery effort has likely reflected on its level of preparedness and the effectiveness of its response. Empire State Development (ESD), New York State's economic development agency, felt a particular obligation to examine its role at the center of the broad, complex effort to restore economic activity to Lower Manhattan. ESD, together with a host of partners, immediately began to identify and coordinate resources and to design and implement programs aimed at fostering business recovery. This report provides an historic record of its economic recovery activities, describes the design and

implementation of programs conceived to promote economic recovery, and recommends actions that should be taken to improve the federal approach to economic recovery. Its focus is on the activities of ESD; while looking at intergovernmental issues, it does not examine the long-term planning and recovery activities of the Lower Manhattan Development Corporation (LMDC) nor the business lending programs of the Federal Small Business Administration, New York City, and other community-based organizations involved in addressing the economic disaster.

Emergence of a Lead Agency

Although no more prepared than any other state for an eventuality the likes of 9/11, New York had developed more emergency capacity than many. Its State Emergency Management Office (SEMO) had initiated a number of programs to meet its responsibility for coordinating activities to protect New York communities from natural, technological, and manmade disasters.

Empire State Development enjoyed a number of organizational strengths that supported its eventual role as leader of the economic recovery effort.

- ▶ *Flexibility.* Its quasi-public status afforded ESD greater flexibility than a purely public/civil service agency to conduct business in innovative ways and to respond quickly and creatively to the crisis at hand with programs tailored to the prevailing circumstances.
- ▶ *Experience designing and implementing financing programs.* ESD had an impressive track record of providing a wide range of business financing and

technical assistance programs to companies of all sizes and had in place management systems to operate such programs on a large scale.

- ▶ *Dual locations in New York City and Albany.* Maintaining offices in both Albany and New York City afforded valuable redundancy of physical infrastructure and communications capability.
- ▶ *Technological capacity.* Thanks to significant investments in technology made prior to 9/11, ESD possessed unusually strong communications and data-processing capacity for a state government agency.
- ▶ *Strong research capacity.* Being responsible for developing and analyzing policies and strategies for economic development throughout New York State, ESD's Division of Policy and Research was well positioned to craft strategies to respond to the economic devastation.
- ▶ *Preexisting relationships with business and community-based organizations.* Because its staff had cultivated many contacts in New York City's real estate and corporate communities, ESD enjoyed a high degree of credibility with the private sector.
- ▶ *Strong leadership and professional culture.* ESD benefited from the leadership skills of its chairman, widely credited with setting high standards for the organization and establishing a cohesive management team and a cadre of longtime key staff.

Initial Recovery Efforts

ESD's attempt to mount economic recovery efforts had to overcome a somewhat distant relationship with the New York City Economic Development Corporation (EDC)

and, prior to September 11th, limited experience with federal economic development programs, notably those administered by the Department of Housing and Urban Development (HUD) and the Small Business Administration (SBA). These two federal agencies were to play prominent roles in the state's economic recovery efforts.

ESD recognized that the state had to provide some form of immediate assistance for the thousands of companies dislocated and thousands more facing sudden financial crises. Initial business outreach efforts included deploying a crisis intervention team to work one-on-one with the largest affected companies and setting up walk-in and call centers. Being a business- and customer-oriented organization, ESD was the logical entity to create the call center. ESD staff knew what the issues were and who could conceivably be brought in to help. The initial cohort of volunteers recruited by ESD to staff the phone line was comprised principally of its own staff and staff from other state agencies.

One of ESD's first actions was to develop a marketing and promotional campaign aimed at bringing business and tourism back to New York City. The campaign, implemented in October 2001, was funded with \$20 million from the state of New York and \$20 million from the Port Authority of New York and New Jersey.

ESD also developed two direct financial assistance programs as part of its immediate recovery effort:

- ▶ *Retail Recovery Grant Program.* ESD provided grants to retailers south of Houston Street with fewer than 500 employees. Grant amounts were equivalent to three days of lost revenue up to a maximum of \$10,000. These grants were provided through early

December 2001. EDC developed a similar program for non-retail firms.

- *Bridge Loan Program.* ESD and EDC jointly administered a program that funded a 20 percent loan loss reserve for loans made by private or nonprofit community-based lenders to “bridge” borrowers’ eventual receipt of SBA disaster recovery loans.

High among ESD’s early concerns was the need to ensure that critical businesses, especially large employers unable to locate adequate space within New York City, did not move out of state on a permanent basis. Some larger companies had already relocated in temporary space or consolidated their operations outside of the city, in many cases outside of the state. Competing jurisdictions such as New Jersey and Connecticut hoped to retain some of these businesses.

ESD knew that to assist companies in need of a temporary or permanent new home, it needed good real-time information on the New York City real estate market. Realizing that its existing real estate database would be inadequate, the Strategic Business Division (SBD) turned to proprietary databases managed by commercial real estate firms. SBD staff members were assigned sets of companies from a list of the major dislocated employers to work with individually on such emergency issues as access to files and computers and major infrastructure concerns.

Meanwhile, the Policy and Research Division in Albany and New York City was working to assess impact by business and industry type as well as get a sense of the overall scale of impact. Updated and refined as additional data became available, its estimates proved, even in the face of considerable uncertainty, to be surprisingly

accurate over time, and measurably assisted the development of appropriate programmatic responses. As ESD began to draw up an Action Plan for the lead federal agency, these estimates became even more critical as supporting documentation.

ESD’s relatively large and sophisticated research operation played a critical and early role in the recovery effort. The policy division included a team that could do cost-benefit modeling, manage large data sets, and track industries by sector. In short, there was a preexisting knowledge infrastructure that had or could quickly obtain and analyze the data needed to organize an effective economic response, both short- and long-term.

Programs for the Longer Term

By September 12th, officials in Albany, New York City, and Washington, had begun to discuss what role the federal government would play in the recovery effort. By early November, state and city negotiations with federal authorities had culminated in the allocation of an initial \$700 million in federal business recovery funds to be provided through the Department of Housing and Urban Development’s Community Development Block Grant (CDBG) Program. CDBG funding, a more flexible tool than alternative federal funding sources, could be used to provide both grants and loans and could be moved quickly into state hands. An unspecified additional amount was later to be made available from a \$2 billion allocation to the newly established Lower Manhattan Development Corporation (LMDC). With the amount and source of initial federal funding established, ESD staff worked throughout November and early December to shape the Action Plan to be submitted to HUD. By mid-December the outlines of that plan had emerged.

ESD's business recovery strategy had from the outset two overarching goals: (1) to get financial assistance into the hands of cash-strapped small businesses quickly to ensure their survival, and (2) to retain the major employers that were critical to the downtown's long-term stability. In addition, the federal appropriation of \$2 billion to LMDC specifically set aside \$500 million for small business assistance. With large infusions of federal funding, state and city officials launched an ambitious effort to move from short-term stabilization measures to longer-term retention incentives.

ESD outreach to link area businesses with available assistance took a number of forms. A call center and three walk-in centers were established to address specific emergency needs of affected businesses and make them aware of available resources. An aggressive advertising and direct marketing effort targeted affected businesses.

ESD developed and deployed the following economic recovery programs with federal support.

- ▶ *Business Recovery Grant programs (BRG1 and BRG2).* Successive Business Recovery Grant (BRG) programs compensated businesses for economic losses that resulted from physical damage to property, business interruption, or loss of customers occasioned by the events of 9/11.
- ▶ *Job Creation and Retention Program (JCRP).* This program provided incentives for companies south of Canal Street with more than 200 employees to remain and create jobs.
- ▶ *Small Firm Attraction and Retention Grant Program (SFARG).* This program awarded grants to small businesses considered at risk of relocation that committed to remain in or relocate to

Lower Manhattan for a five-year period. Grants were scaled to employment.

- ▶ *Business Recovery Loan Program (BRLP).* This program allocated funds to community development financial institutions that made loans to small businesses and nonprofit organizations that committed to remain in New York.
- ▶ *Technical Assistance Program.* This program awarded grants of as much as \$250,000 to enable community-based nonprofit and trade organizations to provide an array of assistance to affected small businesses.
- ▶ *Employee Training Assistance Program (ETAP).* This program awarded grants to businesses and nonprofits with 500 or fewer total employees to cover the cost of employee training.

ESD focused the design of these new initiatives on the macro economy, that is, preservation of downtown's economic base. ESD and EDC staff shared the belief that the long-term economic survival of smaller businesses hinged on the continued strength of key downtown economic sectors.

Program Accomplishments

By late 2004, ESD's business recovery programs had provided the following levels of assistance:

- ▶ *Retail Recovery Grant Program.* RRG supplied grants totaling \$13.6 million to 3,034 firms in the initial three months after the disaster.
- ▶ *Bridge Loan Program.* Ten participating lenders, six banks and four community-based organizations, made 998 loans totaling \$33.4 million.
- ▶ *Business Recovery Grant Program.* BRG provided grants totaling \$556 million to 14,311 firms, representing 70 percent of the small businesses in Lower

Manhattan. Total employment at assisted firms was 161,252.

- ▶ *Job Creation and Retention Program.* As of September 30, 2004, 75 awards totaling \$268 million (average grant award \$3.9 million) had been approved. Recipient businesses had committed to retaining 59,957 jobs in Lower Manhattan and creating 6,691 new jobs downtown.
- ▶ *Small Firm Attraction and Retention Grant Program.* As of August 2004, \$58.1 million in grants had been disbursed to 1,713 firms.
- ▶ *Business Recovery Loan Program.* Through the program's conclusion on August 2004, BRLP lenders made 638 loans totaling \$41.05 million (average loan amount \$64,335) to 573 businesses employing 4,346 people.
- ▶ *Technical Assistance Services Grant Program.* Twenty-three organizations were awarded grants of as much as \$250,000. Counting matching funds and in-kind services expended by providers, total program expenditures exceeded \$8.6 million.
- ▶ *Employment Training Assistance Program.* As of July 2004, ten businesses had been awarded \$226,809 in grants.

Surveys and interviews of ESD assistance recipients indicate a generally high degree of satisfaction with program administration.

In addition to the short-term, quantifiable accomplishments, ESD's economic recovery efforts also promise significant long-term "qualitative" impacts including building the economic development capacity of community-based organizations; improved relationships with the city and federal governments; and strengthened relationships with major employers.

Key Findings

Prior to September 11th, 2001, relatively little attention had been paid to the resources needed for economic and business, as distinct from physical or environmental, recovery from an attack of the World Trade Center disaster's magnitude. As the country struggles to address the continuing threat of terrorism and large scale natural disasters, local, state, and federal leaders should consider the key findings and lessons learned from the story of New York's struggle to recover from the economic devastation of 9/11.

Governmental Roles and Relationships

KEY FINDINGS

- ▶ The established federal approach to disaster recovery through FEMA was not designed to respond to the scale and scope of the economic crisis related to the September 11th attacks.
- ▶ The very quick decision by the federal government to put ESD in a leadership role minimized potential "turf issues" and facilitated a quick response.
- ▶ The various statutes governing the use of federal funds were often a poor fit for the needs of businesses and the plight of their owners.
- ▶ The process of negotiating necessary waivers from federal agencies delayed implementation of federally-funded assistance programs.
- ▶ Although substantial, federal funding commitments for business recovery did not fully compensate businesses for their losses.
- ▶ Federal requirements that ESD maintain records on the income level of assisted employees added to the administrative burden and were irrelevant to the primary objective of providing disaster relief to businesses.

- ▶ The degree of cooperation and collaboration among agencies, especially local organizations in New York City, was a remarkable and encouraging phenomenon.
- ▶ Separate administration of jointly funded or similarly structured state/city programs proved inefficient. At the same time, initial efforts aimed at greater coordination might also have impeded important, pragmatic “seat of the pants” efforts that made a difference in how quickly some businesses were helped.

LESSONS LEARNED

- ▶ Avoid over-reliance on the federal government for business recovery efforts. Maintain an inventory of relevant state and local resources and develop state and local business recovery plans for rapidly deploying resources in the event of a disaster.
- ▶ Work to develop strong intergovernmental relationships at the outset to identify where integration and/or delegation are politically and administratively feasible, and to focus on areas of collaboration that are most likely to succeed.
- ▶ Ensure that economic development agencies have adequate information technology and communications capacity, good backup systems, and some redundancy.
- ▶ Encourage economic development agencies to maintain comprehensive business databases with key business characteristics and contact information. Maintain a current inventory of available telecommunications capacity and commercial and industrial real estate to support large-scale business assistance.
- ▶ Arrange for normally restricted government data sources to be accessible during declared emergencies; use

geocoding and GIS software to facilitate impact mapping.

Management of the Recovery

KEY FINDINGS

- ▶ ESD exhibited early, strong, well-informed, and decisive management of the recovery process.
- ▶ Developing effective customer assistance mechanisms and a case management approach was important to guiding applicants through the application process.
- ▶ The enormous commitment of public sector employees who worked well in excess of their normal hours on the economic recovery was critical.
- ▶ ESD was highly effective in its business outreach efforts. ESD effectively used a range of creative tools to get the word out to the business community.
- ▶ A number of inherent characteristics of ESD proved to be important in the agency’s recovery efforts. These included facility redundancy, strong preexisting culture of leadership, stability and teamwork, and high capacity in the areas of staffing, technology, and research.
- ▶ Good information obtained by skilled research staff and the development of database and information systems proved critical to the overall design, implementation, and management of the recovery.
- ▶ ESD focused its response on activities that could be implemented very quickly, with limited resources. Its priority was getting resources out rapidly to a large number of businesses.
- ▶ Coordination between ESD, the philanthropic community, and the private sector was not as strong as it might have been.

- ▶ ESD primarily depended on its internal business and financing expertise in designing its programs.

LESSONS LEARNED

- ▶ Move some money as quickly as possible to businesses in crisis. Be pragmatic and creative; seize opportunities.
- ▶ Develop and immediately publicize outreach mechanisms such as call centers and walk-in centers.
- ▶ When developing program budgets and management plans, anticipate the likelihood of a surge in applications near the deadline.
- ▶ Establish a system for accepting and logging donations.
- ▶ Work with philanthropic organizations and coordinate public and private efforts.
- ▶ Manage the input of key stakeholders, providing opportunities for public input, while recognizing that the need for timely action sometimes conflicts with this objective.
- ▶ Assign a management staff person to be “administrative leader” and a human resource staff person to head staffing and training.
- ▶ Ensure the availability of counseling and support to staff on the front lines of business assistance, especially in traumatic situations.
- ▶ Highly specialized business and financing expertise is critical. Identify external experts with specialized knowledge to rapidly fill gaps in internal staffing.
- ▶ Build on pre-existing relationships and maintain close, continuous contact with, and request frequent feedback from, the business community.

Program Design and Implementation

KEY FINDINGS

- ▶ The use of a simple formula to calculate benefits proved to be an efficient means of rapidly assisting thousands of firms, but led to some inequities because of differences in business revenue structures and financial reporting methods.
- ▶ Making the BRG program an as-of-right vs. discretionary program reduced administrative burdens and generated a stronger economic stimulus.
- ▶ ESD had a flexible approach to implementation and was willing to make mid-course corrections when something was not working.
- ▶ Although ESD was able to set up new capacity quickly, administrative and staffing challenges, such as those associated with opening and operating the walk-in centers were significant.
- ▶ ESD used information systems effectively to keep the implementation process running smoothly.
- ▶ ESD chose between a “retail” approach of directly serving businesses and a “wholesale” service delivery system of working through intermediaries based on a judicious assessment of its internal capacity relative to that of existing intermediaries.
- ▶ A number of groups proved difficult to serve. These included immigrant business owners, individuals involved in the “informal” economy, and businesses that, though seriously hurt, were not located in eligible zones.

LESSONS LEARNED

- ▶ Provide a range of services including, but not limited to, loans, grants, and technical assistance.

- ▶ Structure investments to foster long-term recovery and strengthen economic development capacity.
- ▶ Strike a balance between structure and flexibility. For programs seeking to serve a very large number of small businesses, it is important to have standard program policies and procedures to increase administrative efficiency, accelerate activities, and forestall misuse and fraud. For programs that are more targeted, it is important to preserve sufficient flexibility to accommodate unique circumstances and avoid unintended inequities.
- ▶ As-of-right programs are critical to providing compensation for economic loss.
- ▶ Use multiple avenues of marketing and promotion to present a clear and compelling message that seeking assistance is worthwhile.
- ▶ Develop a flexible MIS system that can be used to manage a large database of companies.
- ▶ Choose between the use of a retail, direct service approach and a wholesale approach through intermediaries based upon a realistic assessment of internal and external capacities and relationships.
- ▶ Put multilingual capacity in place as soon as possible.

Recommendations

As the country struggles to address the continuing threat of terrorism, as well as the potential for large-scale natural disasters, the story of New York’s struggle to recover from the economic devastation of 9/11 offers important lessons for local, state, and federal leaders. Relatively little attention has been paid thus far to the resources needed for economic and business, as

distinct from physical or environmental, recovery from an economic disaster of the magnitude of that of 9/11.

When a disaster hits that has a widespread economic impact in a concentrated geographic area, it is critical for government to understand that economic recovery means a lot more than simply addressing the immediate losses of individual businesses. Attention must be focused on the longer-term economic environment—what can be done to encourage the resumption of commerce and economic activity in the impacted area. This means addressing the overall economic competitiveness of core industries in the impacted area to ensure that businesses are willing to reinvest and rebuild. It also means rebuilding the market by making sure that customers are willing to return. In short, the best means to minimize the losses of the smaller businesses is to ensure the preservation of a viable economic environment.

The following recommendations seek to ensure that federal, state, and local officials are better prepared to meet these challenges.

Revise Federal Laws and Programs to Better Address the Potential Economic Recovery Needs of a Large-scale Disaster

As noted throughout this report, federal emergency assistance programs in place before 9/11 were not designed to address the type of large-scale economic disaster that resulted from the World Trade Center attack. These existing programs were primarily focused on residents and small businesses. Little attention had been given to addressing a disaster that affected thousands of businesses, many of which were very large and were important “anchors” in the local economy. FEMA and SBA, the agencies usually called upon to address disaster recovery, were of little

relevance in the case of the WTC attack. And, the agency that was called upon to provide economic recovery funding, HUD, was constrained by programmatic requirements that were inappropriate given the nature of the economic disaster. Clearly, it is critical that steps be taken to ensure that the federal government is better prepared to respond quickly and effectively in the event of any other disaster that affects thousands of businesses and the economic base of a large city or region. The following recommendations are formulated to address this need:

1. Designate an appropriate lead agency to set policies, coordinate intergovernmental relations, and serve as a clearinghouse of information on federal disaster relief related to economic recovery.

The federal Department of Homeland Security, established in response to the September 11th attacks, has assumed the role of lead federal agency for emergency preparedness and response. FEMA has been subsumed under the DHS's Directorate of Emergency Preparedness and Response, one of the department's five major divisions. Another division, the Office of State and Local Government Coordination, facilitates the coordination of DHS-wide programs that affect state and local governments. Having assumed the lead role in emergency preparedness, DHS is the logical choice to also take the lead on economic recovery. In this role, DHS should:

- ▶ Develop resource preparedness guides focusing on economic recovery for local and state officials.
- ▶ Serve as a "one-stop" clearinghouse in conjunction with state-level counterpart agencies preparing guides for the business community much as it does now for residential property owners.

- ▶ Develop policies and procedures outlining the roles of various federal agencies in economic recovery activities as part of a comprehensive disaster response effort.
 - ▶ Recommend changes that would help to streamline administrative processing and reduce the time required for negotiation, prior to federal assistance becoming available.
 - ▶ Clarify the respective roles and responsibilities at each level of government and consider both how to strengthen the capacity of state and local governments and define what roles each should assume directly.
 - ▶ Put in place management procedures to strengthen inter-governmental coordination.
- 2. Develop new federal legislation and regulatory policies that are more effective in meeting the needs of a community facing significant economic dislocation as a result of a disaster.**

While DHS should be the lead agency, an effective response will still require funding and support from a wide range of federal agencies including HUD and SBA. This analysis of the WTC economic recovery effort strongly suggests that existing policies and procedures need to be changed. In developing new policies and procedures, the following should be considered:

- ▶ Establish an "urgent need" economic recovery funding program under HUD that is separate from the CDBG Program and not constrained by any statutes governing that program.
- ▶ Develop more generous program funding formulas to cover a higher share of economic loss.

- ▶ Build into federal law waivers of mandates, such as HUD’s low- to moderate-income CDBG requirement, which are inappropriate for disaster recovery situations.
- ▶ Explicitly authorize retention incentives for large anchor businesses that are critical to an affected area’s stabilization and recovery.
- ▶ Waive taxation of emergency benefits (making the taxability waiver in effect part of the benefit).
- ▶ Review, clarify, and simplify grants management requirements and post-audit procedures for funds granted to states and localities to accelerate program implementation.
- ▶ Revise the federal “duplication of benefits” policy to differentiate between the value of loans and grants.
- ▶ Redesign the SBA’s Disaster Loan Program to make it more responsive to businesses recovering from major disasters by providing grants and/or more flexible loans in appropriate circumstances.

Encourage State and Local Governments to Plan for Business Disaster Recovery

Another recommendation for federal response arising out of the World Trade Center economic recovery activities is to encourage cities and states to be better prepared for economic emergencies. The Department of Homeland Security should:

- ▶ Provide grants to help state and local governments develop and disseminate databases on businesses and nonprofit agencies to include information on emergency contacts, numbers of employees, and so forth.
- ▶ Develop a handbook for state and local governments detailing how to prepare for an economic disaster and how to manage an economic recovery effort.
- ▶ Put in place in major cities plans to set up and operate emergency walk-in centers and special 800 numbers for emergency business assistance.
- ▶ Establish advance protocols for coordinating outreach to the business community with state emergency management offices.
- ▶ Disseminate this report (or some abridged version of it) to ESD’s counterparts in other states, to the DHS and other appropriate federal agencies, and to the appropriate Congressional committees.

CHAPTER I: LOOKING BACK—AN AGENCY PERSPECTIVE ON THE ATTACKS OF 9/11

In the four years since the attacks of September 11th, every organization, public or private, that played a role in the recovery effort has likely reflected on its level of preparedness and the effectiveness and short- and long-term impacts of its response. Each will hopefully have made some determinations, on the basis of what has been learned from its participation, about how it might have done a better job and share this knowledge with other organizations that are expected to respond to such devastating and cataclysmic events as occurred on that date.

Empire State Development (ESD), New York State's economic development agency, felt a particular obligation to review and evaluate its role at the center of the broad, complex effort to restore economic activity to Lower Manhattan undertaken within days of the destruction. ESD, together with a host of partners dedicated to rebuilding the area's crippled economy, immediately began to identify and coordinate resources and design and implement programs aimed at fostering both short- and long-term recovery. This report, based on interviews with dozens of its own personnel as well as individuals at many of the organizations that worked with ESD, recalls the monumental challenges posed by the events of 9/11, evaluates the agency's varied responses to those challenges, and articulates the lessons learned by assessing what worked and what did not. The report examines the economic recovery from many angles with an

understandable emphasis on ESD's role and perspective.¹

The unprecedented death and destruction wrought by the attacks of 9/11 were accompanied by tremendous panic and confusion in the business sector no less than in the community as a whole. Lower Manhattan businesses—from large financial firms to pushcart operations—were devastated economically as well as in terms of physical plant and personnel. Businesses not in the six buildings that were destroyed or 23 surrounding properties that were severely damaged were inaccessible due to the closing of much of the area below 14th Street to traffic and damage to the subway system. Restaurants and newsstands were devoid of patrons and retail stores' sales declined dramatically. Many businesses closed for as long as six months.

Not only its scale, but its locus in the densely populated urban area that was home to the financial district, made this disaster unique in terms of economic impact. Wall Street, perhaps the world's most critical financial center and the primary driver of both the city's and state's economies, was in shambles and federal disaster relief agencies found themselves strapped for resources and overwhelmed by needs of a magnitude that had not been imagined in their conception.

This report relates how some order was brought to the prevailing chaos. It recounts instances of strong leadership and teamwork, of resourceful thinking, and of bold, effective, even heroic actions by

¹See Attachment, List of Interviewees.

hundreds of individuals within ESD and the many federal and city agencies that responded. Within hours of the attack ESD's management acted to contain the economic damage and to map out a path to recovery. This report also describes collaboration among federal, state, and local agencies that sets an example for other communities and for the country as a whole.

Although New York City is in many ways unique, the lessons learned from the varied responses to the crippling attack on the World Trade Center have broad relevance. Codified and heeded, they could, should our nation ever again be visited by an event of such terrible and horrific proportions, help to make the response even more timely and effective.

Scope of the Report

This report examines specifically the economic recovery activities of Empire State Development and its partner organizations. These include the following:

- ▶ supporting affected businesses through initial recovery programs developed with ESD and state funding;
- ▶ formulating an Action Plan that allocated to the development of longer-term business recovery programs \$700 million in Housing and Urban Development (HUD) Community Development (CDBG) funding and \$434 million of the \$2 billion in HUD funding provided to the Lower Manhattan Development Corporation (LMDC);
- ▶ implementing many and varied business grant and loan programs aimed at stabilizing Lower Manhattan's economy;
- ▶ undertaking long-term economic planning activities funded by a \$1 million grant provided by the U.S. Economic Development Administration (EDA);

- ▶ devising a plan to use \$750 million in HUD funding to restore and rebuild Lower Manhattan's utility infrastructure; and
- ▶ devising and launching an early outreach and marketing effort aimed at bringing tourists and businesses back to New York City.

ESD used federal and state funding to develop and deploy a variety of economic recovery programs. The following are reviewed in this report.²

1. *Business outreach activities.* A call center and three walk-in business assistance centers were established to address specific emergency needs of affected businesses and to make them aware of available resources. An aggressive advertising and direct marketing effort targeted affected small businesses.
2. *Marketing campaign.* A promotion campaign aimed at bringing business and tourism back to New York City, funded with \$20 million from the State of New York and \$20 million from the Port Authority of New York and New Jersey, was implemented beginning in October 2001.
3. *Retail Recovery Grant (RRG) and Business Recovery Grant (BRG) programs.* RRG and BRG compensated businesses, through grants calculated on the basis of days of lost business revenue, for economic losses that resulted from physical damage to

² The restoration of Lower Manhattan's utility infrastructure is not covered as it is too early to assess implementation, the \$750 million allocated by the Lower Manhattan Development Corporation to the Utility Restoration and Infrastructure Rebuilding Program having been spent mostly during 2004. A report on the design and implementation of this program will be completed by the end of 2005.

property, business interruption, or loss of customers occasioned by the events of September 11th.

4. *Job Creation and Retention Program (JCRP)*. JCRP provided incentives to encourage companies located south of Canal Street that employed more than 200 people to remain and create jobs.
5. *Small Firm Attraction and Retention Grant program (SFARG)*. Small businesses considered “at risk” of relocating that committed to remain in Lower Manhattan for a five-year period and others that agreed to relocate to Lower Manhattan were awarded grants on the basis of numbers of employees.
6. *Bridge Loan Program*. ESD and New York City’s Economic Development Commission jointly administered a program that funded a 20 percent loan loss reserve for loans made by private or nonprofit community-based lenders to “bridge” borrowers’ eventual receipt of SBA disaster recovery loans.
7. *Business Recovery Loan Program*. The Business Recovery Loan Program allocated funds to community-based financial institutions that made loans to small businesses and nonprofit organizations that committed to remain in New York.
8. *Technical Assistance Program*. The Technical Assistance Program made grants of as much as \$250,000 to enable community-based and various nonprofit and trade organizations to provide an array of assistance to affected small businesses.
9. *Employee Training Assistance Program (ETAP)*. ETAP grants that covered the cost of training employees were made to

small businesses and nonprofits with 500 or fewer employees worldwide.

This report has the following objectives.

- ▶ ***To provide an historic record of the economic recovery activities undertaken at the federal, state, and local levels in response to the September 11th attacks.*** Largely undocumented in the accounts and record of the impact of the September 11th attacks is New York City’s economic recovery and Empire State Development’s role in mounting and guiding the response to the devastation of the city’s economy. The New York State Archives and others are interested in recording and preserving this history.
- ▶ ***To describe the design and implementation of programs conceived to promote economic recovery.*** How the state of New York, in collaboration with local and federal organizations, responded to the attacks with programs designed to alleviate economic damage and implemented these programs in the midst of chaos and confusion can likely provide useful lessons to other government agencies and communities faced with the challenge of responding to economic disasters.
- ▶ ***To make recommendations regarding the design and implementation of economic recovery programs and new local/state/federal partnerships.*** As is made clear in this report, existing federal disaster relief programs are not designed to respond to large-scale economic disasters, particularly in densely populated urban areas. Considerable attention has been accorded other forms of emergency readiness, but little preparation has been made at any level of government for the potential economic impacts of another terrorist attack. This report makes specific

recommendations for expanding capacity at the federal, state, and local levels to accommodate large-scale economic recovery efforts.

Methodology and Organization

The report draws heavily on interviews with the many individuals who worked to ensure that New York City, and Lower Manhattan in particular, remains home to a diverse and thriving business community that includes street vendors as well as Fortune 100 companies. Interviewees included, in addition to ESD employees:

- ▶ New York City officials;
- ▶ representatives of federal agencies (e.g., Federal Emergency Management Agency, Small Business Administration, Housing and Urban Development, and Economic Development Administration);
- ▶ representatives of nonprofit and philanthropic organizations;
- ▶ representatives of community-based organizations (many of which subcontracted with ESD to provide business assistance);
- ▶ a sample of “end-user” clients of ESD programs.

A wealth of supplementary materials related to the economic recovery effort that were compiled and examined by the research team includes primary data sources such as e-mail correspondence and reports and evaluations completed by other organizations.

The report reviews:

- ▶ *the economic and organizational context*, specifically, the economic conditions in New York City at the time of the attacks, the organizational characteristics and capacity of ESD, and

the state’s overall emergency preparedness;

- ▶ *the initial response to the attacks*, including how ESD staff formulated in the first weeks and months an understanding of the economic impact of the attacks and resulting needs of businesses, responded quickly with various forms of immediate assistance, and coordinated efforts to promote longer-term recovery and planning.
- ▶ *the formal “Action Plan”* that encompassed specific recovery assistance programs developed by ESD in concert with other agencies;
- ▶ *key findings and recommendations* regarding overall readiness, as well as the design and implementation of programs specifically conceived, to cope with economic disasters.

Details of the following major programs implemented by ESD are provided in the Appendix.

- ▶ Business Recovery Grant Program
- ▶ Job Creation and Retention Program
- ▶ Small Firm Attraction and Retention Grant Program
- ▶ Bridge Loan and Business Recovery Loan programs
- ▶ Technical Assistance Services Grant Program

CHAPTER II: THE CONTEXT

This chapter establishes the context in which the response to the unexpected and catastrophic events of September 11th was mounted. It describes the nature and scope of the economic losses, the level of preparedness and capacity to respond at local, state, and federal levels, and the condition of New York City's economy at the time of the attacks. With reference to the complexity of the task faced by the city and state of New York, it reviews specifically the magnitude and uniqueness of the challenges ESD faced and the areas in which the agency was relatively well positioned to respond.

Impact of the Attacks

The loss of nearly 2,800 individuals in the September 11th attacks on the World Trade Center visited horror, anguish, and emotional devastation on the untold thousands of survivors who knew the victims by relation or association. Added to this human tragedy was enormous physical devastation.

- ▶ Six buildings with 13.4 million square feet of commercial space were destroyed.
- ▶ Twenty-three surrounding properties occupying 21 million square feet were extensively damaged.
- ▶ Telecommunications and electric utility equipment and transmission lines were damaged and distribution networks disrupted.
- ▶ Rapid transit facilities and equipment were destroyed and key public transportation resources rendered inoperable.

The physical devastation, at first, seemed beyond comprehension. Lower Manhattan, the financial center of the world and a major source of employment and tax revenue for New York City, was virtually without electricity, telephone service, water, and gas. Underground public transportation was crippled and would remain so for months. Much of Lower Manhattan became a veritable ghost town.



www.worldtradercenterphotos.com

Economic losses were staggering. Some businesses in the immediate area were obliterated; many others remained inaccessible for months. Damage to World Financial Centers 2 and 4 necessitated the relocation of 9,000 Merrill Lynch employees; Lehman Brothers' data center was destroyed and its headquarters and trading floor rendered unusable; hundreds of garment factories located in Chinatown were forced to shut down for a week or more.

Thousands of small businesses in Lower Manhattan also suffered. Many that did survive reopened their doors to few or no customers. A local fashion designer who had enjoyed a thriving business found her

Long Island clients now unwilling to travel to her Lower Manhattan shop; a Thai restaurant closed for 30 days by physical damage lost a key corporate client that had accounted for 18 percent of its business; during the six weeks that its studio was closed, a music video and production business lost many of its clients to competitors; a cobbler who suddenly found his customer base significantly diminished also did not know what to do with all of the unclaimed shoes that remained in his shop. The stories are endless.

The attacks dealt a devastating blow to a city economy already reeling from job loss. The sudden dislocation and disruption of thousands of businesses and the collapse of demand among residents, workers, firms, and tourists reduced output, employment, and income generation. Estimates of the overall loss of economic activity using different methodologies and time periods ranged from \$33 billion to \$98 billion.^{3, 4} The low estimate, for September 11, 2001 through June 2002, uses “lost earnings” to measure foregone economic activity; the high estimate, which extends to June 2004,

³ The major studies include *Economic Impact Analysis of the September 11th Attack on New York City* (November 2001) by the New York City Partnership and Chamber of Commerce; *Financial Impact of World Trade Center Attack* (January 2002) by DRI-WEFA for the New York State Senate Finance Committee; *Measuring the Effects of the September 11 Attack on New York City* (November 2002) by Jason Bram, James Orr, and Carol Rappaport, economists at the Federal Reserve Bank of New York; *The Impact of the September 11 WTC Attack on NYC's Economy and Revenues* (October 2001) and *One Year Later: The Fiscal Impact of 9/11 on New York City* (September 2002) by New York City's Office of the Controller; *The Lower Manhattan Economy after September 11th* (February, 2005) by New York State Assembly Ways and Means Committee Staff; *Demographic and Socioeconomic Forecasting: Post September 11th Impacts* (September 2002) Urbanomics, for the Federal Highway Administration.

⁴ The first preliminary estimate by the New York City Comptroller was \$105 billion; this report uses the latter estimate of \$98 billion.

uses “gross city product” as the measure of economic activity.

Job and wage loss were also steep. The short-term loss in Lower Manhattan during the fall of 2001 exceeded 100,000 jobs. Despite some recovery over the ensuing three years, employment levels remained depressed in late 2004. New York State Assembly Ways and Means Committee staff reported in February 2005 that the Ground Zero area, which encompasses the former World Trade Center and Battery Park City, lost in the three years following September 11th nearly 30,000 private sector jobs or approximately 62 percent of all private employment, more than 50 percent in the first year, as well as \$6.2 billion or almost 60 percent of private sector wages. For Lower Manhattan (defined as below 14th Street) the job loss figure for this three-year period was nearly 75,000, 14 percent of private sector employment for the area and more than 30 percent of the total private sector job loss experienced by the state. Private sector wage loss for Lower Manhattan was \$10.8 billion.

Damage and loss among the following industries was particularly severe.⁵

- ▶ *Securities.* The Lower Manhattan securities industry, which accounted for approximately 63 percent of the state's wage loss and 25 percent of its tax revenues, incurred a job loss of 15,000 and an estimated 75 percent drop in profits for 2001.
- ▶ *Tourism.* Visitor spending in New York City declined by more than \$357 million between September 11th and November 4th with an associated estimated loss of \$66 million in city, state, and federal taxes.

⁵ February 2005 report by the New York State Assembly Ways and Means Committee.

- ▶ *Apparel.* Lower Manhattan lost roughly 1,700 apparel industry jobs in the year after the September 11th attacks.
- ▶ *Arts and Culture.* Attendance at arts and cultural attractions fell by more than 40 percent in the 10 days following the attacks; 61 arts organizations reported combined revenue losses of \$18 million in September alone.
- ▶ *Other major industry sectors.* Job losses reported in other major sectors included 18,300 in retail and wholesale, 13,400 in restaurants and bars, and 6,900 in transportation and utilities.

Small firms and low-wage workers also suffered. A survey by the Alliance for Downtown New York found that the 23 percent of small firms in Lower Manhattan that remained closed through mid-October incurred average weekly sales losses of \$25,000 and the New York City Partnership reported that small businesses had shed as many as 55,000 jobs by the first quarter of 2002 and would suffer \$22 billion in losses through 2003. New York's Fiscal Policy Institute projected that 60 percent of those laid off would be workers with average earnings of \$11 per hour.⁶

Nor were these losses temporary. The New York City Partnership's September 2003 report on its small business grant recipients pointed out that many small businesses' customer bases were irrevocably lost and their limited financial reserves stretched to the breaking point.

Level of Preparedness

Although there was no plan in place at any level of government to address the economic dimension of the unprecedented devastation on a major American city in a single event,

⁶ December 6, 2001 testimony of James A. Parrott before the New York State Assembly Standing Committees on Small Business and Economic Development.

significant capacity and resources stood ready to be mobilized. We review here, with specific reference to the economic recovery effort, the legal, financial, technological, and managerial tools possessed by ESD and other key federal and state agencies and the relationships among these agencies.

Empire State Development

Empire State Development possessed a number of organizational strengths that supported its eventual role as leader of the recovery effort.

- ▶ *Flexibility.* ESD is a special purpose corporation comprised of the Urban Development Corporation (UDC), which does business as the Empire State Development Corporation; and the Department of Economic Development (DED, formerly Department of Commerce), a line agency of state government. These agencies, although legally distinct, have since consolidating functions and staff in 1995 operated under the aegis of Empire State Development.

Its quasi-public status affords ESD greater flexibility than a purely public/civil service agency to conduct business in innovative ways and to respond creatively to the crisis at hand. Albeit politically accountable to the governor, ESD is not as tightly bound by the policies and procedures that govern most state agencies. The latitude to establish and revise its hiring, financial management, procurement, and property acquisition systems enables ESD to act quickly to devise programs tailored to the prevailing circumstances.

- ▶ *Experience designing and implementing financing programs.* ESD and its predecessors share an impressive track record of providing a wide range of

business financing and technical assistance programs to companies of all sizes and have in place management systems to operate such programs on a large scale.

- ▶ *Dual locations in New York City and Albany.* Maintaining offices in both Albany and New York City has afforded valuable redundancy of physical infrastructure and communications capability. ESD's "I Love NY" tourism information call center in Albany, for example, provided critical telecommunications capability when New York City's telephone system was down.
- ▶ *Technological capacity.* Thanks to significant investments in technology made prior to September 11th, ESD possesses unusually strong communications and data-processing capacity for a state government agency. That personnel in its New York City-based Strategic Business Division had pagers, cell phones, laptops, and access to a robust computer system with sophisticated software, and its Albany office had a dedicated line to New York City and videoconferencing capability, proved enormously valuable in ESD's initial response.
- ▶ *Strong research capacity.* ESD's Division of Policy and Research is responsible for developing and analyzing policies and strategies for economic development throughout New York State. Owing to its considerable strengths in data gathering and dissemination, ESD was well positioned to analyze and craft strategies in response to the economic devastation wrought by the attacks of 9/11.
- ▶ *Preexisting relationships with business and community-based organizations.* Because its staff had cultivated many

contacts in New York City's real estate and corporate communities, ESD enjoyed a high degree of credibility with the private sector. Its Strategic Business Division, in particular, had strong ties to the business community and had developed a keen understanding of the issues faced by larger companies, especially in such "targeted industries" as financial services. Having worked together on the state's Enterprise and Empire Zone programs, which offered incentives to attract development to distressed areas, ESD and the New York City Partnership had a strong rapport; their staffers knew one another and were familiar with each other's programs. The agency also enjoyed a good working relationship with the Real Estate Board of New York (REBNY), an organization of commercial real estate brokers whose CEO, while head of the city's Economic Development Corporation (EDC), had worked with ESD on several projects.

- ▶ *Strong leadership and professional culture.* ESD benefited from the leadership skills of Chairman Charles A. Gargano and a cadre of longtime key staff. Gargano is widely credited with setting high standards for the organization and establishing a cohesive management team. A senior management retreat held a year earlier had strengthened the bond between senior managers in Albany and New York City and, by many accounts, helped to foster a culture of committed and intelligent management. "We don't do things with a lot of structure," observed one senior manager. "We use informal teams for all of our work; our organizational culture is 'make it happen.' This is our life. We use a 'How is it going?' approach to managing and didn't have to be reminded to pay attention."

ESD's attempt to mount economic recovery efforts had to navigate an uneasy association with New York City's economic development operation. Senior ESD executives had limited interaction with their counterparts in the city's Economic Development Corporation and occasional political rivalry between the mayor and governor made a productive relationship between the two bodies somewhat more difficult to achieve. There were, according to one key staff person, "good ties" between the agencies on specific projects such as a discussion of a mix of possible incentives to attract new employers to the city, and EDC and ESD's Strategic Business Division frequently shared information about major economic development projects, though they negotiated independently with firms and developers.

Further, prior to September 11th, ESD's experience with federal economic development programs such as those administered by HUD and SBA, the two federal agencies that played the most prominent roles in New York's economic recovery efforts, was extremely limited. ESD had rarely used their programs and resources and none of its senior managers had relationships with national senior staff at either agency. Relationships with HUD existed primarily at the local government level through state housing agencies and, to some extent, the governor's office.

New York State's Emergency Response Capacity

Although it was no more prepared than any other state for the eventuality that hijacked commercial airliners would be used as missiles in a suicide mission of destruction, New York had developed more capacity than most states to address natural disasters and emergencies. Its State Emergency Management Office (SEMO) had initiated a

number of programs in fulfillment of its responsibility for coordinating activities related to protecting New York communities from natural, technological, and manmade disasters or other threatening circumstances.

SEMO began in 1997 to coalesce regional groups of government and private sector leaders to consult on needs of the business community in emergency situations. One product of this consultation, the Joint Loss Reduction Partnership, is the only such initiative in the country involving a state emergency management agency. Although represented in the early stages of the partnership's work, ESD's involvement fell off, possibly, according to one observer, because other activities were accorded higher priority.



The partnership's role in the development of the Business Network of Emergency Resources, Inc. (BNet), a nonprofit membership corporation "dedicated to establishing emergency and crisis management solutions and partnerships between the public and private sector," garnered for SEMO FEMA's "Innovations in Mitigation" award. BNet's website (www.bnet.org) states as its first objective: "to develop a program for businesses to be able to access their workplace quickly following an emergency event that resulted

in travel or access restrictions, the program we now know as the Corporate Emergency Access System (CEAS).” Although BNet was not established in time to play a role in the response to the 9/11 attacks, some of the thinking behind its creation was relevant to that response.

Two major events, so to speak, that contributed to a greater degree of preparedness and competence on the part of ESD and SEMO were:

- ▶ *Y2K preparations:* SEMO’s planning for transitioning its information technology capabilities through the year 2000 ultimately yielded added capacity for its IT systems as well as valuable insights that guided the state’s response to 9/11;
- ▶ *the 1998 northeast ice storm:* ESD responded to economic losses occasioned by the storm’s impact on the state’s infrastructure and consequent power outages that lasted for up to 23 days with grants to affected small business owners and dairy farmers.

John Bryan, ESD’s chief administrative officer and a member of the “Statewide Disaster Network,” credits these events with giving ESD “an untested yet sophisticated” plan for responding to emergencies.

Federal Preparedness and Resources

The recovery efforts in New York City revealed rather quickly that federal emergency response programs were oriented towards natural disasters and had no capacity to respond to large-scale economic losses in a major urban center.

FEDERAL EMERGENCY MANAGEMENT AGENCY (FEMA)

The Stafford Act mandates that FEMA respond to a formal “disaster declaration” issued by the President (usually at the request of a mayor or governor) with a

“response plan” for disaster relief to include coordination of federal and private resources. But the federal government’s lead disaster response agency at the time of the 9/11 attacks was not well positioned to respond to a disaster of the nature and scale of the event that occurred on that date. FEMA’s statutory mandate and experience lay primarily in helping residential property owners and tenants in the wake of natural disasters such as earthquakes and hurricanes, not business owners beset by devastation of the local economy. The agency’s standard operating procedures, including the process for registering affected parties, were not designed to accommodate thousands of business applicants. Moreover, at the time of the attacks FEMA grants to cover economic damages in a single locality were capped at \$5 million (a limitation imposed by Congress upon determining that agency practice had frequently been to give and then forgive loans of as much as \$100 million). Language in the Stafford Act further limited assistance to “small business,” which was generally understood to exclude the larger companies affected by the attacks.

SMALL BUSINESS ADMINISTRATION (SBA)

A Presidential “disaster declaration” automatically triggers the participation of the Small Business Administration, the SBA being a member of FEMA’s Disaster Team. Notwithstanding its general mission to serve small businesses, in disaster relief the agency deals primarily (80 percent) with homeowners. In the World Trade Center disaster approximately 90 percent of those seeking assistance from the SBA were business applicants and only 10 percent homeowners or renters.

The SBA is authorized, according to its official literature, to make two types of disaster loans to businesses.

- ▶ *Economic Injury Disaster Loans (EIDL)*. EIDLs are essentially working capital loans that provide operating funds to help businesses meet financial obligations (e.g., salaries, payments on other loans, rent, supplies, and so forth) that they “could have met had the disaster not occurred.” A business is eligible for an EIDL only to the extent that the SBA determines that it is unable to obtain credit elsewhere and certain uses are prohibited. Loan proceeds may not, for example, be used to pay cash dividends or bonuses, refinance long-term debt, “expand business facilities or purchase a new line of inventory,” or provide working capital that was needed by the business prior to the disaster.
- ▶ *Physical Disaster Business Loans (PDBL)*. Its general intent being to “restore the business to its pre-disaster condition,” a PDBL covers uninsured physical damage including repair or replacement of real property, machinery, equipment, fixtures, and inventory as well as leasehold improvements.

In some cases, the SBA can include in the loan amount for a business that is completely destroyed limited relocation costs.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD) COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAM

An amendment to Title I of the Housing and Community Development Acts of 1974 enables HUD to provide CDBG disaster recovery assistance in the case of Presidentially declared disasters. HUD consolidated a number of individual grant programs into the CDBG program in 1974 to give broader discretion to eligible cities, which can apply grants or loans to a broad range of community development activities. By statute, however, eligibility for the

CDBG program is predicated on meeting at least one of three key “National Objectives” established by Congress: to serve “low- and moderate-income (LMI)” persons; to aid in the prevention or elimination of slums or blight; to meet urgent community development needs.

Lower Manhattan was not expected to meet the requirements that grants “benefit low-income residents in and around communities that have experienced a natural disaster” and that grantees “use at least half of disaster recovery funds for activities that principally benefit low- and moderate-income persons.”⁷ Moreover, unlike most states, New York did not administer a “Small Cities” CDBG program during the 1980s and 1990s; in fact, it was one of the last states to do so. Because larger “entitlement cities” such as Albany and New York City were required by law to work directly with HUD on their CDBG funding and programs, few state officials had significant expertise with CDBG regulations or strong relationships with HUD.

ECONOMIC DEVELOPMENT ADMINISTRATION (EDA)

The Department of Commerce’s Economic Development Administration was the first federal agency to provide funds to aid the recovery, namely, a planning grant to help ESD formulate long-term strategies. ESD had experience with the EDA’s long-term lending and planning funds, but the latter’s statutory focus was on long-term economic development planning and investments through regional development organizations. EDA did not provide grants or loans directly to businesses for any purpose.

⁷ U.S. Department of Housing and Urban Development, “CDBG Disaster Recovery Assistance.”

The New York City Economy

At the time of the attacks on the World Trade Center, New York City was already experiencing a significant economic slowdown, technically a recession, following a period of unprecedented economic growth in the 1990s. Fueled by Wall Street and the dot-com boom, this earlier expansion had peaked in December 2000 with the creation of some 493,800 jobs and expansion of the commercial real estate market to accommodate growing demand for office space. According to a report by the Federal Deposit Insurance Corporation (FDIC), in the second quarter of 2000 the vacancy rate for office space in New York City reached a cyclical low of 2.4 percent, the lowest vacancy rate for any city in the United States.⁸ New York State's Comptroller remained optimistic about the city's economy in April 2001, noting that "in the last two years, over 30 million square feet of space per year has been leased in Manhattan, a pace which, if continued, would exhaust available space in Manhattan by midyear."⁹ Shortly after this report was issued, however, the full extent of the city's economic recession became clear.

The FDIC report continued:

In 2000, the New York City economy was significantly outperforming the nation primarily because of a robust financial services sector. By mid-2000, however, the nation's and the city's economies began to slow. The slowing in the New York City economy primarily was attributed to declining capital markets activity that was, in part, a response to failures in the dot-com and telecommunication industries as well as the general slowdown in the nation's economy.

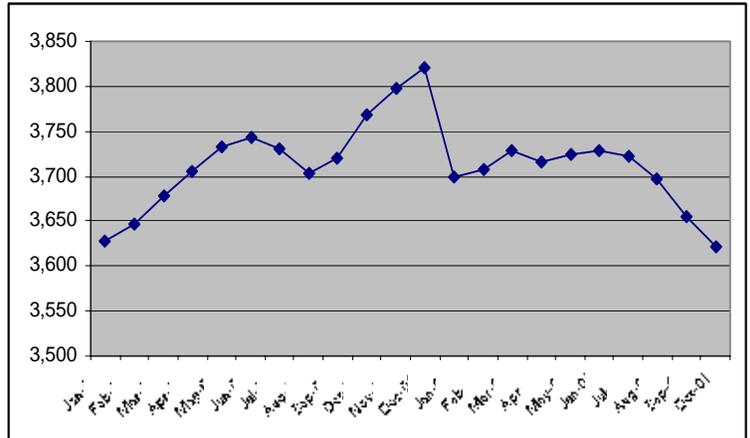
⁸ Federal Deposit Insurance Corporation, "The New York City Economy: Post 9/11," May 2002.

⁹ New York State Comptroller, "Recent Trends in the New York City Economy," April 2001.

Job losses in the first nine months of 2001 were staggering, some 125,000 jobs being lost between December 2000 and August 2001 (see Table 1).

Table 1:

Total Jobs by Month, New York City



Wall Street and dot-com-related employment in Lower Manhattan were hardest hit, resulting in a serious softening of the real estate market. In what would prove to be a fortuitous circumstance for recovery efforts, by September 11th, many companies and real estate owners were sitting on substantial excess space, much of it further uptown in what was known as "Silicon Alley," the home to the city's dot-com companies.

The economic downturn would ease the challenge of relocating businesses dislocated by the attacks, but it also tended to distort public perception of the event's economic impact. A hard blow had been dealt to an already weak economy, but the picture painted by the media, in largely omitting the pre-9/11 declines, in effect raised public expectations for the economic recovery effort and intensified the pressure on those involved, particularly ESD as the lead agency.

CHAPTER III: INITIAL RESPONSE

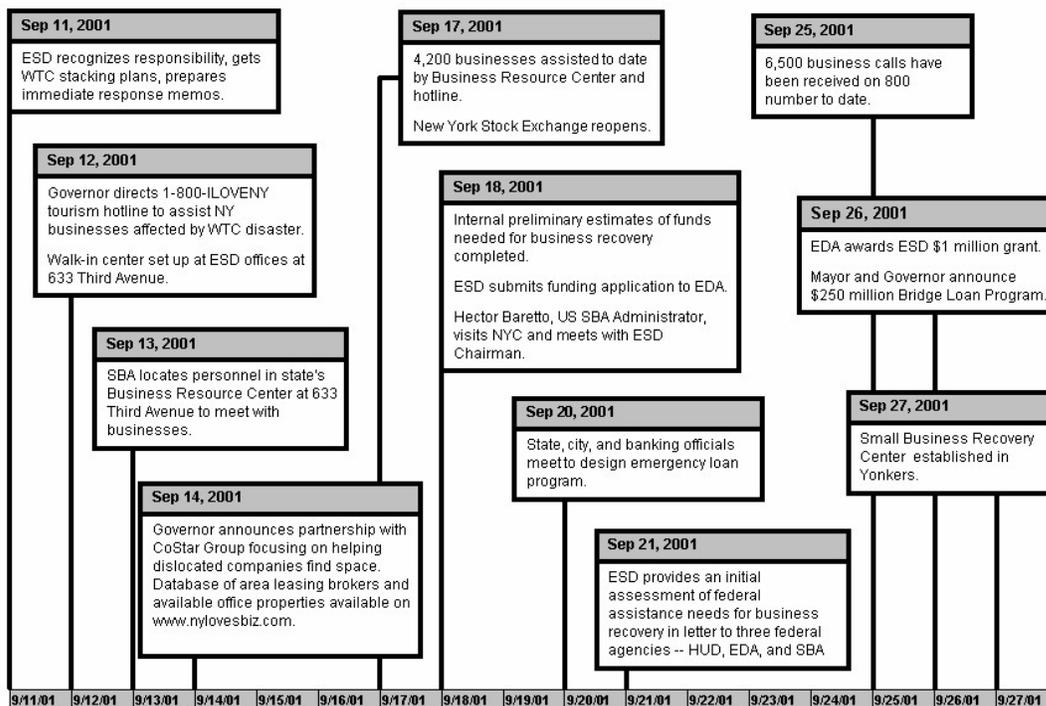
Gazing out their Third Avenue office window on the morning of September 11, ESD's New York City staff watched in disbelief as a second plane suddenly appeared and crashed into the North Tower of the World Trade Center. Some thought immediately of their colleagues at the Port Authority whose offices were located in the Towers. In Albany, ESD staff sat spellbound as the horror unfolded on the screen before them, their immediate concern focused on colleagues, friends, or family in New York City. When the governor declared a state of emergency, all state offices closed and most ESD staff went home to their families.

Key leaders at ESD realized immediately that responding to the unquestionably

devastating economic impact of the attack constituted a new responsibility of unprecedented dimensions. By the morning of September 12th, most ESD staff were back at work mobilizing their resources and talents towards this end.

In the months following the attacks, ESD staff worked long hours in every capacity imaginable to help individual businesses crippled by the attacks and to rebuild the city's badly damaged economy. They manned telephone information lines, staffed an information referral and assistance center set up in the lobby of the ESD building, and spent hundreds of hours collecting and analyzing data on the local business sector. Staff at city, state, and federal agencies worked in similarly heroic fashion, at times

World Trade Center Chronology: Initial Response



independently and at times in close concert with ESD staff. Here we recount how a \$20 billion economic recovery program emerged from the collective efforts and incalculable time and “sweat equity” invested by these individuals.

Sorting Out Responsibility

In the first hours after the attack, top leaders in many state agencies recognized that the state would be involved in the response and recovery efforts. Even as early efforts focused on the immediate emergency and crisis, it was understood at upper levels of ESD that both immediate and long-term action would need to be taken to ensure the continued vitality of the city’s and state’s economies. Director of the State Emergency Management Office (SEMO) Edward Jacoby, Jr. was designated by the governor State Coordinating Officer for the disaster response effort. ESD staff in Albany and New York were in close touch with SEMO, the state’s counterpart to the Federal Emergency Management Agency (FEMA), and by late afternoon and evening had suggested initial ideas for economic recovery. Recalls a top ESD staff person:

I remember getting on the phone that morning, hearing about it, and calling the Port Authority’s public affairs guy. Then I saw the second flash and realized what was happening. I got hold of (ESD chairman) Charlie Gargano and talked about the need for an action plan to respond to economic impact.

SEMO indicated that ESD would be placed in charge of economic recovery for the state and by 5:30 p.m. on September 11th initial priorities were set. Responded ESD’s John Bryan via an internal e-mail dispatched from the emergency state bunker:

I was just informed that we will likely be the front agency on this effort and will have numerous agencies at our disposal.... SEMO was very impressed with our initial thoughts and reactions and is planning on stepping aside as the team leader in this area soon. So, MANY kudos to all our ESD folk that helped me get us up and running here!!!

This early memo enumerated, among other priorities, identifying affected businesses and finding alternative space and financial assistance to support their continued operation within the state, and suggested that New York City’s ESD offices be utilized as a “one-stop” location for emergency business assistance.

The latter suggestion presupposed the restoration of full operational capacity to ESD’s New York City offices, which, for several days after 9/11, had electrical power but neither telecommunications nor data capability. With ESD’s all-important “SONET Ring,” in particular, out of service Chief Information Officer John Bryan accompanied a Verizon technician through the tunnel near the critical and badly damaged West Street Station to search for the source of the problem. They discovered a single intact T1 line over which the service could be restored. ESD appealed to the governor for priority attention and, within a few days, had recovered 80 percent of its telecommunications capacity. ESD, unlike most other New York City-based agencies and organizations, now had the basic communications infrastructure it needed to respond to the business community’s needs.

New York City’s economic recovery efforts, like the state’s, began immediately. But the challenge was even greater for the city than for the state. Displaced from its downtown office for two weeks, the city’s key economic development agency, the EDC, was forced to relocate to temporary quarters.



Photo by rsguskind www.community.webshots.com

With the focus during the first weeks on rescue and recovery, Mayor Giuliani played a critical “hands-on” leadership role, holding formal staff meetings twice a day. During the first week, the governor or a representative attended all of these meetings. At senior levels there was early communication between ESD Executive Vice President Kevin Corbett and Michael Carey, president of the New York City EDC. EDC staff were involved in efforts to coordinate public access and address critical infrastructure issues such as relocating the Fulton Fish Market, reopening ferry landings, and helping to establish on the Hudson River piers facilities for OEM, FEMA, and the Red Cross as well as, on the day after the attacks, reopening the New York Stock Exchange.

A number of explanations are offered for why the state rather than the city was asked, so early in the process, to take responsibility for economic recovery. Initially, the city had to focus on rescue and recovery operations, a role most others, including ESD, felt was entirely appropriate and required significant attention and resources. There were also practical logistical considerations, electrical power, for

example; state offices in New York and in Albany had it, but it took several days for the city to regain it.

Gathering Relevant Information Quickly

ESD’s relatively large and sophisticated research operation was to play a critical and early role in the recovery effort. The policy division included a team that could do cost-benefit modeling, manage large data sets such as the Department of Labor’s employment data, and track industries by sector. In short, there was a preexisting knowledge infrastructure that had or could quickly obtain and analyze the data needed to organize an effective economic response both short- and long-term.

ESD research staff in Albany, unlike other ESD employees involved in the initial recovery, were civil servants who had worked together for many years. “We were a well-oiled machine,” is how one put it. Previously, the staff had not been much involved in strategic and policy aspects of ESD’s work. But in the wake of the attack their capacity proved to be critical to ESD’s response. On the weekend following the attack, research staff were at the office building a database of affected businesses and estimating economic impacts. Working “in the trenches together,” as one put it, they developed rather quickly a sense of camaraderie and mutual respect.

Business dislocations and site information were being examined within 48 hours of the attack. ESD needed information about effects and needs in order to define resource requirements and state officials used the information that was collected to establish how much federal aid would be required to meet the economic needs of the city’s businesses.

Assembling Data on Companies

ESD had in hand by 4:00 p.m. on September 11th the stacking plans for the World Trade Center, obtained by a senior staff person who had a working relationship with Cushman and Wakefield, a major real estate brokerage and consulting firm. Identifying companies that needed space to operate and matching them with available information on vacant space was an immediate priority of ESD staff.

Strategic Business Division staff were assigned sets of companies from a list of the major dislocated employers to work with individually on such emergency issues as access to files and computers and major infrastructure concerns. This process afforded a good understanding of the immediate needs of the 150 largest affected businesses. Meanwhile, on a more macro level, the Policy and Research Division in Albany and New York City was trying to assess impact by business and industry type as well as get a sense of the scale of the impact overall. Here, too, ESD had considerable capacity to build upon, the State Data Center, New York's primary repository of economic and demographic data, being part of the organizational structure of ESD. Chief demographer Bob Scardamalia was immediately asked to analyze the pre-attack business base in Lower Manhattan. But despite access to some of the best available data on businesses, including Info USA and New York State's ES 202 file, which recorded firm-specific data by location, he encountered serious gaps.¹⁰ Info USA, a

¹⁰ Since 2001, there has been a tightening of regulations related to the use of ES 202 data. This data is collected by the New York State Department of Labor in cooperation with the U.S. Bureau of Labor Statistics. ES-202 data are derived from quarterly tax reports submitted by all employers subject to UI laws. Regulations about the use of this data for other purposes have reduced its availability outside of the Department of Labor.

commercial database, lacked detailed employment data and the ES 202 data had a 9- to 18-month time lag, was not geo-coded, and overlooked several companies whose Lower Manhattan employment was recorded at another company location (e.g., the office responsible for data reporting). Ultimately, Scardamalia took a leap of faith and analyzed by industry and firm employment size first quarter 2001 data from the ES 202 files.

Reflected one research staff member:

When an event like this happens it is immediately apparent how little we know about the economic dimensions of it and suddenly this information becomes imperative for us to have.

Scardamalia and his data center staff collected and culled a wide range of data sources to develop estimates of the degree of physical and economic loss and of numbers and types of firms affected and at risk of relocating outside of Lower Manhattan that would be critical to designing programs with the appropriate scale and financial tools to address both immediate and long-term business recovery needs. Updated and refined as additional data became available, these estimates proved, even in the face of considerable uncertainty, to be surprisingly accurate over time and measurably assisted the development of appropriate programmatic responses. Remarked ESD Senior Vice President and Senior Deputy Commissioner Dave Catalfamo: "John [Bacheller]'s staff did an uncanny job of estimating the impact and what the need was. It has stood up through today." As ESD began to draw up the Action Plan, these estimates became even more critical as supporting documentation for its federal funding request.

The division's efforts to use its relationships with community organizations and others in New York City to strengthen the quality of data were of particular consequence in Chinatown where existing data sources were found to be a poor reflection of the business community. "We could have gone out and done a quick and dirty estimate," asserted another research staff member, "but we tried to be as accurate as possible."

After creating a database of affected companies, research staff performed an economic impact analysis. This necessitated the acquisition of a more sophisticated version of the REMI model the division used, the input-output and forecasting capacity of the existing model lacking the depth and regional specificity that were needed. Even so, it was the sense of the staff that no matter how sophisticated their analytical capacity, the databases at hand were inadequate to establish economic impacts with any precision.

Estimating Need

To anyone contemplating the damage to basic infrastructure, disruption of utilities and transportation, and numbers of businesses, large and small, obliterated or rendered inaccessible, the economic impact of the attacks could only have seemed beyond comprehension. It is in this context that, when communication links were to some degree restored on September 12th, officials in Albany, New York City, and Washington, began to discuss what role the federal government should be asked to play in the economic recovery of New York City and the state.

Jim Mazarella, director of New York State's Office of Federal Affairs in Washington, was leaving home for his office just after the second tower was hit. Mazarella, who reported to the governor's chief of staff and had worked with several

key ESD officials, recalls there having been little communication with New York that day. Moreover, he and everyone else in Washington, D.C. were wondering in the wake of the attack on the Capitol whether or how to evacuate. The Internet was down, Mazarella recalls, and Capitol Hill was "eerily quiet." The next day he received a phone call from Catalfamo emphasizing the need to address the economic impact of the attacks.

Mazarella and the ESD officials in Albany realized that they needed to begin to calculate the cost of physical and economic recovery. They also recognized the importance of this estimate being neither "too high nor too low." With preliminary estimates coming from the city's budget office, ESD stepped up its efforts. The estimate the governor was preparing to announce for both physical and economic recovery, \$54 billion, reflected the city's estimate of \$34 billion for infrastructure alone plus the President's initial offer of \$20 billion. The effort to estimate the cost of economic recovery for both the city and state had the encouragement of the White House and had come to involve dozens of individuals from ESD, the governor's office, Congressional delegation staff, and city economic development staff as well as key New York-based nonprofit business organizations such as the Real Estate Board of New York, which on October 4th sent the deputy mayor for Economic Development a letter outlining its ideas for an economy recovery package.

The White House's Domestic Policy Group convened interagency meetings within a few days of the 9/11 attacks. "ESD was very definitely part of the discussion," recalls former EDA official Larry Zensinger. Arriving in D.C. within a week of the disaster, Catalfamo, Roger McDonough, and a number of ESD's senior managers were

encouraged to work with Secretary Sampson at EDA to identify funding needs and resources. Sampson, who attended many of the White House meetings, was receptive to a role for EDA but wanted reliable estimates of economic recovery needs developed first. Recalls his chief 9/11 aide, David Witschi: “We weren’t concerned with precision, mainly just the order of magnitude. In fact, we acknowledged a lack of precision, which made it easier.” Witschi, in fact, thought they might be underestimating the damage, but also worried about overestimating.

On September 12th and 13th, Albany was understandably still focused on determining what the city needed to support emergency response efforts. At the second or third meeting at the White House, sometime before the 20th as Mazzarella recalls, the Congressional delegation told the President that his initial \$20 billion proposal for an emergency appropriation would not be enough. The White House’s response, according to Mazzarella, was, in effect: “Well, tell us what you do need.”

The first “numbers,” officially released on October 9th in a “Federal Recovery Plan” announced by the governor reflected initial discussions between ESD, the head of the city’s EDC, and the State Budget Office and early meetings with the White House. The memo concluded that \$54 billion in federal assistance would be required to restore New York to its pre-September 11th economic status. Two basic areas of need were identified.

1. *Basic rescue, recovery, and rebuilding.* Thirty-four billion dollars would be used to meet the federal government’s commitment to provide 100 percent federal reimbursement through FEMA’s Public Assistance program. The funds would be allocated to search and rescue, emergency care for victims and families,

repair of major infrastructure, and the cost of temporary activities and facilities needed to stabilize the community.

2. *Economic stimulus, redevelopment, and regeneration of the economy.* Of the \$20 billion allocated to this area, \$2 billion was to be spent to establish a World Trade Center Recovery Zone to restore private investment in the immediate area; \$3 billion to support families and dislocated workers; \$12 billion to regenerate the city’s and state’s economies by providing direct aid to compensate their respective fiscal losses; and \$3 billion to enhance the public transportation system. This latter amount was construed to be an economic stimulus that could create jobs and spur the economy.

On the Hill, Mazzarella recalls, Congressman Adler and three other Republicans from upstate New York “carried the ball” in the House of Representatives. Congressman Walsh, being vice-chair of the Appropriations Committee for the VA/HUD and independent agencies, which included oversight of FEMA, was well positioned to push the legislation through. At the time, recalls Mazzarella, the President was talking about an overall “economic stimulus package” and interest was expressed in seeing whether New York’s request might dovetail with this legislation, though it was unclear if the President’s package would include spending or just tax cuts. When it was determined that the President’s proposal would be limited to tax cuts, these budget figures dropped out of that discussion.

The first appropriations package for economic development was put together in White House meetings that included at least one city representative, Adam Barsky. But “everyone worked as one group,” according

to Mazzarella. Others describe this initial allocation as “a deal with Senator Schumer for the \$20.5 billion” divided into various accounts.

Some members of Congress were concerned that in the understandable rush to provide aid, few controls were being put in place to ensure accountability. But the Congressional delegation saw its primary job as “just to get the money, even if more was made available at first than was actually necessary.”

In general, the relationship between Congress, ESD, and the city seems to have been cordial and without strain. Congressional staffs appreciated having ESD’s cost estimates as backup, referring to them on several occasions but never questioning them or asking to see backup data. The “benefit of the doubt” was always given to the state, recalls Mazzarella.

Resistance within the White House to the principle of using government funds to aid private companies, especially through grants, reflected the view that it should be left to “market forces” to determine which businesses would recover. But that view apparently had little traction or visibility. Mazzarella does not recall encountering it at all, though he does recall certain White House staffers balking at the idea of fiscal relief to compensate the enormous losses of tax revenues suffered by the city and state.

Creating a Database of Information on the New York City Real Estate Market

ESD knew that to assist companies in need of at least a temporary new home it needed good information on the current state of the New York City real estate market. Its real estate site database, NYSiteFinder, though web-based and linked to a GIS system, was fairly new and of limited scope, being focused on large parcels of land. Because it

also lacked good data on New York City, the Strategic Business Division, realizing that it would be inadequate, turned to proprietary databases managed by commercial real estate firms such as Cushman and Wakefield, CoStar, and such web-based companies as MrOfficeSpace.com and Loop.Net.

CoStar, on its own initiative, had contacted ESD within days of 9/11 to offer assistance and was soon installing its software on the agency’s computers free of charge for six months. Acknowledging Co-Star’s assistance, the governor announced on September 14th that businesses could find information on replacement space by selecting “World Trade Center Disaster Alternative Space Listings” on the ESD website.

Learning from Other Disasters

Notwithstanding the unique nature of the present disaster—its unprecedented scale and location in the world’s financial capital and an unusually dense urban business district—ESD looked to earlier economic disaster recovery efforts for useful insights. The Internet was searched and policy staff contacted federal emergency disaster relief staff in Washington as well as state and city officials in California (Northridge earthquake), Florida (hurricane Andrew), and New Mexico (Cerro Grande fires).

ESD soon discovered that previous recovery efforts had largely been responses to natural disasters in non-urban or residential settings and had not been expected to address large-scale economic losses. The only precedent that seemed at all relevant was New Mexico’s Cerro Grande Fire in 2000, which significantly damaged homes and businesses as well as the Los Alamos National Laboratory. To address the fire’s impact, FEMA had created the Office of Cerro Grande Fire Claims, which, in 2001,

engaged PricewaterhouseCoopers LLP to assess the economic impact and develop policies for compensating claimants fairly for specified types of losses. Although some of what it learned was instructive, ESD realized that the scale of economic impact to businesses was much smaller in these other disasters; whereas the policies formulated in these instances were meant to guide the processing of a few hundred claims over an extended period, ESD faced the daunting task of getting resources to an estimated 20,000 businesses as quickly as possible.

Organizing Initial Business Outreach

ESD recognized, even as it pressed on with the development of a longer-term recovery strategy, that with thousands of companies dislocated and thousands more facing sudden financial crises some form of immediate assistance needed to be forthcoming from the state. Affected companies wondering how to meet their September 15th quarterly tax deadlines, or pay employees or vendors, or where to find temporary space in which to operate were at a loss for where to turn. Anticipating that for many such concerns would be compounded by emotional stress related to their personal experiences on September 11th, ESD organized a crash course on personal counseling for employees who would have contact with affected businesses. Initial business outreach efforts included setting up a call center and walk-in center and organizing a crisis intervention team to work one-on-one with the largest affected companies.

Getting the Call Center Up and Running

On September 12th, Catalfamo met with most of ESD's senior staff to consider the serious communications issues facing the business community. Lower Manhattan

businesses were unable to reliably access information about available resources and the resource providers to determine the precise needs of affected businesses.

It was suggested that ESD's 1-800 I Love New York Call Center, located in Albany and well-equipped with telecommunications and fulfillment infrastructure, be used as a portal through which people and businesses in the downtown area might be able to communicate with one another. The Albany call center, which had been responsible for tourism assistance as part of the "I Love NY" campaign, was also used for other marketing purposes. The line was retooled (a few extra lines were added) and used to support a call and fulfillment center and serve as a hotline. The system and logistics were such that staff could report daily to the governor's office, SEMO, and others involved in the recovery effort how many people were waiting in the queue and how many were lost.

Within 24 hours a press release had been distributed via TV and radio officially establishing the I Love New York 1-800 number as a way for people to obtain information. On September 13th, the governor issued a press release launching a help line installed to enable affected businesses to access assistance services offered by state agencies and the SBA.

Being a business- and customer-oriented organization, ESD was the logical entity to create the call center. In a sense, the center was already in place; it just had to be modified and made operational. ESD staff knew what the issues were and understood who the other players were and who could conceivably be brought in to help. To many staffers these innovations were simply a continuation of "business as usual." Explained one:

We're an agency of problem solvers. It's really what we do at the most fundamental level. Businesses have a problem. They want to grow or they've been harmed in some way. Our job is to bring resources, our expertise, and our professional knowledge to the table to help them get to where they need to go. I will add to that just that it was the constituency that we dealt with every day... We were putting in this extraordinary effort...for a constituency we've always had and will always have.

Staffing the helpline was no small challenge. The 20 people who normally staffed the 1-800 number were hardly sufficient for the volume of calls anticipated. The initial cohort of volunteers recruited by ESD comprised principally its own staff and staff from other agencies including the Office of General Services, Department of Labor, Small Cities program, and Department of Environmental Conservation. The call rate and variety of concerns were, at first, overwhelming. Reflected one staffer: "We were flying by the seat of our pants." It would be a while before ESD had a systematic process for fully staffing the center.

Many of the earliest calls came from people who, frightened and in shock, were anxious to connect with someone they felt they could trust to learn how the government, particularly city and state, was responding to the crisis. The recollections of ESD volunteers give a sense of these early calls.

I took a lot of calls from people who were just looking for someone to talk to. I knew there was nothing I could do other than to listen, so I didn't feel the need to get off the phone.

One woman lived alone in the Village and said there was no one in her neighborhood to talk to. So I remember chatting with her for about half an hour and offering her support.

There were people who, because the phone system in the city didn't work, couldn't talk to family or friends. They could get through to us. So we were there.

I think, in the beginning, people were just glad to hear a voice.

Access was initially the number one issue, there being no information about when the streets were to be reopened and when people and businesses were to be allowed back into the area. Because the whole of the downtown area was without electricity and had no landline or cell phone service, managers, even when they were allowed back to their offices, could not communicate with their employees.

Calls were also received from people outside of New York who wanted to help, who wanted to know where to send food, supplies, equipment, and so forth. One staff person remembers one of his most memorable calls being from a Canadian.

He said his father was a sheet metal worker and he worked in New York City during the Second World War. He said the U.S. has always been good to us. I forgot what his career was, but he was willing to come to New York and help out however he could. That was how he put it. He didn't care what it was; he'd do anything.

Another task assigned to call center staff was to compile a list of businesses that had operated in the Twin Towers. With hundreds of businesses lost or destroyed, it seemed to make sense to try, at least, to establish contact, to make assessments, and to offer whatever help might be possible. This occupied staff for a few days until the call volume became too great. Recounted one ESD volunteer:

We had contact names and numbers and sometimes they weren't the right business location, so we'd call another branch of the office and ask if they needed any help or assistance. That started right away and we stayed with that for a few days, trying to help.

As programs came online, the focus shifted to losses and compensation in terms of both physical loss and, in some cases, complete loss of a business or customer base. Once programs became available, the next step was to send out applications and to address and follow up on issues related to these applications.

Getting the Walk-In Center Up and Running

It was noted earlier that by the afternoon of September 11th senior staff at ESD had already proposed opening the agency's office at 633 Third Avenue to businesses seeking emergency assistance. On the afternoon of September 12th, the governor

announced at a news conference that the Third Avenue office would be a "one-stop center" for affected businesses. That the announcement took the agency somewhat by surprise is reflected in one staff member's recollection that: "First, we said 'Holy cow!' But then we got it set up in 24 hours." Initial outreach included a ticker message along the bottom of most New York City TV stations and media announcements about the center's location. Coverage was extensive with dozens of news reporters visiting the center to do a story.



ESD's Human Resource Department stepped in to address the challenge of staffing. All Third Avenue employees were asked to volunteer for two-hour shifts. Knowledge about specific programs was considered less essential than mere presence and "lending an ear." As many as eight volunteers were present at a given time and approximately 30 over the course of a day to keep the center open from 8:00 a.m.-7:00 p.m. on weekdays and from 10:00 a.m.-3:00 p.m. on weekends through mid-October.

People needing information about services and resources were greeted and screened by volunteers in a reception area set up in the lobby of 633 Third Avenue. Upon

completing a one-page form, they were escorted to the ESD offices on the 32nd floor where staff from the various departments either provided information about specific programs or made referrals to other state government departments and offices.

With only SBA monies readily available, for which not all businesses were able to qualify, ESD staff at first felt somewhat helpless. But when the Retail Recovery Grant Program was inaugurated, an application process was begun and caseworkers became more actively involved in working with businesses on an ongoing basis. As further resources became available and the need for business outreach and assistance expanded, additional walk-in assistance centers were established.

Providing Immediate Assistance to Large Critically Affected Employers

That critical businesses, especially large employers, unable to locate adequate space within New York City did not move out of the state on a permanent basis was high among ESD's early concerns. Soon after the attack, a number of larger affected companies of necessity either transferred employees to other of their own locations, some of which were in New Jersey, or leased temporary space in New Jersey, which soon began developing incentive packages to keep these businesses.

For the first month following the attack, ESD concentrated its efforts at crisis assistance in three areas: providing all businesses with real estate market information; helping the 150 largest affected businesses overcome infrastructure and access problems and locate temporary or permanent new space needed to resume operations; and providing small businesses temporary office space in Yonkers.

Its priority on getting to affected businesses data on available New York City real estate led ESD to eventually accept CoStar's offer to provide free access to its database on commercial real estate in the New York area. Within the first few days after the attack, the Strategic Business Division was working with approximately 150 companies. About 15 were assigned to each staff person who maintained close, almost daily, contact and logged their efforts in a rapidly constructed access database. Daily reporting from this database provided detailed information about the status of each company including major issues, contacts made to address these issues, and the current status of efforts to work with the company.

ESD staff met periodically with staff of the city's Office of Emergency Management to report on the status of infrastructure issues for major users and to advocate for local businesses. ESD reported, for example, the need for specific streets to be open at specified times to accommodate deliveries to particular businesses, for employees to have access to their offices, and for electrical power and telephone, cable, and Internet service to be restored to companies that were without these services.

Smaller companies were not neglected, although a Small Business Recovery Center opened in Yonkers to provide free temporary office space to businesses displaced or otherwise directly affected by the attack was short-lived. Announced by the governor on September 27th, the center was a partnership between ESD and the Governor's Office for Small Cities, New York State Office of General Services, and Yonkers Industrial Development Agencies and drew support from private companies such as IBM, Cablevision, and IKEA, which donated furniture and equipment to create 50 workstations. But city officials, though acknowledging that the state's efforts were

well intentioned, believed the city should have been consulted. Local officials, according to one interviewee, “scrambling to keep small businesses in the city” did not want to see them relocating to Yonkers, a relatively short distance away, even on a temporary basis. They believed, moreover, that the soft New York City real estate market offered more available space for dislocated small businesses than had been realized. When “at the end of September,” as one observer explains, “the Yonkers proposal sort of just went away” the impression that remained was that ESD had recognized the tension its well-intentioned plan had generated, realized that it should have consulted with the city, and backed away from its plan.

The collapse of the dot-com industry and softening of the real estate market mentioned earlier had the fortuitous effect of easing immediate needs for space. Moreover, companies that had downsized before 9/11 or leased space in expectation of growth that did not occur wanted less space than they had lost. Such factors not only complicated the businesses’ decision-making but also confused the message given to the news media, which, in some cases, failed to distinguish between economic impacts of the 9/11 attacks and those occasioned by the general economic downturn.

The City’s Early Outreach and Assistance Efforts

Within a few days of the attack, some EDC staff were able to turn their attention to the needs of affected businesses. The police and FEMA began to provide limited access east of Broadway starting on Saturday, September 15th. Aware of the state’s Midtown walk-in center on Third Avenue, but believing that a center was needed downtown as well, EDC staff had by Friday

identified a site, 80 Maiden Lane, and by early Saturday morning, September 15th, with limited access to the area, opened the center.

Among the 650 assistance seekers who visited the center on the first day it was open telephone and electrical service were the greatest concerns. Con Ed was present providing advice on the utility situation and Verizon was distributing cell phones free. As at the state-operated center, the initial focus at the Maiden Lane center was on helping businesses regain access to their offices. By December the walk-in center had handled 4,500 visitors.

New York City also sponsored the November 7th “Financing, Office Space and Business Assistance Marketplace,” which brought together many organizations and individuals who were available to help businesses affected by the attack. In addition to city, state, and federal agencies, banks, real estate companies, accountants, and other business service providers, some 500 companies in all, participated in the event.

In the weeks after the attack, EDC, like the state, opened in cooperation with the New York City Partnership and Real Estate Board of New York an emergency call center called ReSTART Central. The assistance program set up at KeySpan headquarters in the Metrotech building in Brooklyn was gradually expanded until, in August 2002, responsibility was ceded to the City University of New York. ReSTART eventually became a grantee under ESD’s Technical Assistance program.

Much of the communication about the strategy for delivering the type of recovery assistance that would be needed by businesses was taking place among senior city administration people and federal officials in Washington, D.C. Both state and

city officials recall limited coordination between ESD and EDC in the initial response, largely due to telecommunications and utility issues. The early pattern was to respond in parallel with emergency assistance but coordinate the development of longer-term programmatic responses. Daniel Kurtz, a senior EDC staff person, explained.

The EDC actions were coordinated at the staff level and between Kevin Corbett and Michael Carey, but until the implementation of the federally funded program and LMDC after January 1st it was mostly independent and parallel to the ESD effort.

As Kurtz (and others) have noted, however, this early lack of coordination reflected not so much a conscious desire to avoid collaboration as a natural inclination, given the desire to do something quickly, to look inwardly for resources that could be brought to bear.

Managing the Response

If only two words were chosen to describe the process of managing the response to the 9/11 attacks in the early days, they might well be “pragmatic” and “entrepreneurial.” There was no blueprint to follow. “There was a blurring of whose job was what for a period of time,” recalled one ESD staff member. “Everyone would just show up asking what they could do.”

In the absence of an established “system” for responding to an emergency of this magnitude, a core group of highly dedicated people, inundated with pleas for assistance, simply worked together to tackle what needed to be done with whatever resources they could find. Weekly meetings convened by the chairman lent some focus and senior staff dealing with all kinds of issues met almost daily.

Working with Federal Agencies

For a brief period it was unclear, in New York City, Albany, and Washington, whether the city or state would take the lead in securing and coordinating federal aid. At their first meeting in Washington with White House staff, ESD officials were surprised by the presence of city officials who, during earlier meetings in New York, had not indicated their intention to attend the White House meeting. It was nevertheless soon decided that the state would be the conduit for federal assistance. Some federal agencies expressed concern over the city’s reputation for spending or accounting for the expenditure of federal funds, but in general the state, especially once it created in the Lower Manhattan Development Corporation, a new state/city partnership, was simply seen as a more appropriate choice for coordinating economic development. By most accounts the city offered no significant resistance to the decision announced by the White House.

Mazzarella recalls little argument or tension around this control issue. Especially in the early days after the attack, his recollection is that it seemed appropriate that the city play the major role in emergency response, its police, fire, and search and rescue personnel backed up by appropriate state resources (e.g., the National Guard and state police). When the initial \$700 million from HUD went to ESD, the city, in crisis mode and concerned primarily with rescue, was “fine with that.”

As discussions with New York’s Congressional delegation and the White House were getting underway, key federal agencies had begun deploying their own resources. FEMA was first on the scene. The SBA (technically part of the FEMA team) opened one of its traditional “Disaster Loan Centers” and began to accept loan

applications within a few days of 9/11. But the first special direct funding, a \$1 million grant to the state for strategic recovery planning, came from the EDA, which, apart from an earnest desire to be helpful, was already familiar with ESD having had positive experiences working with the agency.

For communicating with the White House and Congress, ESD would rely heavily on Mazzarella's office. Some top ESD officials had personal acquaintances in Washington, for example, with SBA Administrator Barreto and EDA Assistant Secretary Sampson, but, in general, staff experience with federal programs was limited. Knowledge of the SBA, for example, was largely confined to experience with its Small Business Development Centers (SBDCs) in New York State, and knowledge of HUD, which would come to play the key role in business recovery funding programs, was even more limited.

Through myriad meetings and conference calls, three agencies "rose to the top" in terms of their perceived ability to deliver large amounts of money relatively quickly and easily: EDA, SBA, and HUD. Recalled Paul Raetsch, regional director of the EDA:

On the 13th or 14th, I was asked by assistant secretary Sampson's office to speak with the governor's office or Roger McDonough, ESD's chief counsel, whom I ended up working with. They had contacted headquarters, the assistant secretary, who contacted me... I was told: "See what you can do for them... Make whatever we can do happen."

By September 14th, Raetsch and his staff had identified \$1 million available through their regional office in Philadelphia plus monies volunteered by one or two other regions. EDA was perceived to have "lots of

flexibility," especially with its so-called "Economic Adjustment" (former Title 9) grants, but within EDA Sampson and others had serious misgivings about their ability to orchestrate a "major ramp-up" in staff to manage large dollar grants in New York City. "That would take time," recalls Witschi, "and there would likely be criticism that the process was taking too long."

Although quick to open its loan operations in Manhattan, the SBA was as quickly "dropped off the list" as a primary funder, local and state officials believing strongly that the agency's programs simply were not designed to address the kind of economic loss and damage that had been suffered by a great number of businesses. SBA programs, more pointedly the laws on which they were based, were criticized for:

- ▶ offering only loans, not grants (despite growing acknowledgement that grants to businesses, albeit without much if any precedent, were justifiable in post-9/11 Manhattan);
- ▶ requiring that grants be used to reduce or offset loan amounts (the so-called "duplication of benefits" policy), which put many businesses in a difficult situation;
- ▶ having overly stringent underwriting policies that typically required a pledge of personal assets including one's personal residence; and
- ▶ excluding certain categories of business (such as financial services companies, which, of course, constituted a large fraction of the businesses devastated by the attacks).

Moreover, the agency was perceived to be overly bureaucratic. Until the SBA later agreed, under mounting pressure and criticism, to relax some of its lending policies, the widely held perception was that the agency offered "too little, too late."

HUD's CDBG program, on the other hand, was a highly flexible potential source of funding that accommodated both grants and loans. Apart from the general flexibility of CDBG funds, the decision to designate HUD as the lead agency rested on another calculation, that CDBG dollars could be moved more quickly into state hands, which would effectively shift the spotlight onto the state as the party responsible for dispensing funds quickly.

Even before discussions in Washington were well underway, ESD and city staff who had begun researching HUD regulations had become convinced that the CDBG program would be the most sensible vehicle for a special federal appropriation to support business recovery. By late September, ESD officials were already in touch with Jan Opper, a top CDBG official who would become their key contact with the agency. Although unanticipated challenges in the areas of coordination and compliance with CDBG regulations loomed ahead, there was consensus that the HUD CDBG program, if not the optimal solution, was unquestionably the best fit.

Networking and Building Collaboration

ESD recognized early in the recovery process that the support and involvement of the business community would be critical to successful recovery, including the ability to obtain federal assistance. ESD's leadership worked closely with the governor to solicit the views and recommendations of the city's business leaders. Within a week of the disaster, the governor convened a meeting of 30 or so business leaders and government officials including Chairman Gargano and Deputy Mayor Harding. The governor was direct in asking business leaders for their ideas and recommendations on recovery programs, breaking the attendees up into smaller groups of six to eight to facilitate

discussion. Catalfamo would work closely with this group as recovery efforts went forward.

Setting Up Information and Case Management Systems

ESD realized that although it would take time to evolve into its final and most useful form, a sophisticated tracking and database system would be critical to guiding an effective recovery effort. Two systems were developed.

The first, a database maintained by the Strategic Business Division, was essentially a log of all contacts staff made with the largest affected companies. The database was created in about 48 hours using a common software program (Microsoft Access) and each staff member given a crash course in inputting data. Recalled one staff member:

First, we made a list of the largest companies. There were several hundred... We had the square footages on tenants. By 4:00 p.m. on 9/11, we had the stacking plans coming in. That came through contacts. Then we put headcounts with the spaces. Then we identified people who had contacts with the companies. If there was no contact...we assigned the company to a "business cluster" manager. And we tried to make a fair distribution of work across everyone. We had about 150 companies, so each person had, say, 15.

As new issues arose, new fields were added to the database. For example, when the issue of telephone service began to figure prominently in incoming calls a field was added to capture this information.

Building the database was, according to one staff member, understandably "not always smooth" and sometimes a "trial and error" process; "For example, we might spend a

day building a section and then we would find, no, that isn't quite it!"

As it grew, the database generated periodic reports that gave ESD management and others snapshots of the unfolding response and outstanding needs: contacts, issues, and the problem-solving taking place. Using the database, ESD staff were able, for example, to advise the phone companies and other utilities which companies were still without service. The database also tracked company location and so could be used to determine how much relocation from New York City to other sites within Manhattan or outside the city had occurred.

The second database system, which included the larger database of all businesses that had used the walk-in center or 800 number, was developed from an existing database set up for tourism-related and business development purposes. Over time this system became considerably more sophisticated in terms not only of the information collected from callers, but also what could be provided to callers.

These databases were the basis of an extensive "case management system," whereby ESD could track staff assigned to specific companies and enable senior management to follow business assistance efforts. Eventually, some 68 staff were assigned caseloads of affected businesses.

Creating the Lower Manhattan Development Corporation (LMDC)

It soon became clear that ESD could not oversee all aspects of the economic recovery, nor, for political reasons, should it necessarily try to do so. As it contemplated this predicament, ESD could reflect on a successful history of creating quasi-public subsidiaries such as the 42nd Street Development Project, Inc. to undertake the redevelopment of specific geographic areas.

These subsidiaries were led by public/private boards whose members were typically appointed by the mayor and governor. ESD concluded with Mayor Giuliani, early in the recovery process, that a public/private subsidiary would make sense for the long-term rebuilding effort in Lower Manhattan and have the added advantage of satisfying a political need to involve both the city and state in the process.

Of course, designing the structure of a new organization with so many competing stakeholders was no simple task. Nevertheless, on November 30, 2001, the Lower Manhattan Development Corporation (initially named the Lower Manhattan Redevelopment Corporation) was announced by Governor Pataki and then-Mayor Giuliani to help plan and coordinate the rebuilding and revitalization of Lower Manhattan, defined as everything south of Houston Street. The LMDC is a joint state-city corporation governed by a 16-member board, half of the directors appointed by the governor and half by the mayor. LMDC is charged with ensuring that Lower Manhattan not only recovers from the attacks, but emerges even stronger as a business and residential community. One of LMDC's early efforts was to plan a permanent memorial honoring the lives lost and affirming the democratic values that came under attack on September 11th.

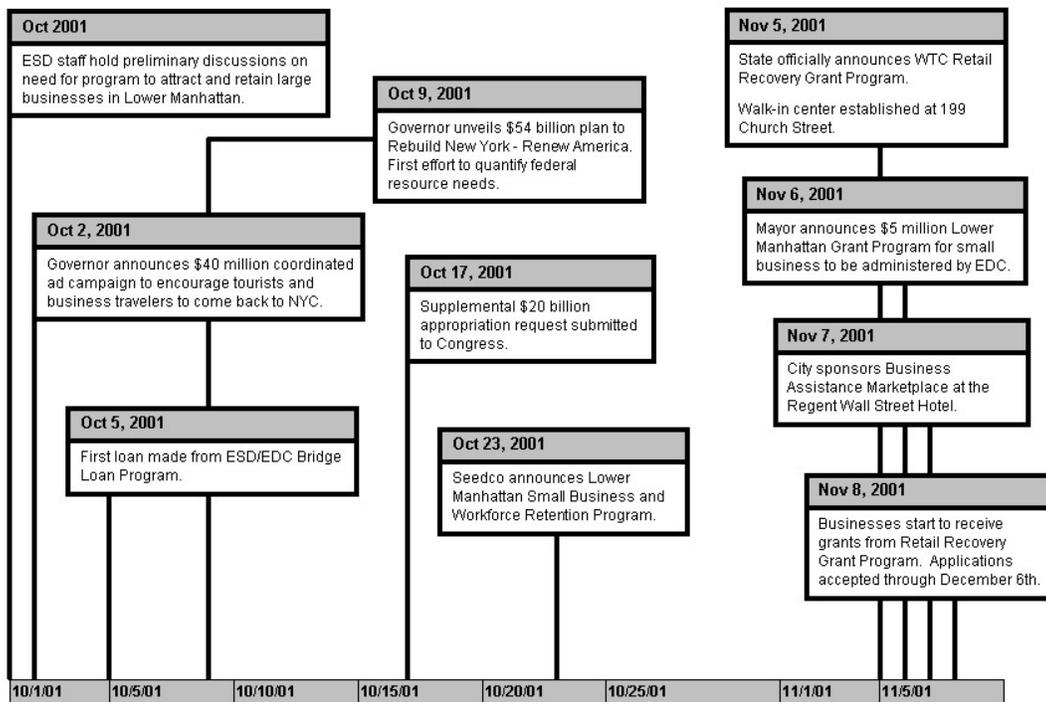
CHAPTER IV: EARLY PROGRAMMATIC RESPONSES

Even before federal funds were received, the state of New York made available resources, primarily financial, that other entities used to develop programs to provide immediate assistance to affected businesses. Program developers included ESD and the city of New York as well as nonprofit and philanthropic organizations.

ESD's Early Programs

ESD used state-supplied resources to design and implement: a major tourism promotion campaign; a bridge loan program to provide interim funding to businesses awaiting SBA support; and the Retail Recovery Grant Program, which compensated direct losses incurred by retailers in the immediate WTC area.

World Trade Center Chronology: Early Programmatic Responses



Tourism Marketing Activities

Tourism, long a mainstay of New York City's economy, was an immediate victim of the 9/11 attacks. ESD understood the importance of reviving tourism not only in terms of the jobs and spending it represented, but also because it had so much to do with restoring the city's image. Anticipating "ripple effects" from increased tourism, planners set out to:

- promulgate the perception that the city's spirit was not broken, that people were "living their lives" and the city was "still alive, open for business, and open for people who want to take advantage of [its] arts and entertainment scene";
- support the businesses hurt by 9/11, particularly Broadway and the travel and tourism industries, by creating incentives to attract tourists and their spending;
- target support specifically at the neighborhoods and smaller businesses in Lower Manhattan.

For strategy, planners turned to the successful "I LOVE NY" campaign to promote the city and its tourist attractions by building partnerships with businesses in the travel and tourism industries and utilizing all forms of media including print, electronic, Internet, television, and direct mailings. The program ESD put together with matching funds from the state and Port Authority was announced by the governor on October 2, 2001. The following were among the key activities supported by the \$40 million "Tourism and Marketing Program."

- A 60-second television commercial called "New Day," which featured a number of celebrities (Regis Philbin, Derek Jeter, Kelly Ripa, Ben Stiller, and others) as well as regular New Yorkers going about their business in the city, was meant to convey the message that the city's spirit was unbroken and life in

the city went on. The first commercial filmed in New York after 9/11, New Day ran in late October and early November within a 500-mile radius of the city.

- A second television commercial, "Business Leaders Pledge," featured chief executives and business leaders from 13 New York companies who pledged to remain in and help rebuild the city.

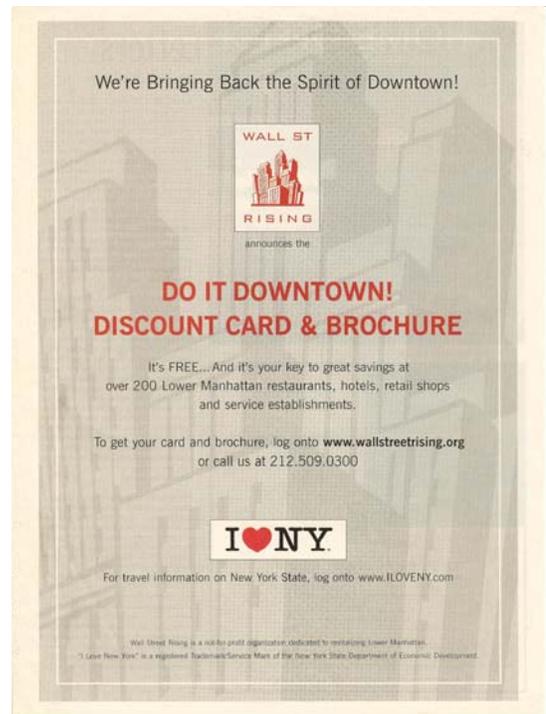


Chairman Gargano and Governor Pataki announce "I LOVE NY" business marketing campaign

- A third television commercial, an adaptation of "New Day" was aired by ESD and its tourism partner New York City and Company for their "Paint the Town Red, White and Blue Campaign," which provided first-ever travel packages and more than 350 discount offers to attract travelers to New York. The \$5 million consumer ad campaign, to which ESD contributed \$2 million in media support, was estimated to have generated \$36.5 million in total impact, including \$24 million in direct visitor spending.
- The "Seasons of Savings" campaign, a partnership between ESD and the League of American Theaters and Producers that ran for several weeks in

winter 2002, fall 2002, and winter 2003, was intended to rebuild theater attendance. ESD supported three programs that provided, in a playbill-style booklet, discounted tickets to Broadway and Off-Broadway shows, area hotels, and restaurants and parking. ESD invested in these programs approximately \$1.6 million in marketing support. The programs collectively sold more than 200,000 Broadway tickets and grossed more than \$10 million.

- ▶ An “I Love New York” culture campaign that united more than 60 museums and cultural institutions throughout the city helped rebuild attendance at cultural institutions by providing special offers to consumers.
- ▶ The “Do It Downtown” program developed by Wall Street Rising, an organization dedicated to supporting business and tourism in Lower Manhattan, offered by means of a brochure and discount card, discounts at more than 200 participating downtown establishments including restaurants, stores, and cultural institutions. ESD provided print media support, a major factor in generating inquiries that led to the distribution of more than 500,000 discount cards.
- ▶ ESD provided media support for “Art Downtown,” an unprecedented event that featured works of art at five downtown Lower Manhattan locations. Events were free to the public and ran from mid-June through mid-September 2002. Visitor count at two of the five locations exceeded 12,600.
- ▶ ESD provided support for the Lower East Side Business Improvement District’s “Go East” Program, which offered discounts at participating downtown merchants.



ESD later received for its post-9/11 marketing and advertising efforts the Advertising Club of New York’s “Power of Advertising in New York’s Economic Recovery” award. Many of the programs ESD supported, “Season of Savings” and “Art Downtown” among them, were later continued by private sector partners without further assistance. ESD effectively enabled these organizations to reassume a leadership role in marketing and promotional activities.

Bridge Loan Program

The idea for the Bridge Loan Program originated with local banks that had had experience with how long it typically took the SBA to issue loan approvals. Banks could mitigate the delay for borrowers by loaning funds in anticipation of the SBA monies that would be used to reimburse the bank loans. Banking representatives met with community-based lenders and representatives of the Small Business Development Centers to discuss this strategy.

To mitigate the banks' concerns about the risks attendant on making such loans, ESD and New York City's EDC decided to use as the program model the latter's existing Capital Access Program (CAP), whereby banks enroll risky loans and the city makes a deposit, matched by the bank and the borrower, into a pooled loan loss reserve account. Credit decisions are made and loan terms determined by the banks. Up to 100 percent of any losses can be recouped as long as funds remain in the reserve. The Bridge Loan Program modified this model by waiving the bank and borrower matches, and making a cash deposit into the reserve account set at 20 percent of loan value, to be shared equally by ESD and EDC. These reserve levels, backed by \$50 million in state and city funding, enabled banks to liberalize lending criteria and loosen loan terms. Many loans were made with three- to five-year terms and deferred principal payments for the first year. The program

was designed by Terry Trifari, Frank Corcoran, and Kathy Kazanas of ESD and Ann Doyle and Dan Kurtz of the EDC.

To estimate required funding, ESD research staff analyzed SBA's disaster lending history, specifically data on expected numbers of affected businesses and potential losses. Key among administrative design issues were application forms and coordination of city and state funding. With no history of pooling funds or joint decision-making, ESD and the EDC decided to operate parallel bridge loan programs whereby each agency would enroll loans independently and make a 10 percent contribution into a separate loan loss reserve account.

The Bridge Loan Program was implemented quickly and the first loan enrolled on October 5, 2001. Lenders submitted a simple three-page enrollment form to ESD or the EDC. Each form was reviewed for eligibility, the data entered into a database, and 10 percent of the loan principal wired to a dedicated reserve account at the lending institution.¹¹ In the event of a loss, the lender had to demonstrate that sufficient effort had been made to collect the loan. The agencies' portfolio management departments reviewed each claim to determine if payment from the respective reserve account was warranted. If approved, funds were authorized to be released from the reserve account to pay half the claim. ESD required assignment of loans to retain the option to pursue collection, and has done so on some occasions. The Bridge Loan Program was marketed through radio advertisements, outreach to business and community organizations, and extensive newspaper ads that listed all participating

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we will make you and New York State stronger than ever.

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George E. Pataki, Governor, State of New York • Charles A. Gargano, Chairman, Empire State Development

¹¹ The account was in ESD's name, which gave it control over the release of the funds to cover loan losses.

lenders. Several banks advertised the program on their own.

Rapid implementation of the Bridge Loan Program enabled many firms to secure funds needed to offset losses and to remain in business. It was also an important statement of the state's and city's commitment to small business.

The effectiveness of the Bridge Loan Program was dimmed, however, by concerns that loans were, of themselves, neither an adequate nor a suitable response, that in the face of such severe devastation—many businesses suffering total loss and displacement—outright grants were warranted as well. To restore these businesses to operation would require working capital as well as funds for plant and equipment and a variety of other business needs. The SBA's traditional underwriting policies, chiefly its requirement of personal collateral, were deemed inappropriate under the circumstances. To owners who had seen their entire business or customer base obliterated and faced uncertain prospects for resuming operations, the notion of pledging as collateral for a loan what was in many cases their principal or sole remaining asset, their home, seemed terribly unfair.

The Retail Recovery Grant Program

ESD staff observed through contact with small businesses at its walk-in center that small retailers had been especially hurt by the closure of Lower Manhattan and loss of pedestrian traffic. Realizing that many companies were reluctant to pursue loans, even through its Bridge Loan Program, ESD established the Retail Recovery Grant (RRG) program.

Designed by staff members Terry Trifari, Frank Corcoran, and Kathy Kazanas in concert with ESD senior management, the

RRG program was intended to provide cash quickly, before the approaching holiday season, to affected retailers and personal service firms. The EDC established a comparable grant program to assist small non-retail firms that were applying for SBA loans. The original budget for the RRG program was \$10 million, but by the time it ended in early December 2001 ESD had awarded \$13.6 million in grants.¹²



Critical issues involved in the design of the grant program included defining the level of loss to fund and documenting eligibility. Eligibility was limited to firms (1) with fewer than 500 employees, and (2) located on or south of Houston Street on 9/11, these having been most affected by the loss of pedestrian activity, particularly the extended closure of Lower Manhattan and business relocations. One ESD staffer recalls having discussed with two policy staff from the New York State Insurance Department how to calculate a loss estimate for grants. ESD concurred with their suggestion that grants be based on the typical deductible under

¹² Whereas this initial funding came from the state, in later action plan requests to HUD funding was allocated to reimburse the state for this initial program (as well as the city for its early recovery grant program).

business interruption insurance, which was three days of lost revenue, and set a maximum grant amount of \$10,000. Staff then developed a simple one-page grant application, which also served as the grant contract. A copy of a lease was required to document eligibility with respect to being located south of Houston Street and a copy of the prior year's tax return was required to verify annual income relative to calculating the grant amount. The simplicity of this design enabled ESD to roll out the program in early November. The deadline for applications was December 6th and grants continued to be provided through early December 2001.

A walk-in center was set up at 199 Church Street in the building occupied by the State Insurance Fund, which provided desks and chairs and fax and copy machines. The center was staffed by ESD employees who volunteered for two- to three-hour shifts. Applicants were greeted at the reception desk and given an application or asked questions. Staff created a database of applicants and their application status. During the first few weeks the center was open from 8 a.m. to 8 p.m. There being no phone service, staff had to rely on cell phones to communicate with ESD's offices at 633 Third Avenue.

Grant applications were available in three languages: English, Spanish, and Chinese. ESD also had staff at the center who spoke Mandarin, Cantonese, and Spanish. The program drew a huge response from businesses in Chinatown.

One challenge for this early program was how to define "retail." Standard Industrial Classification (SIC) codes were used, but for businesses engaged in both retail and some other type of business activity such as wholesaling or services the share of operations that could be categorized as retail

had to be established in order to determine the appropriate grant amount. Another challenge was coping with the absence of required documentation. Businesses established within the prior year had not yet filed tax returns and businesses with verbal leases had difficulty proving geographic eligibility. These and other issues were addressed in a second review of each application conducted at the center by a senior ESD employee.

Most businesses that applied for RRG grants were deemed eligible. Owners of businesses outside the geographical eligibility boundaries or not engaged in retail trade as defined by SIC codes were dismayed to learn that, although equally devastated by the 9/11 attacks, they were ineligible for RRG assistance. Some of these businesses would qualify for assistance under later HUD-funded grant programs.

Early Responses of Other Key Players

Although the focus of this report is the role Empire State Development played in the post-9/11 economic recovery effort, parallel efforts by the city, federal officials, major national and local foundations, and local nonprofit and community-based organizations warrant acknowledgement as well.

New York City

The city's and state's participation in the Bridge Loan Program was discussed above. Among the city's own early responses to the losses experienced by small businesses was the creation of the Lower Manhattan Grant Program (LMGP) designed to complement ESD's Retail Recovery Grant Program. Launched on November 6th and initially funded with \$5 million in city funds, the LMGP provided grants of up to \$10,000 to non-retail businesses and nonprofit

organizations with 50 or fewer workers that had also applied for disaster assistance loans from the SBA. The latter requirement was waived for companies that had been directly displaced from the WTC buildings. Grant funds could be used to reopen businesses or to defray the cost of relocating from the WTC area to elsewhere in New York City.

The U.S. Small Business Administration

SBA's Niagara Falls Disaster Area Office, one of four regional disaster offices, was responsible for Lower Manhattan. Director William Leggiero was in Elmira, New York, on September 11th when he received word of the attack. Later that day, he contacted Herb Mitchell, SBA's associate administrator for disaster assistance in Washington, D.C., who had already been in touch with SBA area office officials in New York City. Both saw this as an "unusually high visibility" effort. Recalls Leggiero: "We realized we would have to perform like we never had before"; and Mitchell: "There was going to be a huge volume of requests so we knew that we would have to take a hard look at our process."

Leggiero also realized that the job would be "way too big" for his disaster team; he would have to rely on help from a number of SBA affiliates, notably the Small Business Development Centers (SBDCs) established in 1968 and jointly funded by the SBA and individual host states together with one or more host universities or colleges within those states. Following his conversation with Mitchell, Leggiero called New York SBDC Director Jim King in Dallas where he was attending a conference.

That King was president of the SBDC's national association and in that capacity had become acquainted with SBA Administrator Hector Barreto would be helpful inasmuch as the regional SBA director had been on the job only two weeks and District Director

Audrey Rogers was several days without reliable e-mail or cell phone access. King asked the SBDC's deputy administrator to commit an additional \$1.5 million to New York's SBDC program, a request that required the approval of the 54 other SBDC directors. Within five days all had approved the request. In the days immediately following 9/11, SBA's disaster team relied heavily on SBDC staff even though many were unfamiliar with disaster loans and required further training by Leggiero's staff.

New York City and Washington, D.C. loan applications were directed to the SBA's Niagara Falls office. Other regional offices processed applications from businesses located in their respective areas. Geographic eligibility was an issue, though; according to Leggiero, the SBA was flexible, extending loans, for example, even to lobster importers whose trucks were stranded at airports outside New York. The SBA also deemed it appropriate to adjust its size standards for defining "small business," increasing the "sales ceiling" for travel agencies and tour operators, for example, from \$1 million to \$3 million.

Mitchell and others also recognized the need to expedite the process of getting money into the hands of business owners. A pilot program approved by Mitchell that permitted as much as \$50K to be disbursed without all collateral documents in hand cut disbursement time from an average of 21 days to 12-14 days. Problems with this approach, according to Mitchell, were from the SBA's perspective "very minimal."

Other Early Business Assistance Initiatives

Local nonprofit organizations supported by the philanthropic community that augmented federal, state, and city efforts to provide immediate assistance to affected businesses tended to be much smaller in scale and to

target specific segments of the business community. The following far from comprehensive list gives a sense of the range and scope of these efforts.

▶ ***Real Estate Board of New York.*** REBNY, a broad-based trade association that represents more than 5,500 owners, brokers, and real estate professionals in New York City, played an important role in the immediate aftermath of the attacks by providing both critical information on real estate in the city and input into the design of the business recovery programs being developed. The board created “spacebank,” a database that identified available space that could be used by businesses displaced by the attack. One hundred sixty volunteers were involved in developing and maintaining the database, which came online on September 17th and ran for several weeks, and brokers waived their fees for affected businesses. REBNY also pushed for “as of right” assistance for businesses and provided to the state a two-page memo outlining a proposal for commercial and residential assistance.

▶ ***World Trade Center Small Business Recovery Fund.*** New York State’s SBDC, in partnership with the New York Business Development Corporation, established a working capital loan fund to provide directly affected small businesses immediate access to as much as \$5,000 in funding. The SBDC made 218 loans during the first phase of the fund. During the second phase, \$25,000 was made available for loans to a wider group of small businesses.

▶ ***The Lower Manhattan Small Business and Workforce Retention Project (LMSBWRP).*** The nonprofit SEEDCO, in partnership with the Alliance for Downtown New York, used funding

advanced by the Ford Foundation and New York Times Company Foundation to provide emergency assistance to small retail and manufacturing companies affected by the attacks. The \$6.15 million fund announced on October 23, 2001 was intended to provide low interest loans, grants, and wage subsidies. The project area was limited to the area surrounding Ground Zero and extending about one-and-one-half miles north to Canal Street.

▶ ***Accion New York’s American Dream Fund.*** Accion, a national organization involved in microbusiness development, established a fund for eligible businesses seeking loans on the order of \$500 to \$15,000. The fund was targeted at business owners who did not meet SBA requirements and could demonstrate that at least 50 percent of their business clients or contracts were situated in the affected area.

▶ ***New York City Partnership and Chamber of Commerce*** (now *Partnership for New York City*). Immediately after the attack, the New York City Partnership, a business-led organization focused on the health of the city’s economy, developed jointly with the chamber of commerce a \$6 million Financial Recovery Fund to provide recoverable grants of from \$25,000 to \$250,000 to businesses with between four and 100 employees.

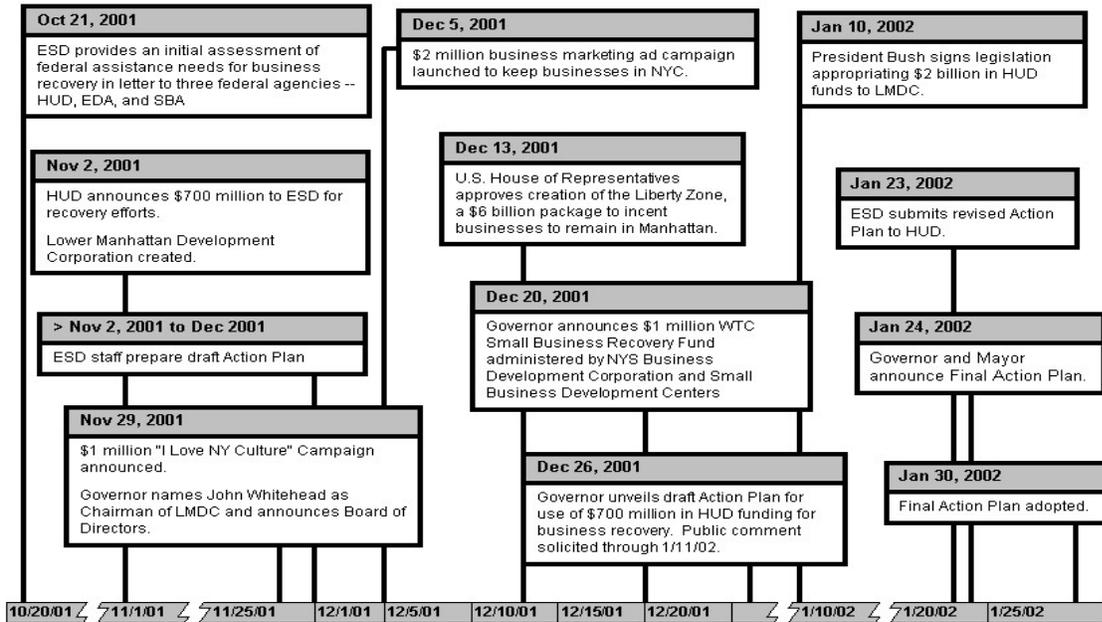
▶ ***Consortium for Worker Education.*** CWE, a nonprofit union-affiliated organization, received a \$32.5 million supplemental appropriation to address the needs of workers displaced by the World Trade Center attack. It used this funding to create the Emergency Employment Clearinghouse, which provided job placement assistance, career advancement counseling, and education and training.

▶ ***American Management Association International (AMA).*** In the immediate

aftermath of 9/11, the AMA, a nonprofit educational institution, instituted a free crisis management program for managers. Offered in October and November to any organization in the New York metro area, the program hired speakers to do training.

CHAPTER V: DESIGNING THE ACTION PLAN

World Trade Center Chronology: Designing the Action Plan



Staff began designing specific business recovery programs well before ESD received its \$700 million allocation from HUD. Bacheller's staff in the Policy and Research Division was estimating the level of demand by different types of affected businesses and designing appropriate programmatic responses to those needs. Policy staff communicated frequently with senior ESD management in New York City. This section of the report reviews the process that led eventually to the development of the business recovery programs operated by ESD.

Goals and Strategy

ESD's business recovery strategy had from the outset two overarching goals, (1) to get financial assistance into the hands of cash-strapped small businesses quickly to ensure their survival, and (2) to retain the major

employers that were critical to the downtown's long-term stability. Early state-funded initiatives including the Retail Recovery Grant Program and Bridge Loan Program had been a start. With the receipt of large infusions of federal funding, state and city officials launched an ambitious effort to move from short-term stabilization efforts to longer-term retention incentives.

ESD focused the design of these new initiatives on the "macro economy," that is, preservation of the downtown's economic base. There was genuine fear that anchor companies, particularly in the financial services industry, would bolt from the area. Some larger companies had already relocated in temporary space or consolidated their operations outside of the city, in many cases outside of the state. Competing jurisdictions such as New Jersey and

Connecticut hoped to retain some of these businesses.

ESD and EDC staff shared the belief that the long-term economic survival of smaller businesses hinged on the continued strength of key downtown economic sectors. If many of the larger employers in the financial services industry were to leave and Lower Manhattan's underlying economic base was eroded, the long-term vitality of many of the smaller businesses would be that much more compromised. These smaller retail and service businesses, it was realized, were also essential to the downtown's economic vitality and stability; engineering and architectural firms were an integral part of the downtown's "macro-economy" and retailers and restaurants enhanced its attractiveness as a business location.

ESD set forth three objectives with respect to preserving the downtown's economic base.

1. Mitigate uncovered losses to help small businesses survive while the area begins to recover.
2. Retain large firms responsible for major employment and key business concentrations that were dislocated or are at risk of leaving Lower Manhattan.
3. Stabilize the real estate market and attract and retain the smaller firms that provide business and retail services and sustain residential and commercial quality of life.

Needs Assessment and Program Design

Within a week of the 9/11 disaster, and before it was clear what kind of or how much federal assistance would be available, ESD staff were exploring program options. Program design and development of

guidelines were informal processes with ESD senior management and staff in the Policy and Research Division as well as in key programmatic divisions such as Loans and Grants and the Strategic Business Division reviewing drafts and providing input. Among key actors were John Bacheller and Deputy Amy Schoch in Policy and Research, Senior Vice President for Business Development Dave Catalfamo, Executive Vice President Kevin Corbett, Senior Vice President and Chief Financial Officer Frances Walton, Senior Vice President of Loans and Grants Terry Trifari, Vice President of Loans and Grants Susanna Stein, Senior Vice President in charge of the Strategic Business Division Ray Richardson, and Roger McDonough, the senior counsel in Albany.

Employing the team approach in the process of program design served to de-emphasize traditional roles and organizational hierarchies and to stimulate the flow of ideas and the embrace of different experiences and perspectives. ESD consulted widely with city officials, banks and some of their key corporate customers, and nonprofit organizations and reviewed information coming in from the call center. Bacheller and his Policy and Research Division played a strong coordinating role, generating background research on Lower Manhattan's business base, developing and disseminating program proposals, collecting feedback, and preparing drafts of the Action Plan. The division was perceived by other participants in the planning process to be highly effective in this role.

Developing Products and Determining Funding Levels

The mix and relative funding levels of programs to be included in the plan for federally-funded business recovery evolved over time as needs were more precisely

determined and sources of federal funding established. Early in the planning, ESD contacted three potential sources of federal funding: the Economic Development Administration; the Small Business Administration; and the Department of Housing and Urban Development. In a September 21st letter sent simultaneously to these three agencies, ESD provided an initial assessment of federal assistance needs for business recovery. An internal memo circulated in early October included \$430 million for the Bridge Loan Program, \$100 million for renovation and replacement of commercial space, and \$20 million for tourism recovery, all to be funded by EDA, and \$35 million for grants to businesses for uncovered damages to be funded by HUD. Also being considered was a revolving loan fund for financial sector firms ineligible for SBA disaster loans (a waiver later authorized SBA loans to this sector). Later in October, after estimates of SBA lending were downscaled (ESD staff had observed that few firms were benefiting from disaster loans due to high rejection rates and collateral requirements) and concerns about mass relocations of major employers outside Lower Manhattan escalated, a draft federal assistance proposal for a radically different program mix included only about \$125 million for the Bridge Loan Program, \$60 million for loss compensation, and \$750 million for relocation assistance for displaced businesses.

By early November, state and city negotiations with federal authorities had culminated in the allocation of an initial \$700 million in federal business recovery funds to be provided through the Department of Housing and Urban Development's Community Development Block Grant (CDBG) Program. It was understood at city, state, and federal levels that this amount would be insufficient and

that an unspecified additional amount would at a later date be made available from a \$2 billion allocation to the newly-established Lower Manhattan Development Corporation.

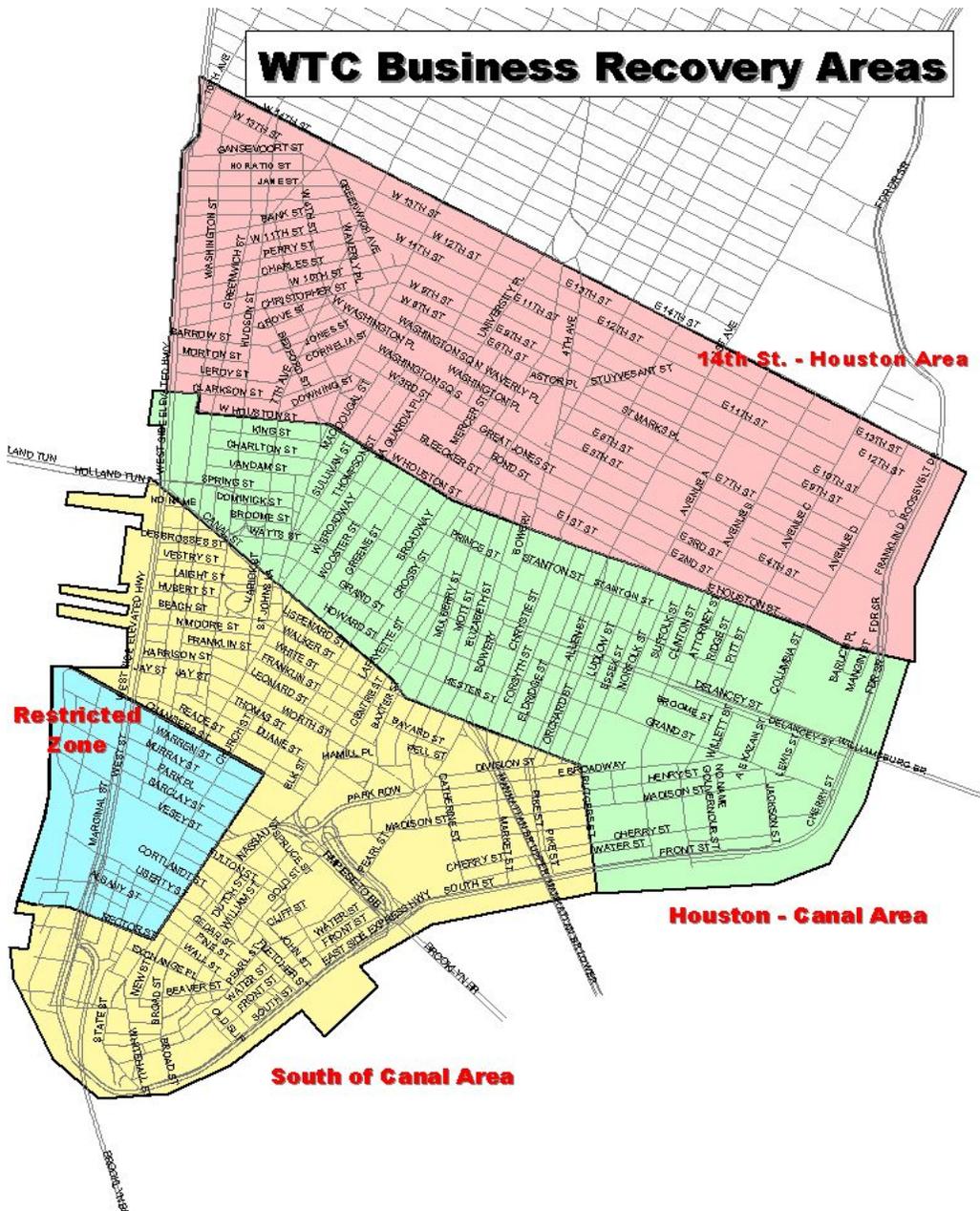
With the amount and source of initial federal funding established, ESD staff worked throughout November and early December to shape the Action Plan to be submitted to HUD. Additional research and on-the-ground experience with affected businesses were reshaping ESD's understanding of programmatic needs and discussions and negotiations with HUD officials making clearer what could and could not be done with CDBG funding. By mid-December, the outlines of the Action Plan had emerged.

Although criteria and formulas varied for different programs, two key features were universal, (1) geographic criteria for eligibility, and (2) among grant programs, the benefit levels for which eligible businesses could qualify. To conform to federal disaster assistance legislation, all businesses receiving recovery assistance would have to be located on or below 14th Street or receive a minimum threshold of business revenue from customers located there. As the basis for setting grant levels, the state adopted the New York City Office of Emergency Management's four zones of impact. Established on the basis of the duration and severity of access restrictions, these zones, beginning with the most severely affected and continuing in descending order, were:

- 1) the Restricted Zone (generally, an area bounded by Chambers Street, Broadway, Rector Street, and the Hudson River);
- 2) the South of Canal Area (excluding the restricted zone);
- 3) the Houston-Canal Area;
- 4) the 14th Street-Houston Area.

Beyond this, formulas differed; programs that compensated firms for economic loss

were basing payments on revenue levels, programs that emphasized retention and attraction on employment levels. The BRG and, to a lesser degree, the SFARG developed and refined grant levels for each zone by testing different formulas against the amounts allocated to each grant program, the number of firms in each zone, and the principle that firms closest to the World Trade Center site, being presumed to have suffered a greater degree of destruction and dislocation, warranted the most assistance.



Completing the Action Plan

The draft Action Plan publicly unveiled by Governor Pataki on December 26th included \$40 million for two previously established programs, the Retail Recovery Grant Program and Bridge Loan Program (discussed in Chapter III under initial response), as well as for several new programs.

- ▶ *The Business Recovery Grant Program (BRG and BRG 2)*. The BRG program was developed when it became clear that SBA disaster loans and private insurance would not provide sufficient compensation to a large number of non-retail businesses that had suffered economic losses. It was designed as an entitlement program that provided grants, equal to specified numbers of days of lost business revenue, to compensate businesses for economic losses that resulted from physical damage to property, business interruption, or loss of customers. Businesses in all four recovery areas were eligible, but grant amounts varied by zone (see map).
- ▶ *The Business Recovery Loan Program (BRLP)*. The BRLP was developed to fill a financing gap for creditworthy smaller firms that did not qualify for SBA disaster loans or that otherwise lacked access to credit. The program provided through intermediaries, both community-based financial institutions and nonprofits, low-cost working capital loans of up to \$250,000.
- ▶ *The Job Creation and Retention Program (JCRP)*. The JCRP provided a financial incentive for larger firms (initially those with 100 or more employees) to remain in or relocate to Lower Manhattan. The Eligible Area consisted of the South of Canal Area and Restricted Zone. In contrast to earlier

thinking along the lines of compensating firms for relocation costs, this program allocated funds on a per-job basis in order to more effectively target firms at risk of relocating outside of Lower Manhattan. Whether to provide assistance and how much to offer were decided on a case-by-case basis, jointly with EDC staff, based on an assessment of the economic value of the project to the city, the risk of employment loss, and the location of the facility.

Also included in the plan was \$25 million for planning infrastructure reconstruction, \$5 million to cover the expense of marketing business recovery programs, and \$14 million for program administration. Revisions made to the plan during January responded to public comments (see “Public Input Process” below), further internal analyses and costs estimates, and negotiations with HUD. The final Action Plan was issued on January 30th.

Formal and informal public comment led to the development of two additional programs. Advocates for the real estate and small business communities argued effectively that small businesses needed technical assistance as well as funding to support their recovery efforts and, like larger businesses, should be granted incentives to remain in Lower Manhattan.

- ▶ *The Small Firm Attraction and Retention Grant Program (SFARG)*. The SFARG Program provided to firms with between 10 and 200 employees (later extended to firms with 1-9 employees) and leases scheduled to expire before December 31st, 2004 that committed to remain downtown for at least five more years grants calculated on a per-employee basis. The Eligible Area for SFARG grants was the South of Canal Area and the Restricted Zone. Lease commitment requirements for employers in the

October 23rd Zone, the most severely damaged part of the Restricted Zone, were less stringent.

- The Technical Assistance Program.* This program made grants to “intermediaries” that would be responsible for helping smaller firms gain access to recovery assistance.

Meanwhile, a second Action Plan was being developed to funnel an additional \$2 billion in federal funding through the Lower Manhattan Development Corporation. Included in a supplemental appropriations bill signed into law on January 16th, these funds were to be used for business and residential recovery and large-scale

Initial Action Plan: Funding Allocations			
	Draft: 12/26/01	Final: 1/30/02*	Change
Compensation for Economic Losses			
Bridge Loans	\$15 million	\$15 million	\$0
Retail Recovery Grants	\$25 million	\$0	-\$25 million
Business Recovery Grants	\$241 million	\$331 million	+\$90 million
Business Recovery Loans	\$85 million	\$50 million	-\$35 million
Compensation to Other Businesses	\$5 million	\$5 million	\$0
Technical Assistance for Small Business Recovery			
Grants to Service Providers	\$0	\$5 million	+\$5 million
Retention & Attraction Assistance			
Job Creation & Attraction Grants	\$285 million	\$170 million	-\$115 million
Small Firm Attraction & Retention Grants	\$0	\$80 million	+\$80 million
Business Information	\$5 million	\$5 million	\$0
Infrastructure Rebuilding			
Initial Planning and Design	\$25 million	\$25 million	\$0
Administration	\$14 million	\$14 million	\$0
TOTAL	\$700 million	\$700 million	\$0
*Reflecting, in part, changes made in response to public comments.			

Other changes made to the initial design included increasing minimum company size for JCRP recipients from 100 to 200 employees, and reducing grant allocations accordingly, and, responding to further evidence of the greater importance of grants over loans for compensating economic loss, significantly increasing the BRG budget and decreasing that of the BRLP. The following table displays the funding allocations and changes from the draft Action Plan.

reconstruction projects. ESD expected to be allocated significant additional funding for the BRG, BRLP, JCRP, and SFARG programs and was in the process of developing a business recovery budget to be inserted into the larger LMDC budget.

A number of provisions in the supplemental appropriation would influence how the state and city proceeded with program implementation.

1. No less than \$500 million had to be made available to individuals,

nonprofits, and small businesses located on or south of West 14th Street or on or south of East 14th Street.

2. Criteria and requirements for accepting applications had to be developed and applications for funding begin to be processed within 45 days.
3. Ten million dollars had to be allocated to a program designed to aid New York City's travel and tourism industries.

On January 24th, one week before release of the final Action Plan, Governor Pataki and newly-inaugurated Mayor Bloomberg publicly announced the approval of the Action Plan and opening of two new WTC Business Recovery Centers in Lower Manhattan. Three weeks later, on February 14th, HUD Secretary Martinez traveled to New York to formally present the \$700 million grant to ESD.

New SBA disaster legislation, enacted in late 2001, contained provisions advocated by ESD to make the Disaster Loan Program more accessible to businesses harmed by the WTC attack. These included broadening eligibility to include financial service companies, allowing deferral of principal and interest for two years, and increasing the loan ceiling from \$1.5 million to \$10 million per borrower.

The Roles of Other Stakeholders

Negotiating Grant Uses and Terms with HUD

Charged with overall management of the CDBG Program, HUD was concerned with ensuring appropriate expenditures of funds, which encompassed not only safeguards against potential fraud but also compliance with the so-called "national objectives." CDBG funds were generally required to meet at least one of three national objectives established by Congress.

1. Benefits to low- to moderate-income persons.
2. Elimination of slums and blight.
3. Urgent needs.

The latter were defined thus:

Meeting other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health and welfare of the community and other financial resources are not available to meet such needs.

It was clearly "urgent needs" that qualified ESD for CDBG assistance. But expenditures had to meet in addition to one of the national objectives the "overall benefit" requirement that stipulates that at least 51 percent of CDBG funds benefit persons of low or moderate income as defined by a HUD-approved index of household size and income established for each major city or region.

The CDBG program, HUD, and for that matter federal funding streams in general, were "terra incognita" for ESD and most other state agencies. With no past history working together, HUD and ESD initially approached each other with a sense of urgency tinged with what might be described as a degree of mutual trepidation. ESD's lack of experience with the CDBG program was an understandable source of apprehension for the agency responsible for ensuring that program funds were spent and accounted for in accordance with regulations (which, however, might be officially modified) and well-established monitoring and reporting procedures. Reflected Catalfamo:

We had to convince them we had the capacity and competence to do what they said. I think they were unwilling to go ahead until they got to know us better.

Having to comply with all manner of regulations, paperwork, and complicated bureaucratic procedures was a source of apprehension for ESD. A key challenge was to reconcile program guidelines with HUD regulations and concerns, especially around the definition and calculation of loss, duplication of program benefits, and eligibility.

- ▶ HUD, which used categories of physical and economic loss to determine levels of assistance, wanted ESD to base BRG grants on a calculation of each firm's loss for each category. ESD, anticipating 20,000 grants and operating under the Congressional mandate to make awards within 45 days of application, did not think the HUD approach feasible. It took some time to convince HUD of the importance of an administratively expeditious way to calculate grant amounts.
- ▶ Because the Stafford Act prohibited federal agencies from duplicating benefits to the same beneficiary, ESD had to reach agreement with HUD and SBA about what would constitute duplication of benefits. HUD initially wanted to treat SBA loans and HUD-funded ESD grants as equivalent on a dollar-for-dollar basis, requiring each SBA loan dollar to be met with the equivalent reduction in ESD grant funding (or vice versa depending on who was the first funder), but ESD did not view loans and grants as equivalent. An important compromise was reached, and an important precedent set, when HUD finally agreed to treat as the deductible

benefit the amount of interest savings from SBA's below market interest rates.

- ▶ ESD also needed permission to assist financial services firms, which generally were not eligible for CDBG assistance.

Resolving these and other issues with HUD proved difficult and frustrating for ESD. Considerable time and communication and, in some cases the intervention of the Secretary of HUD, were required. This consumed enormous staff time and often delayed program implementation.

The process might have been even more difficult had ESD not sought guidance early on from a former HUD employee. Harry Sicherman had served as a consultant on HUD policies and procedures and knew personally many of the key HUD managers in Washington, D.C. HUD judged ESD's proposed loan and grant programs to warrant a variety of waivers, notably of the general requirement that at least 51 percent of CDBG spending benefit persons of low and moderate income. Sicherman recommended that ESD prepare an official waiver request and helped the agency do so. He credits ESD with being "very responsive" to his guidance on designing and implementing programs in ways that would satisfy HUD.

Sicherman, who became involved after the initial contacts with HUD, praises ESD staff for their thoughtful and responsive approach. "Having one person in charge of each program made a lot of sense," he opined. Yet, the welter of regulations made it difficult, from ESD's perspective, to get money into the hands of businesses as quickly as desired.

HUD officials, including Richard Kennedy, director, Office of Block Grant Assistance, Jan Opper, senior program officer, Office of Assistant Secretary for Community Planning and Development, and Jessie Handforth-Kome, field officer, Office of Block Grant

Assistance, met initially with White House staff to outline their concerns about ensuring proper use of CDBG funds. After Congress passed the initial appropriation, Bacheller and Catalfamo approached HUD with an outline of a program design, which was discussed at length. HUD had prior experience with supplemental appropriations for disaster assistance but, says Kennedy, “each one was a little different; this one was to address damage to businesses and revitalization.” In discussing plans for a special allocation, Kennedy and his team readily agreed to “stick with the basic CDBG concept of local flexibility and determination.” But they emphasized the need to address other considerations as well, namely:

- ▶ documenting the expenditure of funds (“As years go by,” Kennedy recalls thinking, “there will be less sympathy for not knowing where the money went”);
- ▶ having a public review process for the plans;
- ▶ defining the boundaries of the Lower Manhattan target area; and
- ▶ collecting data on beneficiaries (it had to be “verifiable” not necessarily “verified”).

“My bias,” said Kennedy, “was to make them meet the low/mod requirement. I wanted to push them toward that, but it became obvious that it didn’t fit well given the programs that were designed.... We knew there would be a lot of interest eventually in whether CDBG had helped poor people.” From a regulatory standpoint, the single greatest challenge for HUD was to justify the use of CDBG funds for “economic loss,” normally not an eligible activity but made acceptable under the legislation passed by Congress.

HUD was, at first, somewhat reluctant to support a waiver request, but ESD staff and their consultant, Harry Sicherman, persuaded HUD officials that it was essential to achieving economic recovery objectives. In Washington, New York State’s federal affairs director, Jim Mazarella, used his influence with HUD to push through a waiver request, which subsequently moved through HUD rapidly. It was approved in mid-December 2001.

HUD formally granted 14 separate waivers of standard CDBG regulations, policies, and procedures. These were outlined in detail in a December 14, 2001 letter from Nelson Bregon, deputy assistant secretary for grant programs, to ESD Chairman Charles A. Gargano. Headed “NYS/NYC Waivers and Alternative Requirements,” the letter modified or eliminated the following:

- ▶ the requirement that 70 percent of CDBG funds be allocated to activities that benefit low- to moderate-income persons (“HUD’s general counsel ultimately opined that the economic recovery purpose of the legislation trumped the low/mod requirement,” Kennedy explained);
- ▶ citizen participation requirements;
- ▶ consultation with local governments;
- ▶ consistency with the “Consolidated Plan” (a long-range planning document required by HUD of all grantees);
- ▶ environmental clearances for release of funds;
- ▶ reimbursement for pre-agreement costs;
- ▶ distribution and use of funds to and in a metropolitan city (to enable the state to carry out disaster-recovery related activities directly rather than simply distribute the funds to municipalities; a separate waiver was included for the

action plan required to outline this approach);

- ▶ limitations on administrative and planning expenses;
- ▶ public benefit standards for economic development activities (standard per job expenditure limitations would be waived but ESD would still be required to report and maintain documentation on the creation and retention of total jobs and those held by low- to moderate-income persons);
- ▶ duplication of benefits (clarified that although the duplication of benefits prohibition remained in effect, “business concerns and other entities eligible for SBA disaster loans may receive assistance for purposes that are also SBA eligible in excess of SBA loan amounts awarded or in excess of SBA loan limits, whichever is less”);
- ▶ performance reports;
- ▶ use of program income (refers to income such as interest on loans earned on the use of CDBG funds that is generally available not to states but to individual municipalities for further CDBG-eligible activities); and
- ▶ the “anti-pirating” clause (granted “only to allow the state to provide assistance to any business that was operating in the covered disaster area before September 11, and has since moved in whole or in part from the affected area to continue business”).

Not all regulatory issues were forestalled by these waivers and alternative requirements. One that arose revolved around the use of grant or loan proceeds for real estate acquisition and construction activities. Other federal regulations mandated the payment of “prevailing wages” under the Davis-Bacon Act, the establishment of Women/Minority Business Enterprise set-

asides, and the completion of environmental impact reviews for construction activities, requirements that would be costly and onerous for small firms. ESD consequently decided to eliminate construction-related activity from the program and use the funds exclusively for labor and other working capital expenses. This decision interfered with the JCRP program’s objective of attracting firms to Lower Manhattan, which often involved making leasehold improvements and installing new equipment. Yet, in practical terms this restriction had little impact to the extent that businesses could demonstrate sufficient labor expenses to absorb the grant amounts.

Working with the City on Program Design

ESD’s relationships with New York City’s economic development agencies, traditionally distant in part because of a certain rivalry, not uncommon in state and city government relations, between the Pataki and Giuliani administrations, were strengthened by the extraordinary circumstance of the WTC attack. Early jockeying over control of federal disaster funding, once it was agreed that the state and ESD were better positioned to distribute these funds, gave way to positive and harmonious interaction as the respective staffs focused on the details of designing and implementing grant and loan programs. One small but telling sign of cooperation: the city’s and state’s assistance centers, though initially operated independently of one another, each put the other’s address on the same set of forms and shared couriers. By most accounts, an even greater spirit of cooperation took hold when the new mayoral administration took office.

EDC’s Matthew Maguire maintains that there was “90% agreement” between his agency and ESD on the development of

grant and loan policies. ESD was perceived to place greater emphasis on “due diligence and tighter standards” (possibly owing to the compliance obligations stressed by HUD).

Public Input Process

The 15-day period provided for public comment on the initial Action Plan required by HUD ran from December 26th, 2001 to January 11th, 2002. ESD mounted an extensive public outreach effort to encourage comment. An executive summary of the Action Plan was mailed to approximately 16,500 businesses located in Manhattan south of Houston Street; an “Invitation for Public Comment” display advertisement was run in a number of metro area newspapers; and the full text of the plan was available on the ESD website and in paper copy, in English, Spanish, and Chinese, at multiple locations in Manhattan.

The relatively short comment period limited the level of public input, but ESD believed that the benefit of a longer comment period was outweighed by the urgent need to get the federal funding pipeline flowing. ESD nevertheless received via mail, fax, e-mail, and voice mail approximately 400 comments, which were reviewed thoroughly. ESD responded to all of these, in some cases with significant programmatic changes to the Action Plan.

The technical assistance program included in the final Action Plan, for example, was not part of the initial plan but ESD’s response to formal comments about the plan. The New York City Partnership, a nonprofit group of CEOs representing many employers in the region, suggested that “program implementation [should] involve new partners providing small business assistance” and the Asian Americans for Equality encouraged greater reliance on community organizations to provide

services.¹³ Other groups, including previous ESD grantees and organizations such as the Alliance for Downtown New York and SEEDCO, that later received technical assistance grants also encouraged ESD to include technical assistance in its recovery efforts. ESD responded by including in its revised Action Plan a program of grants to community-based and other providers of technical assistance to affected small businesses. Upon approval of the revised Action Plan, ESD staff crafted the details of the program.

A second program added to the action plan in response to public comment was SFARG. Even before the initial Action Plan was published, representatives of the area’s real estate community, in discussions with ESD, were advocating that incentives comparable to those proposed for large employers through the Job Creation and Retention Program also be offered to firms with fewer than 200 employees. The Real Estate Board of New York and the Alliance for Downtown New York were particularly strong advocates of such a program. When ESD submitted the revised Action Plan to HUD on January 23, 2002, the SFARG Program was included with eligibility limited to firms with 10-200 employees. (Under further pressure from the real estate and small business communities, ESD extended eligibility in its revised June 7th Action Plan to firms with as few as one employee.)

Input was also obtained informally through discussions between ESD staff and public officials, community leaders, and stakeholder organizations as well as from businesses calling into the call centers or visiting the walk-in centers to communicate requests for programmatic support.

¹³ New York State Action Plan, Revised January 23, 2002, page 20.

ESD staff had differing perceptions of the effectiveness of the community outreach process. Some expressed concern that public input might not have been sufficient. Observed Catalfamo:

I ask myself did we have enough public process. We went beyond the letter of the law, but we didn't go out and hold forums. While we consulted with key stakeholder organizations, it was not a broad process. But we did go through the public review period, got some comment, and made changes in response.

Others found that the greatest interest on the part of stakeholder groups was to get programs up and running as quickly as possible.

Refinements and Changes to the Action Plan

A number of significant changes were made to the action plan over the following two-and-one-half years, as outlined below.

ESD Amended Action Plan: Approved June 7th, 2002

Amendments to the Action Plan proposed by ESD on May 6, 2002 involved primarily adding funds to the BRG and SFARG programs, cutting funds for the BRLP, and transferring \$25 million for infrastructure planning to the LMDC, which had assumed this function. During a 15-day comment period, which ran from May 6 to May 24, 2002, ESD used the same outreach methods as for the initial Action Plan. Fifteen comments were received. Comments critical of the exclusion of employers with fewer than 10 employees from the SFARG Program influenced ESD to eliminate this exclusion despite both its and the EDC's concern that inclusion of such firms would result in a flood of applications that would

significantly elevate administrative costs and take the focus off larger firms that had a greater impact on employment. Ultimately, the administrative burden incurred by including these smaller employers proved to be less onerous than feared. The final amended plan expanded eligibility for the SFARG Program to firms with 1-10 employees, extended the current lease expiration deadline by three months (to December 31st, 2004), and eased eligibility restrictions for firms in the most severely damaged section of the Restricted Zone known as the October 23rd Zone.¹⁴ The amended plan also shifted funding for infrastructure planning, the LMDC having been created for that purpose, to the SFARG Program.

LMDC Partial Action Plan: Approved June 7th, 2002 and amended September 25th, 2002

LMDC submitted to HUD in April 2002 a Partial Action Plan primarily for a Residential Grant Program. The plan included a request for \$10 million for the Employment Training and Assistance Program (ETAP) to be administered by ESD. Despite an array of job training programs that targeted individuals affected by September 11th, a need was identified for customized training. The ETAP program provided grants to train current and prospective employees of businesses and not-for-profit organizations located south of 14th Street.

LMDC Partial Action Plan: Approved October 20th, 2002

In January 2002, President Bush signed legislation that appropriated \$2 billion in

¹⁴ Companies located in the October 23rd Zone were not required to have an existing lease expiring on or prior to December 31st, 2004, but were required to sign a new lease or renew or reaffirm an existing lease through at least September 11th, 2006.

federal funds for the LMDC. Within this appropriation was \$500 million dedicated to small business recovery. When it wrote the original Action Plan, ESD had anticipated a second appropriation. In October 2002, the LMDC submitted its draft Partial Action Plan, subsequently approved by HUD, for the allocation of \$350 million in supplemental funds to the ESD-administered JCRP, BRG, and SFARG programs.

The 15-day comment period generated 117 comments (more than half from former tenants of the WTC who advocated for a grant program directed solely at the needs of those businesses and a quarter from small businesses near the WTC site asking for a higher level of BRG compensation and more flexible SFARG lease requirements). ESD responded to all comments, but made no further changes to the Action Plan.

LMDC Partial Action Plan No. 4: Approved August 6th, 2003 and amended June 9th, 2004

By the end of 2002, ESD realized that even with the supplemental funding provided for the BRG Program it would be unable to meet its obligations. Demand for the funds quite simply exceeded ESD's expectations as well as available resources. Twenty percent of all BRG applications were received in the program's final two days (December 30 and 31, 2002). ESD's consequent grant obligations of \$564 million exceeded both the \$500 million program budget and the \$480 million the agency had received.

The LMDC Partial Plan allocated an additional \$74.5 million for the BRG Program and reallocated most of the ETAP funding because of limited demand. Funding from this allocation was also used to reimburse the city's and state's early grant-based recovery programs.

LMDC Partial Action Plans: S-1 and S-2

Two other LMDC Partial Action Plans involving programs administered by ESD were approved by HUD. Legislation sent to Congress in the summer of 2002 that sought additional assistance for companies most affected by employee loss as a result of the 9/11 attacks gave rise to the Disproportionate Loss Program, which helped such companies to keep their operations in New York City. In September 2003, HUD approved an allocation of \$33 million for firms that had suffered a disproportionate loss of workers. HUD also approved an allocation of \$750 million to the Utility Restoration and Infrastructure Rebuilding Program. This initiative, to be completed by the end of 2004, will be examined in a later report.

The table below summarizes HUD-CDBG funding allocations to date.

HUD Funding for ESD Business Recovery Programs (\$000)								
	Initial HUD Allocation to ESD		ESD Share of \$2 Billion HUD Allocation to LMDC				Supplemental Allocation to ESD through LMDC	Total HUD Funding Allocation to ESD as of 1/05
	ESD Amended Plan 6/7/02	ESD Reallocation of Initial Funds	LMDC Partial Action Plan 6/7/02	LMDC Partial Action Plan 10/29/02	LMDC Partial Action Plan No.4 8/6/03	Total	LMDC Partial Action Plans s-1 and s-2 9/15/03	
Business Assistance Programs								
Bridge Loan Program	\$ 15,000	\$6,760						\$ 6,760
Business Recovery Loan Program	\$ 50,000	\$41,140						\$ 41,140
Business Recovery Grants	\$331,000	\$339,860		\$150,000	\$ 74,500	\$224,500		\$ 564,360
Small Firm Attraction and Retention	\$105,000	\$ 105,000		\$ 50,000		\$ 50,000		\$ 55,000
Technical Assistance Service Provider Grants	\$ 5,000	\$ 5,000						\$ 5,000
Job Creation and Retention	\$170,000	\$ 170,000		\$150,000		\$150,000		\$ 320,000
Compensation for Economic Losses (BRG2)	\$ 5,000	\$13,240						\$ 13,240
Business Information	\$ 5,000	\$ 5,000						\$ 5,000
Administration	\$ 14,000	\$ 14,000						\$ 14,000
Other								
Infrastructure							\$ 750,000	\$ 750,000
Employee Training and Assistance Fund			\$ 10,000		(\$9,500)	\$ 500		\$ 500**
Disproportionate Loss							\$ 33,000	\$ 33,000
TOTAL	\$700,000	\$700,000	\$ 10,000	\$350,000	\$ 74,500	\$434,500	\$ 783,000	

**\$9,500,000 was reallocated from the ETAP program to LMDC.

CHAPTER VI:

IMPLEMENTING THE RECOVERY PROGRAMS

Upon approval of the initial Action Plan in late January 2002, the process of implementing the constituent programs began. All came online that year. The JCRP and the BRG programs were launched in late January, the SFARG program in March. The RFP for technical assistance providers was issued in April, the providers selected in May, and the technical assistance services begun in July. Finally, the RFP for BRLP lenders was issued in June, the lenders selected in October, and the first loans originated by year-end.

Putting each of these programs into operation involved some subset of the following activities:

- ▶ developing outreach and marketing plans;
- ▶ designing and refining program guidelines;
- ▶ implementing a system for processing applications;
- ▶ building information management capacity; and
- ▶ establishing financial controls.

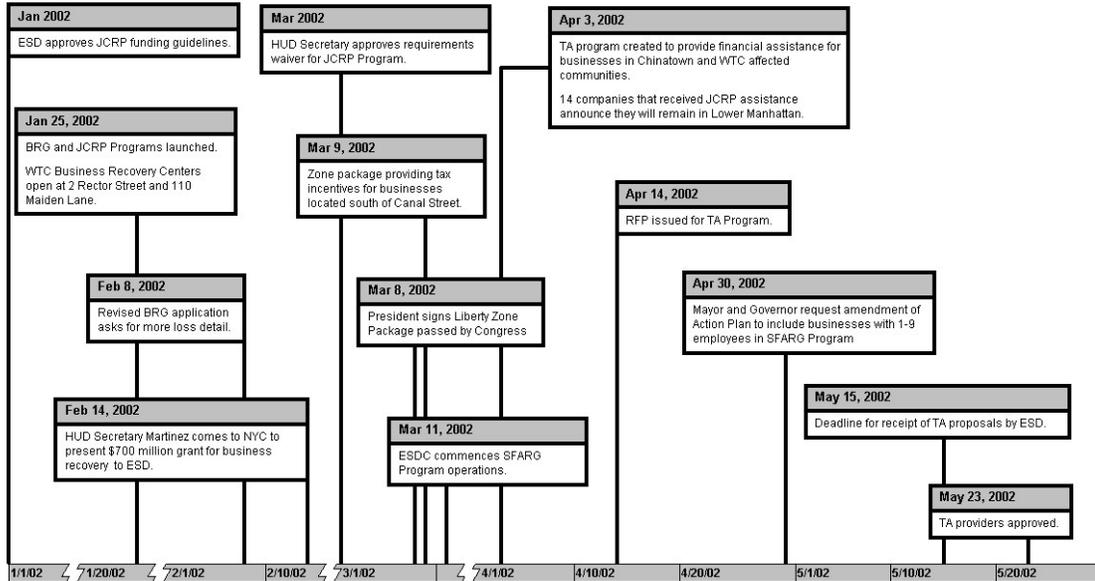
ESD shared these activities with its primary partners, HUD, the city of New York, and the community-based organizations it had selected to deliver various program services.

Major challenges arose early in the implementation of nearly all the programs. More staff and a database tool for application and grant management were common needs, but particularly critical for successfully administering the Business Recovery Grant program. Among other common implementation issues were:

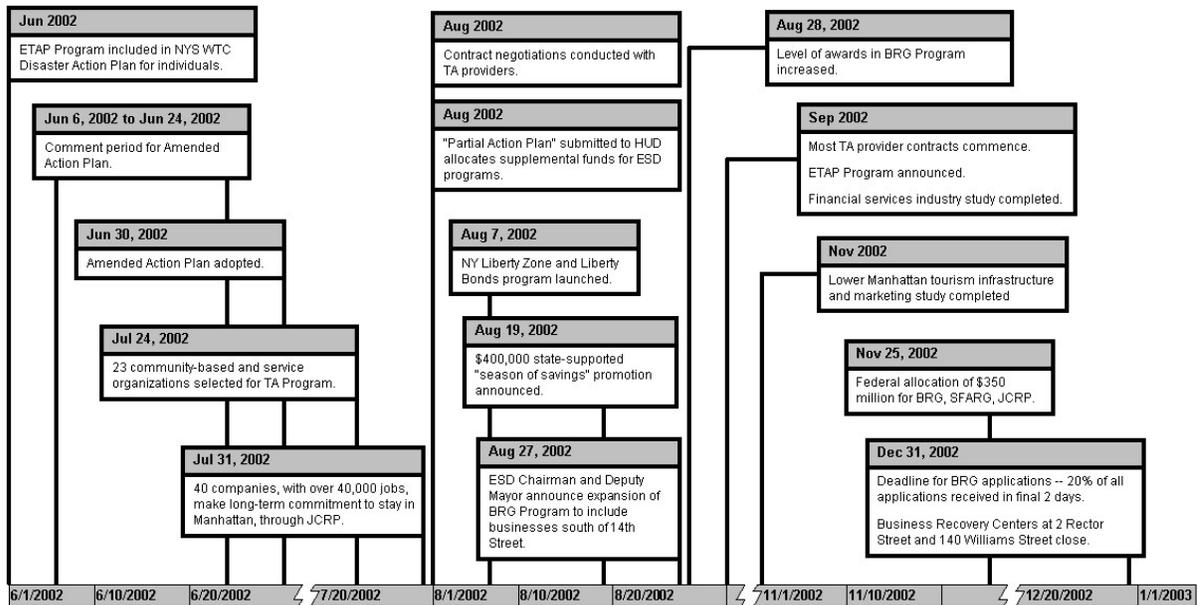
- ▶ tension between the desire to disburse funds quickly and the need to guard against fraud and human error;
- ▶ the need to secure waivers for various CDBG requirements; and
- ▶ the SBA's prohibition against "duplication of benefits."

This section provides an overview of the economic recovery programs implemented by ESD since federal CDBG funding was first received at the beginning of 2002 and reviews the activities funded as part of ESD's \$1 million EDA long-term planning grant. It also describes the major challenges to program implementation.

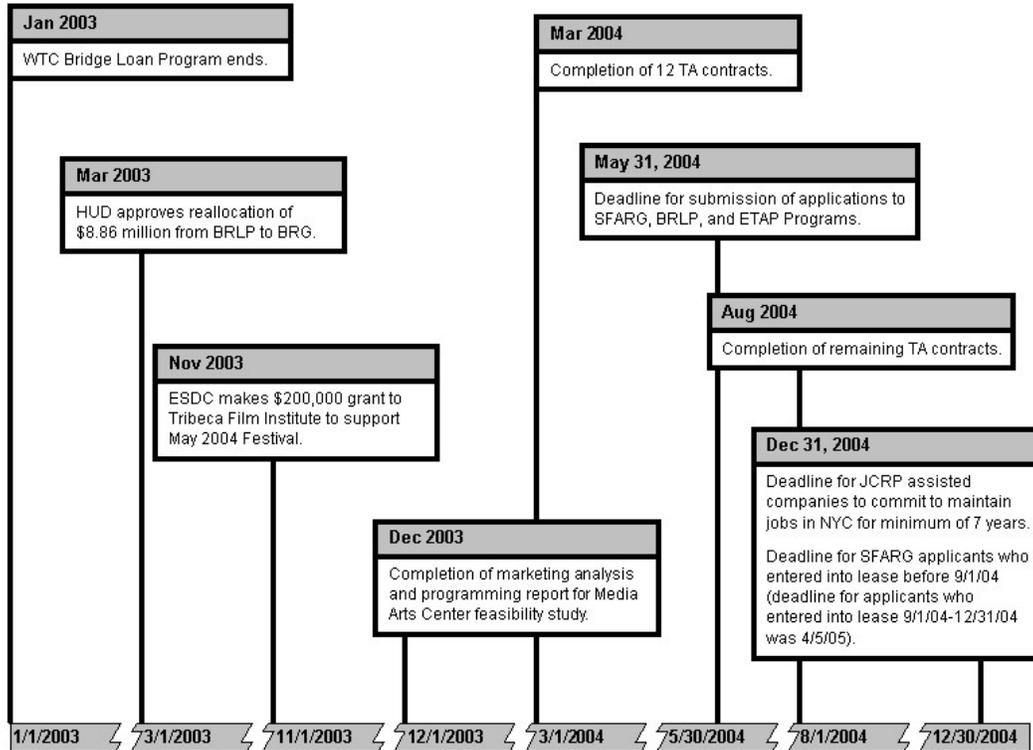
World Trade Center Chronology: Implementation, January-May 2002



World Trade Center Chronology: Implementation, June-December 2002



World Trade Center Chronology: Implementation, 2003-2004



Summaries of Recovery Programs

Business Recovery Grant Program (BRG and BRG2)

Eligibility: *Businesses and nonprofit organizations qualified for the BRG program if they met three eligibility requirements: occupied an establishment on or below 14th Street prior to September 11th and were either continuing or intended to resume operations within New York City; employed fewer than 500 people; derived revenues or expenses from operations conducted in, and maintained at least one full-time permanent employee (or were self-employed) at a location within, the Eligible Area. The BRG2 program was established*

for businesses that employed more than 500 people nationwide and operated on or south of 14th Street one or more establishments, each of which employed fewer than 200 people.

Status: *At the conclusion of the programs, 14,311 businesses employing 161,252 persons had received \$556 million. Seventy percent of small businesses located south of 14th Street were grant recipients, and BRG grants compensated 17 percent of total net losses claimed.*

ESD's emphasis on grants reflected an understanding that loans alone were not a sufficient response given the scale of losses suffered by affected businesses and uncertainty about the return of normal

economic conditions to Lower Manhattan. Some companies would not qualify for loans; some were understandably reluctant to take on new debt; and loans would generally take longer to process.



Photograph by Mike Slocombe, www.urban75.com

The initial Retail Recovery Grant Program, established with state funds and made operational on November 5, 2001, made grants equal to three days of revenue up to \$10,000. Business Recovery Grants, funded with CDBG funds, were provided as an entitlement to cover (but not exceed) economic loss calculated on the basis of a specified number of days of lost business revenue—the number of days and cap varying by impact zone from two days and \$50,000 to ten days and \$300,000. In August 2002, under pressure from the business community, ESD increased the number of days of lost revenue firms could recoup to between three and 25. Grant caps did not change.

The largest grants went to financial services firms and the supporting business services and legal and professional service industries. A survey of 604 downtown firms conducted in the summer of 2003 for the Alliance for Downtown New York revealed that 35.4

percent of recipient companies credited BRG grants with influencing their decision to remain in Lower Manhattan and 86 percent reported that they found BRG assistance to be very or somewhat helpful.

ESD's implementation of the BRG program met with the following challenges:

- ▶ delays in obtaining the federal monies needed to meet its obligations, including an eight-month delay for the final \$64 million;
- ▶ implementing HUD requirements, some of which did not emerge or were not resolved prior to the program's initiation necessitating successive revisions of the program's application and documentation requirements;
- ▶ eligibility and documentation issues for nonprofit organizations and street vendors; and
- ▶ omission of aid to firms that transacted business in Lower Manhattan from offices located elsewhere.

Job Creation and Retention Program

Eligibility: *Firms employing 200 or more people displaced from their workplace, whether still located in or relocated outside of Lower Manhattan, qualified for the JCRP by committing to maintain jobs in New York City for at least seven years.*

Status: *As of September 30, 2004, 135 companies had been reviewed and offers made to 120. Seventy-five offers totaling \$268 million (average grant award \$3.9 million) have been accepted and approved. Recipient businesses have committed to retaining 59,957 jobs in Lower Manhattan and creating 6,691 new jobs downtown.*

ESD recognized immediately after 9/11 that major employers that had lost space in the World Trade Center collapse or faced other operational challenges imposed by

conditions in Lower Manhattan were at risk of relocating out of the area, particularly to the New Jersey and Connecticut suburbs. The agency also perceived there to be considerable risk that, once relocated, firms would not return to Lower Manhattan. The Job Creation and Retention Program offered financial incentives to encourage existing large employers to remain in, and other large employers to relocate to, Lower Manhattan. The program was intended to stabilize the area economy by preserving within Lower Manhattan the presence of as many large “anchor” firms as possible.

Decisions about whether to provide assistance and how much to offer were made case-by-case based on assessment of the economic value of the project to the city, risk of lost employment, location of the facility, and size of the workforce. Grants were structured to provide greater incentives to firms that made larger workforce commitments and employment levels were monitored annually. Firms that missed their targets were required to repay a portion of their grant, the recapture level declining on an annual basis.

A key issue was the development of an appropriate formula for determining grant awards. The state and city used existing models developed for financial incentive programs, suitably adapted, to analyze the economic and fiscal benefits of each project, then negotiated a single award level.

Direct outreach to large downtown firms began soon after 9/11. ESD’s strategy was to find “early committers,” high profile companies that would publicly commit to remaining downtown thereby promoting confidence in the area. ESD and the EDC worked together at the staff level to compile a list of all companies that met the program criteria. Ten teams of two staff members, one each from ESD’s Strategic Business

Division and the EDC’s Retention Unit, were assigned to work with individual companies as “grant originators.” The process of negotiating the terms of each award was complex and labor-intensive given the involvement of so many players (the state, the city, and HUD). Particularly troublesome from the staff’s perspective were the structuring of disbursement schedules and recapture provisions. Administration became somewhat easier as experience was gained and the process standardized.



Governor Pataki addresses the Mercantile Exchange, a JCRP grant recipient

Among the companies assisted were a great many financial services firms as well as other professional service firms including legal, architectural, accounting, hospitality, and retail. Nine of ten businesses newly locating in Lower Manhattan were not financial services firms, consistent with the city’s and state’s objective of diversifying the area’s employment base.

The four JCRP clients interviewed for this study indicated that the funding provided covered only a small portion of their overall recovery costs. Some would have been

unlikely to relocate because they owned their buildings or held long-term leases that would have been difficult to break. These external factors notwithstanding, some recipients nevertheless considered the JCRP funding to have been a significant factor in their location decisions. Above all, it signaled the state's and city's commitment to them and to Lower Manhattan generally. Together with other public investments, it boosted confidence that government at both levels was committed to rebuilding Lower Manhattan and restoring its economic vitality. Stated one recipient:

The only way the funding influenced us was by demonstrating that there was a commitment to rebuild lower Manhattan – that we wouldn't be down there by ourselves without the subway, restaurants, services, and other people. The fact that this fund was established showed us that they were serious about it. It wasn't a lot of money in relation to the lease, but it was important from a psychological point of view.

Some firms noted that the additional resources provided through JCRP also helped them to preserve their workforces by enabling them to fund employee amenities or adjustment support that they might otherwise not have been able to afford. According to one recipient:

There was no question we would stay here. But the JCRP funds helped us entice our employees back to work. For six months this was a ghost town. We saw the money as a way to fix the place up, pay for counselors, pay for ferry service.

Despite challenges, the JCRP moved from conception to design to implementation relatively smoothly.

- ▶ A conscious decision was made to keep the process administratively simple and

to accept the trade-offs that attended greater subjectivity in making grant awards and the accompanying obligation to demonstrate to HUD, the funding source for the grants, that the process was not arbitrary.

- ▶ HUD's CDBG funds were no better matched to the needs of the JCRP than to other 9/11 business assistance programs, various of the CDBG requirements being irrelevant and sometimes even contradictory to the program's objectives, which were simply to provide financial incentives that would attract new or retain existing companies.
- ▶ The city and state had to agree on "clawback" provisions, the former wanting a nine-year, the latter a five-year, commitment.
- ▶ SBD staff learned the importance of managing expectations in the face of prospective grant recipients that held unrealistic expectations about award amounts sometimes fueled by consultants hired to help obtain government compensation.

Small Firm Attraction and Retention Grant Program

Eligibility: *Firms with 200 or fewer employees that operated in the designated Eligible Area and had in place on September 11th, 2001 a lease set to expire on or before December 31st, 2004 that agreed to sign a new or renew an existing lease for a minimum of five years beyond the current commitment were eligible for this program. Employers newly locating within the Eligible Area were required to sign a new lease for a minimum of five years or purchase an eligible premise. Lease commitment requirements for employers in the October 23rd Zone, the most severely damaged area, were somewhat less stringent.*

Status: As of August 2004, \$58.1 million in grants had been disbursed to 1,713 firms.

Concern for preventing an exodus of smaller companies from the city in the aftermath of 9/11 led ESD, at the urging of the Alliance for Downtown New York and New York Real Estate Board, to design and administer with the EDC the Small Firm Attraction and Retention Grant (SFARG) program. The program awarded grants on a per-employee basis to firms that committed to remain in or relocate to Lower Manhattan for a minimum five-year period. Targeted businesses were primarily those considered to be at risk of relocating outside the area, specifically businesses with leases set to expire before December 31st, 2004 when full restoration of transit service to the area was expected.

The program was allocated \$155 million in HUD funds, \$105 million from the initial \$700 million allocated to ESD and an additional \$50 million from the \$2 billion allocation to the LMDC. Payment levels varied according to whether the grantee was located in the Restricted Zone or in the South of Canal Area (the remaining part of the Eligible Area). Recipients located in the Restricted Zone that employed four or more people received two payments of \$2,500 per employee; recipients with three or fewer employees, one payment of \$5,000 per employee. Recipients in South of Canal Area that employed four or more people received two payments of \$1,750 per employee; recipients with three or fewer employees, one payment of \$3,500 per employee. HUD rules required that the funds be used to pay employees' salaries.

While firm relocation decisions were based on a number of factors, SFARG funding could have a significant impact on such decisions. Noted one recipient:

Our lease was up in 2003 and we were looking to see if we would be better off someplace else, but we decided to extend the lease. SFARG wasn't the controlling factor but it was a determining factor. It's an economic calculus – the prestige versus the cost of staying. The government dollars helped us stay.

As of August 2004, SFARG recipients collectively represented nearly 29,000 full-time-equivalent employees. Most recipients were small firms, approximately 60 percent employing nine or fewer people. The program also affected the real estate market, a typical commercial lease now being five years. This is a change for small businesses used to shorter leases and might lead to greater stability in the long run.

Certain elements of the SFARG program, chiefly, eligibility determinations and documentation, proved quite complicated to administer. Lease eligibility determinations for firms outside the October 23rd Zone were especially vexing. The complexity prompted some small businesses to complain that the program was arbitrary and a number of ESD staff maintain that, though it filled an important need, the program might have proved even more beneficial had eligibility standards been more inclusive.

Bridge Loan Program

Eligibility: Businesses with 500 or fewer employees were eligible to apply through participating banks.

Status: Ten lenders, six banks and four community-based organizations, made 998 loans totaling \$33.4 million under the program.

The Bridge Loan Program, designed and implemented jointly by ESD and the EDC, funded a 20 percent loan loss reserve for loans made by banks or nonprofit

community-based lenders as a “bridge” to borrowers’ eventual receipt of SBA disaster recovery loans. Announced just two weeks after September 11th, the program enrolled its first loan on October 5th, 2001 and continued through January 31st, 2003. ESD and EDC each committed \$25 million to the program and funded 50 percent of each guarantee. The program originated with several banks that had had experience with the SBA program and the relatively lengthy period required for loan approvals.

Thanks to rapid implementation, the Bridge Loan Program became an early source of credit that helped firms address losses and remain in business. It was also an important statement about the city’s and state’s commitment to help small businesses recover from 9/11.

The key challenge was coordination with the EDC. The Bridge Loan Program was operated as two parallel programs, each with its own forms, reserve accounts, and loss review and payment processes. This structure generated some duplication and administrative complexity for both lenders and the two public agencies.

It is difficult to know the extent to which participating banks used the program to make loans they would otherwise not have made and how exclusively they focused on firms affected by the WTC disaster. ESD staff recounted examples of loans made to businesses neither in nor tied to Lower Manhattan such as a nail salon in Queens and a Brooklyn dentist.

Business Recovery Loan Program

***Eligibility:** Firms that employed fewer than 500 people and were located on or below 14th Street or displaced from below 14th Street that derived at least 10 percent of their business from below 14th Street or committed to locate a new operation below*

14th Street within 90 days of closing were eligible for business recovery loans under this program.

***Status:** Through the program’s conclusion on August 31st, 2004, BRLP lenders made 638 loans totaling \$41.05 million, average loan amount \$64,335, to 573 distinct businesses employing 4,346 people.*

The BRLP allocated funds to community-based financial institutions that, in turn, made loans to small businesses and nonprofit organizations. It targeted primarily small firms located throughout the city that did not qualify for SBA disaster recovery loans and otherwise lacked access to credit. Loan use was restricted to working capital and refinancing prior debt.



Photo by rsguskind www.community.webshots.com

ESD first approached banks to serve as program intermediaries but found them unreceptive to a program that required substantial paperwork and lending well outside their normal credit standards. Moreover, CDBG regulations precluded for-profit institutions from “recycling” loan repayments into new loans, an important goal for ESD. ESD consequently decided to

fund community-based lenders, specifically, Community Development Finance Institutions (CDFIs), which are certified by the U.S. Treasury. Eight lenders participated in the program.

Although the CDFIs were challenged to develop the requisite staffing and systems to originate and service large loan volumes, ESD was quite satisfied with the institutions' overall performance. Because they retain their BRLP allocations as "de-federalized" revolving loan funds, the CDFIs had an incentive to lend and manage the funds prudently.

The BRLP filled a critical need by targeting primarily pedestrian-oriented small retailers, restaurants, and service providers. It was a valuable source of capital for business owners who could not meet SBA lending criteria, and because the CDFIs retain BRLP loan repayments the funds continue to be targeted at the lower-income neighborhoods and entrepreneurs typically served by the CDFIs. Providing these eight lenders a permanent revolving capital source has helped to build small business lending capacity and led to larger, more effective CDFIs that will be able to serve Lower Manhattan well into the future.

A number of issues surfaced around the implementation of the program:

- ▶ Using intermediaries is an effective way to supply post-disaster credit, but careful attention to their capacity and oversight of their lending policies, systems, and performance are vital to ensure effective and efficient use of funds.
- ▶ Timely disbursement of loans was an issue because HUD prohibited funding lenders on a lump sum basis; ESD had to draw down funds from HUD as loans were closed and pass them along.

- ▶ Although it filled a niche, the BRLP, like other disaster recovery loan programs, was not useful to the majority of affected businesses that needed grants for loss compensation.

Technical Assistance Services Grant Program

Eligibility: *Small businesses that employed fewer than 200 employees and were located on or below 14th Street were eligible for Technical Assistance Services grants.*

Status: *Twenty-three organizations were awarded grants of as much as \$250,000. Most of the projects, which varied between one- and two-year terms, commenced in August 2002, and all had concluded by August 31, 2004. By contract end, the program had reimbursed technical service providers \$4,343,015 (of \$4,869,439 contracted). This amount, together with \$4,304,348 in matching funds or in-kind services expended by providers, brings total program expenditures to \$8,651,275.*

With their operations crippled or destroyed by the 9/11 attacks and facing an uncertain future, nearly all Lower Manhattan businesses needed not only emergency grants and loans to support their recovery, but also counseling and technical assistance including help with the application processes for the financial assistance programs that had been established. The Technical Assistance Services Grant Program (TA Program) was conceived to meet these needs through grants provided to community-based organizations and other nonprofits that had close relationships with the small business community. Although the TA Program was not part of the first Action Plan, a number of organizations including the New York City Partnership, a nonprofit group of CEOs that represented many of the region's employers, pressed for such a program. Consequently, under the

January 2002 Action Plan, \$5 million was set aside for TA grants.

To select providers an RFP was issued and a selection committee established to review each proposal. This process was managed by Sharon Rutter, ESD's Director of Technology Policy. Selection criteria included targeted industry, geographic focus, and services offered. Funded organizations included established community-based organizations and web-based service providers. Grants ranged from \$100,000 to the maximum \$250,000. A grantee match of at least 50 percent of the grant amount in cash or in-kind services was required. Grant Disbursement Agreements delineating scope of services, anticipated deliverables, and timelines were finalized for each of the 23 providers.

A wide range of services provided through the program included traditional business assistance services such as strategic planning, marketing, finance, legal, and basic business management as well as help gaining access to various kinds of WTC disaster assistance, especially that provided in various forms by ESD. Twenty of the 23 providers provided services directly to small businesses, two provided online services, and another assisted the Tribeca neighborhood with marketing efforts.

ESD's marketing of the program to Lower Manhattan businesses was complemented by individual providers' own marketing efforts. Some advertised their services in neighborhood newspapers and on radio, others in fliers or information packets mailed or distributed door-to-door.

TA providers used practical experience to modify existing or create new programs. An innovative program was developed, for example, for street vendors who operated in the affected area but lacked ground leases

and needed special assistance to obtain financing.

The nature of the technical assistance needed by Lower Manhattan's small businesses changed over the course of the contract term. Initially, money was needed most and many providers helped businesses obtain grants and loans. Later, longer-term needs such as business planning, marketing, and addressing barriers to stability and growth became more pressing. ESD was widely praised for its willingness to permit providers to design their own programs and for its responsiveness to issues that developed during the program's implementation.

The program far exceeded the January 2002 Action Plan target of directly affecting 5,000 jobs and indirectly affecting another 3,300. Results reported for the TA Program include:

- ▶ direct assistance by at least one TA provider to 4,383 small businesses representing more than 46,000 employees (many businesses received more than one type of service from more than one service provider);
- ▶ one-hundred-sixty-eight workshops and training seminars (many part of multiple session/day series) covering various business recovery and marketing topics were conducted for individuals from 2,923 Lower Manhattan small businesses;
- ▶ the launch in February 2003 of the www.LowerManhattanMap.com website, which was consulted 389,387 times by 107,829 individuals worldwide through mid-2004;
- ▶ completion by more than 7,700 visitors to www.downtownNYincentives.com of 432 online questionnaires outlining incentives and benefits available in Lower Manhattan;

- ▶ greater capacity in the grantee community, some grantee organizations being left stronger and with closer ties to the small business community.

Implementation of the program was not, however, without challenges.

- ▶ Businesses operating under non-traditional accounting and leasing arrangements had the greatest difficulty accessing ESD recovery grant and loan programs, making the value of technical assistance problematic. Some TA providers advocated greater involvement of the community-based organizations that served these types of clients in ESD’s program planning and design process.
- ▶ Requests by a number of providers for changes to contract deliverables and timelines proved to be an administrative headache, especially when multiple changes were requested; even when contract changes were limited to one per provider, administration proved to be much more onerous than ESD had anticipated.
- ▶ The requirement that service providers, after an initial upfront payment of 25 percent of the grant amount, report activity and submit paid charges for reimbursement on a quarterly basis, intended to ensure accountability, created cash flow problems for some grantees.

EDA Long-term Planning

The Economic Development Administration (EDA), the first federal agency to provide funds to the state of New York in the wake of the World Trade Center disaster, awarded ESD a \$1 million grant to facilitate the formulation of a comprehensive development strategy to foster economic recovery in Lower Manhattan. ESD

submitted its application to EDA on September 18th, 2001, seven days after the disaster; EDA made the award eight days later, on September 26th, 2001.

ESD allocated the funds to five projects: economic analyses of two key affected industries, financial services and tourism; two projects intended to facilitate the development of Lower Manhattan’s film industry, a feasibility study for developing a center for the independent film and media community and a new event to showcase independent films; and the creation of a public record of ESD’s response to the disaster. ESD approved the projects sequentially in response to evolving clarity about specific needs and opportunities. Funds were allocated in the following order.

Study of the financial services industry	\$205,000
Study of tourism in Lower Manhattan	\$313,500
Media arts center	\$100,000
Tribeca Film Institute	\$200,000
Public policy record	\$175,000

Except for monies allocated to the Tribeca Film Institute, all funds supported the work of consultants to ESD. Three of the five projects are complete; two, the media arts center feasibility study and public policy record, are ongoing.

- ▶ *Financial Services:* This study, completed by DCG Corplan Consulting LLC, served primarily to gather information about the financial services industry and to educate staff about its changing needs. It provided information essential to ESD’s planning and business development efforts, documenting the trends, many of which preceded 9/11, that were driving the exodus of jobs

from Manhattan. The study included a number of recommendations for making Lower Manhattan a more competitive location, including the creation of an international finance zone. At the time of this report, few of the study recommendations have been implemented.

- ▶ *Tourism:* Among recommendations of this study, conducted by Ernst & Young, that are already being implemented are establishing a website, promoting e-commerce, and installing kiosks unique to Lower Manhattan. Part of the state's \$40 million allocation is supporting implementation and ESD and the LMDC are jointly engaged in marketing. Other stakeholders are also involved. The biggest issue, according to ESD, is that the marketing campaign is extremely expensive. ESD reported that the study significantly exceeded expectations.
- ▶ *Media Arts Center:* This study was conducted in three phases. Phases One and Two, conducted by Hamilton Rabinovitz and Alschuler (HR&A), respectively tested the market for the concept in the industry and the feasibility of the real estate program. These studies determined that there was significant demand for such a center and that Lower Manhattan was an appropriate venue. Phase Three, conducted by DenhamWolf Real Estate Services and completed in March 2005, formulated a business plan that laid out fundraising, organizational capacity, and physical requirements for development of the center.
- ▶ *Tribeca Film Festival:* The grant enabled the institute that runs the festival to expand its year-round programs, including the Tribeca All Access program that promotes the work of people of color in film and theater, to include a number of free events and

activities and to inaugurate a Film Power program in the local schools.

Employment Training Assistance Program

Eligibility: *Businesses and nonprofit organizations that employed 500 or fewer people and were located on or south of 14th Street committed to remain in the target area for at least two years qualified for employment training assistance under this program.*

Status: *As of June 30th, 2004, \$226,809 in ETAP grant monies had been awarded to ten businesses.*

The Employment Training Assistance Program (ETAP) was conceived to help small businesses in New York City maintain their workforces. To this end, the program offered eligible businesses grants of up to 50 percent of the costs of training existing or newly hired employees. The program was originally funded with \$10 million from the \$2 billion federal appropriation made available by HUD to the LMDC and was included in the Partial Action Plan related to the latter's Residential Grant Program. It having become clear by mid-2003 that there was almost no demand for the program, in large part because job training needs were being addressed by other state and city programs, funds were reallocated in August of that year. The ETAP budget was reduced to \$500,000 and the program's original deadline of December 31st, 2003 shortened to May 2003.

ESD administered the program from its Albany office with input from its business recovery center at 2 Rector Street and the EDC's center at 140 William Street. The idea was to offer training programs in conjunction with other assistance. ESD advertised the program in community newspapers and in the newsletters of

business organizations such as chambers of commerce. The program operated on a reimbursable basis with companies applying for training grants, documenting their eligibility, and describing the anticipated training, then seeking reimbursement for eligible training costs up to the stated maximums.

This program, though small, proved to be problematic for a number of reasons.

1. With New York City in an economic recession compounded by the WTC attack, there was a relatively large pool of skilled workers in the marketplace and many companies found that they could easily hire people with appropriate skills. The only training needed was company orientation.
2. Second, and more important, the city, state, and many local nonprofit organizations had already implemented a number of similar workforce training programs. Although not specifically targeted at companies affected by the September 11th attacks, the programs were available to these companies and their employees.
3. Finally, the program operated on a reimbursement basis to satisfy ESD's need to ensure that businesses spent the funds on training. But for many businesses, having to spend the money and wait for reimbursement further strained an already weak cash flow. Many of these companies were unsure whether they would even be in business in six months. Consequently, businesses were reluctant to participate in the program.

Business Outreach Activities

ESD was highly committed from the beginning of the recovery effort to reach as many affected businesses as possible and to ensure that all eligible businesses knew about the recovery programs and were able to apply to relevant and appropriate programs. Five million dollars was allocated to these activities through two components of the Business Information Program. The focus of the first component was on reaching the business community, and of the second on facilitating the application process.

Marketing the Business Recovery Programs

ESD developed a multi-faceted plan to inform downtown and other eligible businesses about its toolbox of business recovery assistance programs. The WTC Business Recovery Marketing Plan ("the Plan") initially budgeted \$2 million of the \$5 million allocation to promote awareness of disaster recovery programs through marketing and outreach efforts. Phase I of the Plan employed a multilingual, multi-media approach to promote two key business recovery programs, the WTC Business Recovery Grant Program (BRG) and the Small Firm Attraction and Retention Grant (SFARG) program.

Phase II of the Plan continued marketing and advertising activities for the SFARG Program and extended these activities to include the Job Creation and Retention Program (JCRP) and Employee Training Assistance Program (ETAP). As of March 31, 2004, the program had expended \$3,663,038 for these business outreach activities.

The strategies implemented as a result of the marketing plan have demonstrated

significant success according to data compiled by ESD as of mid-2004.

- **Websites:** As of July 23, 2004, the Action Plan, program information, and applications residing on the ESD and EDC websites www.nylovesmallbiz.com and www.newyorkbiz.com had recorded more than 121,000 hits. The websites facilitated access to program guidelines, application forms, maps of designated program areas, and other important information.
- **Toll-free telephone numbers:** As of July 23, 2004, the toll-free telephone numbers set up at the two call centers established immediately after 9/11 had received nearly 85,000 calls. The centers provided businesses and individuals with information about ongoing WTC disaster recovery programs and the LMDC's Residential Grant Program and remain an important part of the Business Recovery Marketing Plan.
- **Media advertising:** An inspirational full-page print advertisement, "LOWER MANHATTAN. More than Just a Smart Move," was developed to build awareness of the JCRP and other WTC disaster recovery programs. Presented as a patriotic appeal to businesses to support the rebuilding of Lower Manhattan through corporate involvement, the ad was placed in 12 different regional and national business publications. Thirteen different insertions appeared from November 15th 2002 through February 2003 (12 weeks). Radio information campaigns were also undertaken and press releases encouraged the media to promote the recovery and retention programs.
- **Direct mailings:** Direct mailings were sent to every business address south of

WTC Business Recovery
Grants are Available
to Help Small and
Not-for-Profit Businesses
800-I LOVE NY • 866-227-0458
nylovesmallbiz.com • newyorkbiz.com/wtc
Businesses located on or south of 14th Street on September 11th may apply for financial assistance to offset lost revenue. These grants represent newly available federal Housing and Urban Development (HUD) funds for businesses with fewer than 500 employees.
For more information and an application, call or visit the websites above, or come to our WTC Business Recovery centers in lower Manhattan:
2 Rector Street (between Greenwich Street and Trinity Place)
or
140 William Street (corner of Fulton Street)
Hours: Monday, Tuesday, Thursday and Friday 9am-5pm, Wednesday 9am-8pm
APPLICATION DEADLINE: DECEMBER 31, 2002
New York is providing powerful immediate assistance to get companies back in business and rebuild lower Manhattan.
George E. Pataki, Governor, State of New York • Charles A. Gagnon, Chairman, Empire State Development
Michael R. Bloomberg, Mayor, City of New York • David L. Donovan, Deputy Mayor for Economic Development and Rebuilding

Canal Street. ESD worked with Con ED to create an insert on BRG and SFARG that was included in the monthly bills of more than 20,000 of the utility's downtown customers.

- **Education of business intermediaries:** ESD conducted seminars to educate business intermediaries such as real estate brokers, landlords, and technical assistance providers about programs and promote outreach to their client bases. ESD found certain brokers and technical assistance providers to be particularly effective at conveying program information to their clients. Staff of ESD and EDC continued to coordinate speaking engagements at community organizations and business groups in Lower Manhattan to promote the programs and distribute applications and program materials.
- **Direct staff contacts with large firms:** Direct outreach by ESD to large downtown firms began soon after 9/11. Firms interviewed for this study recalled

being contacted directly by high-level ESD management, and in some cases by the Governor's Office, and given the names of ESD program staff to contact for troubleshooting assistance. When the JCRP eventually came online, many businesses already had ongoing relationships with ESD/EDC staff, who then introduced them to the program and helped them prepare applications.

- ▶ *Direct staff contacts with small firms:* Efforts to reach out to the small business community included Operation GO (Grant Outreach), a marketing campaign conceived to raise awareness about the WTC Business Assistance programs that targeted businesses south of 14th Street. The first canvassing effort kicked off in July 2002, in 100 degree heat, when more than 100 ESD and EDC staff canvassed nearly 4,000 businesses to acquaint them with the BRG and SFARG programs and walk-in centers. Canvassing continued into August, with staff visiting businesses in the Lower East Side, Tribeca, Soho, and Chinatown. Through this kind of direct marketing and outreach, staff and volunteers found significant numbers of businesses that had not heard of the programs. This outreach activity broadened program visibility and lent a personal touch to the promotion.

The marketing efforts were highly successful in reaching significant numbers of small businesses. That the WTC Recovery Marketing Plan provided an effective means to promote the availability of assistance through these programs was revealed in the results of a September 2003 survey of commercial tenants in Lower Manhattan, *The Lower Manhattan Commercial Sector: Signs of Stabilization*, prepared by Audience Research & Analysis for the Alliance for Downtown New York, which found that 73 percent of respondents

were aware of the BRG program and 54 percent were aware of the SFARG program.

Media advertising was the most important source of information for targeted businesses. A customer service survey of 400 grant recipients completed in September 2003 found that half of grant recipients had heard about the grant program from broadcast or print media, more than any other form of outreach. Twenty six percent heard about it from a friend and much smaller numbers from a call, on-site visit, website, or walk-in center, confirming the impressions of ESD staff who believed print advertising to be particularly effective.

Facilitating the Application Process: The Rector Street Walk-in Center

The focal points for application processing were the walk-in centers operated by ESD and the EDC. ESD's 2 Rector Street center was opened to process applications primarily for the BRG program and, later, for the SFARG program. Staffing at any given time ranged from 15 to 30, mostly temporary, workers. The use of temps was crucial to the center's operations. They were involved in greeting and logging in visitors, reviewing applications, and performing data entry. When the volume of work demanded, ESD employees joined the effort.

Temps were trained as they came on board. Observing other temps and staff working with applicants enabled trainees to understand the process before they began to work with applicants. Initially vague and general hiring criteria issued to temp agencies resulted in the placement of some poorly qualified individuals, but over time Manager of Center Operations Aviva Steinberger came to understand the requisite qualities and skills needed to do the job and was able to provide more direction to the staffing agencies.

Keeping staff trained and up-to-date on program changes and new programs and resources and correcting misinformation were major challenges. Because staff had little time away from assisting clients, much of this was done ad hoc. Lines began to form half an hour before the centers opened and clients were still being served after closing. ESD addressed these constraints by producing and periodically updating a Reviewer's Manual and compiling sets of frequently asked questions (FAQs) for each of the programs.

Having ESD staff volunteer at the center was helpful, but also a challenge, primarily with respect to consistency. Some would come for a morning or afternoon, some for a week on a part-time basis, and each time have to be brought up to speed.

When the deadline for applications for the BRG program passed on December 31st, 2002, ESD and the EDC closed their respective walk-in centers. The walk-in center at the city's offices at 110 William Street in Lower Manhattan remained open and staffed by ESD representatives until September 16th, 2003 to assist businesses applying for grants through the SFARG program. Subsequently, appointments were scheduled with ESD representatives at applicants' business locations. Scheduled site visits became an integral part of the program's application review process as well as an effective means of providing customer service.

Managing the Implementation Process

Developing and Refining Program Guidelines

Although major features of each program had been worked out prior to approval of the Action Plan, ESD had to develop for each program a set of detailed guidelines for

verifying grantee information to determine eligibility and benefit levels and guide grant approvals and monitoring and related procedures.

The guidelines had to strike a balance between getting funding to approved applicants quickly and shielding the program from human error and fraud. ESD staff shared HUD's concern that programs might be susceptible to fraud, but initially believed that it was equally important to avoid overburdening applicants with extensive documentation requirements and to disburse grant awards in a timely fashion. ESD recognized that the application process would have to be closely monitored and adjustments would likely be required once the program was up and running.

This tension was clearly in evidence in deliberations over lease documentation for the SFARG program. Many potentially eligible companies and organizations had oral agreements or had allowed their leases to lapse prior to September 11th. Under the terms of the program, which required a lease signed before September 11th and expiring prior to December 31st, 2004, such employers were ineligible. Yet program staff viewed tenants without written leases as at least as much at risk of relocating as tenants whose leases were set to expire in the near term. It was initially decided that, as for the BRG program, an affidavit would be sufficient. But in June 2002, senior management, concerned that if affidavits subsequently proved fraudulent the agency would hold ESD liable for repayment, reversed that decision. ESD maintained that clear guidance regarding its financial liability in cases of fraud had not been forthcoming from HUD. A lawsuit filed by two firms denied funding because they did not have current leases, but that did have significant alternative documentation, led to

the reversal of the latter decision in April 2004.

Documentation requirements added to administrative burdens in other ways. Leases took many forms and even determining the term of a lease could prove difficult. A tenant might, observed an ESD staff member, have a long-term lease with a right-to-terminate clause buried in a 200-page document or a grant recipient might subsequently sublease space, which would violate the grant terms but be difficult to detect. Such circumstances made it difficult to ensure that the program's intent was in every case being met.

Employee verification was also problematic. ESD needed accurate employment data, grant amounts for SFARG being based solely, and for the JCRP partly, on employee headcounts. Determining the number of FTE employees on which to base grant amounts required additional policy deliberations and incurred application review burdens. Policy decisions had to establish definitions for full-time and part-time employees and whether to count employees who worked away from applicants' downtown locations (only employees based downtown were counted). Verifying employee information involved not only documenting where employees worked and which were part-time and full-time, but also whether workers were earning at least minimum wage and whether owners' family members included in payroll data actually performed work. Employee verification was further confounded by the fact that some small firms lacked well-organized payroll data as well as by discrepancies between internal firm data and New York State Department of Labor data that had to be resolved. The larger the firm, the more time consuming this process. Site visits were sometimes made and additional

site visits contemplated to verify employment for subsequent payments.

Another major challenge was managing and communicating administrative and policy changes needed to address special or unexpected situations that arose in processing applications and appeals cases. Given the size and diversity of the Lower Manhattan economy, ESD staff frequently encountered circumstances that had not been anticipated in program guidelines such as the unique nature of traders' income, start-up firms that had not filed tax returns, contract employees, and real estate owners.

Staff had to constantly review their agency's rules to determine how to provide fair and consistent benefits to all firms in the face of new situations. For the BRG and SFARG programs, review committees met regularly to discuss new situations and decide when policy changes and/or new interpretations of program guidelines were warranted. Major changes to the guidelines were infrequent, but numerous small changes had to be communicated to the many application reviewers at the ESD and EDC walk-in centers and in ESD's financial department, which entailed frequent written communications to staff and updating of written guidance including the FAQs, reviewer's handbook, and other internal procedure documents.

A number of ESD staff referred to the steep learning curve associated with the many unanticipated issues that arose in applying program guidelines. Recalled one:

As you go along you learn nothing is simple and each business is different. One may not pay rent by check, another may not have a lease, and another may not have a tax return. We were constantly amending our requirements. There was no way we would have predicted what we learned.

According to some ESD staff, certain administrative issues might have been anticipated during the design phase had staff familiar with the challenges of day-to-day project management been more fully consulted.

Information Management

A major expansion of ESD's information systems was necessary to manage the business recovery programs. The agency's MIS department developed a database based on the call center system augmented with fields from the application form. With the emphasis on implementing the program quickly, staff failed to see that their analysis and reporting needs would extend beyond the application form to include data from attachments and information on assistance received from other sources. Additional fields were subsequently added to the call center database.

ESD staff had recognized at the outset that developing from scratch a dedicated database with capacities tailored to the needs of the program would have been preferable, but decided to use the existing database for a number of reasons. First, doing so enabled them to use existing data directly rather than have to transfer or re-enter it. Second, ESD's MIS staff hadn't time to develop the needed database and agency experience contracting with outside vendors had been unsatisfactory. Third, the database was a low priority project relative to other program commitments. Grant monitoring problems resulting from the limited capacity of the existing database led some ESD staff to speculate that marshalling the resources to create a new database based on the agency's PTS (project tracking system) database structure might have been the better course.

Although successful despite the fact that it was from its inception a build-it and fix-it operation, the database was from the

beginning a challenge on multiple levels. First, it was not designed to handle the differences across the programs. Whereas, for example, the Retail Recovery Program was simple and had little need for substantive data input, the Business Recovery Grant program was more complicated necessitating modifications at the outset and changes on a continual basis.

Second, because the existing database did not take into account that many businesses have multiple locations, a grant or loan secured at one address would not necessarily be calculated into the applicant's subsequent applications. Moreover, each time a client applied from a new location an entire new file and application would have to be developed instead of just adding a new location to an existing application. Finally, different employment numbers at each location complicated the methods for calculating grant and loan amounts.

Third, when it started, ESD did not know how and by whom the database would be used. Eventually, it was used for reporting to HUD and for internal planning and response purposes. Finally, the database was initially perceived to be temporary. When the money had been given out and the businesses had recovered there would no longer be a need for the information. This, too, proved incorrect.

Grant and Loan Management Systems

Considering the sheer volume of transactions that had to be processed, ESD was generally able to disburse funds in a timely and cost-efficient manner. It nevertheless encountered problems maintaining the pace of activity required simply to keep from becoming overwhelmed. Moreover, ESD was simultaneously operating under strict timelines established in the federal disaster legislation and being held responsible for the

proper use of funds. To satisfy these complex demands, the agency had to develop new management systems. For example, ESD had difficulty ensuring that BRLP lenders received their funds promptly. Because HUD prohibited funding lenders on an allowance basis ESD had to draw down funds from HUD and distribute them to lenders as loans were closed. To meet its goal of getting funds to lenders within seven days, ESD developed a disbursement system whereby lenders assembled and submitted to the agency on a weekly basis loans to be closed. ESD would then review the loan packages, send them to its finance department to requisition HUD, and disburse funds to lenders upon receiving the HUD monies. The funding process was reviewed by ESD's finance department and lenders to ensure that it would work. Priority processing of BRLP requisitions was established to enable ESD to meet the one-week disbursement goal, but installation of a new financial system resulted in the agency's processing time sometimes slipping to ten days or longer.

Developing application forms in a timely manner also proved problematic. Delays occurred with both the BRG program and the JCRP not only because of the time it took to complete the forms, but also, occasionally, because the forms were revised after completion to reflect additional HUD requirements necessitating additional work on the part of the applicant.

Working With Other Key Players

HUD

Congress underscored HUD's responsibility for ensuring that funds distributed by ESD for business recovery were not obtained fraudulently and were used in accordance with the terms of the programs by mandating that the department's inspector

general continuously monitor the agency's activities and funding 12 staff positions for this purpose. Given ESD's overarching concern with getting funds out as quickly as possible, HUD's compliance role generated some tension, particularly around information and document requirements for grant applications.

Problems were perhaps most acute in the case of the BRG program. HUD was concerned that the initial application was not sufficiently clear about documentation requirements or the penalties for giving false information. Because some of these concerns were neither raised nor resolved prior to the start of the program, ESD was obliged to revise the program's application and documentation requirements over time. The application form went through four iterations that successively increased documentation requirements and applicant accountability. Nor did HUD always acknowledge the difficulty of retroactively collecting from thousands of applicants additional information, some of which was simply not available (e.g., businesses often lacked data on employee race and ethnicity and could report only wages and not total household income as a measure of low- or moderate-income status). ESD resolved these issues with HUD, but at the expense of adding three pages to what had been a one-page application form and generating attendant complexities for data management and MIS systems.

The SFARG program encountered problems around employment documentation. HUD required verification that applicant and employer were the same legal entity, which, for applicants that used a payroll service, necessitated submitting a copy of the payroll contract and an affidavit from the payroll company. Other documentation required by HUD included wage and salary data for purposes of tracking numbers of low- and

moderate-income jobs and verification that grant funds were used to pay employees. ESD staff acknowledged the rationale for these and other requirements, but noted the additional time and paperwork burdens they incurred. Strategic Business Division staff, for example, maintained that HUD's documentation requirements might have made more sense for the smaller firms typically assisted with CDBG funding than for the major corporations applying for JCRP grants. One SBD staff member put it thus: "Morgan Stanley might have 18 leases, each a stack high. These weren't necessary to provide the needed verification."

HUD's monitoring of ESD's internal financial controls also generated some tension. CFO Frances Walton, while giving the department credit for working closely with ESD in the early stages to help it "deliver quickly," faults HUD for insisting, well after money had begun to flow, that "we had to document our process," a formidable prospect with staff already "stretched." Temps were eventually hired to assist with audit and payment processes.

A common complaint was that HUD staff would point out problems, often after the fact, but neither suggest, nor help, ESD explore possible solutions, a mindset that perhaps reflected concern that to be proactively helpful might cast doubt on HUD's "independence" when its IG staff conducted program audits. Some ESD staff lamented that HUD had not been more of a partner with respect to advising the agency on documentation requirements during the program design phase rather than citing inadequacies after disbursement of program funds had begun. One staff member recalls a HUD official telling her flatly: "We're not your consultant." But ESD staff are equally quick to point out that their counterparts at HUD were receptive to the agency's

reasoning and flexible when being so did not compromise their department's integrity.

Ultimately, many of these issues were satisfactorily resolved and, over time, ESD became better able to anticipate and address HUD's program management requirements, including documentation and financial controls, thereby avoiding problems with the audit process. Indeed, ESD met and even exceeded HUD's reporting requirements according to one official, who remarked: "They have been brilliant at reporting, to our surprise and tremendous relief."

An implementation issue that involved both HUD and the SBA was responsibility for monitoring compliance with the latter's "duplication of benefits" prohibition. Politically, the SBA did not want to be in the position of having to enforce this regulation, of having to ask borrowers who received ESD funds for the same purposes as they had received SBA loans to pay back even the value of the agency's interest subsidy. Nor did staff believe it to be the SBA's responsibility to keep track of other grants or loans issued to SBA borrowers. Eventually, it was agreed that the duplicating agency would be responsible for recouping duplicate funding. ESD and the SBA also agreed to share lists of recipients on bi-weekly basis.

According to a HUD staff member who recalled having advised ESD early on about the duplication issue: "Initially, they weren't paying much attention to it....We flagged it after they started making business recovery grants...and we went back and forth until we came up with a formula that worked."

The City

Tensions that arose between ESD and the city's EDC as programs went into effect reflected primarily differences in

organizational culture and approach. But both sides aver that issues were generally resolved fairly rapidly. The EDC's Matthew Maguire recalls that collaboration and "division of labor" with ESD around lending issues was cordial, productive, and intense, involving "continuous refinement" of procedures, policies, and documents, especially to address circumstances unique to individual firms.

The relationship between ESD and the EDC is exemplified in their joint participation in the JCRP. Early tensions attributed by SBD staff to differences in corporate culture and approach evaporated as issues were worked out, and the team approach ultimately worked quite well, enhancing both information exchange and the review process. The respective teams collaborated on the drafting of action memoranda, each using its own models to make funding recommendations to the review committee. A joint state-city meeting was held weekly to review applications and make determinations. SBD staff report that once ironed out this system worked quite smoothly.

Some tension was generated by the use of different models to determine grant awards. Not only did the models sometimes yield different results, but ESD maintained that the EDC relied too heavily on data and not enough on judgment. These differences diminished over time as the two models ended up more often than not yielding similar results.

Collaboration on the JCRP clearly strengthened city-state relations. Senior management and operating staff on both sides acknowledge that tensions were mitigated over time, particularly after the Bloomberg administration assumed office. Forming ESD-EDC teams to work with prospective grantees and meeting frequently

to work through award determinations generated a sense of cohesion between the two entities that has carried over to a more team-oriented approach to general corporate recruitment efforts on behalf of the city.

Community-based Organizations

When it recognized that it lacked the capacity to carry out some programs without a substantial build up in management and staff, ESD made the decision to work through intermediaries in some programs, notably the BRLP and the Technical Assistance Program.

In the case of the BRLP, ESD, lacking the organizational capacity to make loans directly, determined to fund intermediaries that could, in turn, provide credit to affected businesses. The agency first approached banks, which, for reasons cited earlier, were unwilling to play this role. ESD set broad program parameters for eligible businesses, allowable loan uses, and other matters but left the detailed design of lending programs funded by the BRLP to the applicant CDFIs.

ESD effectively capitalized on an established program model and existing intermediaries (banks *and* CDFIs) to expand capital availability for small businesses and thereby facilitate the rapid supply of credit to affected firms. Its Bridge Loan Program, in place less than four weeks after the disaster, helped to build the capacity of community-based lenders, and ESD funded many established community-based organizations with programs grown out of recovery efforts undertaken immediately after the disaster to intermediate the Technical Assistance Program.

ESD staff acknowledge that working through intermediaries made it more difficult to enforce performance standards. The agency used several strategies to manage contracts awarded through the

Technical Assistance Program. One important check on providers was that ESD reimbursed only for services; to get paid, service providers had to document on a quarterly basis what they had done. Although this created cash flow problems for some organizations, it enabled ESD to withhold funds if progress was not being made, as occurred in several cases. Providers also had to secure ESD approval for, and report on the performance of, subcontractors.

ESD's programs ultimately helped to build long-term capacity among community-based providers. Monies allocated through the BRLP and the TA Program enabled participating CBOs to fund staff and to grow in ways that left their organizations stronger at the end of the contract period. The endowment feature of the loan programs in which a number of TA providers participated enabled lenders to expand their capital base as the following examples serve to illustrate.

- ▶ Renaissance Economic Development went from 2-4 staff to 17 and from \$800,000 to \$13 million in capital, expanding both lending and business counseling and refocusing on the Chinese community.
- ▶ SEEDCO went from being a national organization with a New York headquarters to a national program with a significant New York City program. SEEDCO had previously done no direct business lending.
- ▶ The AMA is incorporating the short courses developed under the ESD program for corporate clients and doing more with change and crisis management, and Nonprofit Finance Fund is taking the product it developed under the ESD program, a template for analyzing the financial condition of nonprofits, on the road to other nonprofit clients.
- ▶ Asian Women in Business is undertaking with funding from the LMDC and other partners an expanded market-building program in Chinatown.

CHAPTER VII: CONCLUSIONS

Economic recovery from a major disaster, especially one on the scale of the attack on the World Trade Center, takes time, and assessment relies on long-term data and perspective. It is too early to say how effective federal, state, and local efforts have been in stemming New York City's economic losses and stabilizing its economy post-9/11. New York City's long-term economic recovery and the importance to it of programs designed and implemented by ESD are stories to be told at a later date.

The story told in this report is of how the recovery effort was designed, implemented, and managed. But it does offer some preliminary assessments of effectiveness and identify some lessons learned. This concluding chapter summarizes some of the available studies on the state of the New York City economy as well as some internal ESD reports on preliminary impacts. It then summarizes some key findings and lessons learned and offers recommendations aimed at both federal and state officials.

Overview of Recent Reports on Economic Recovery

Jobs

Post 9/11, New York City's economy continues to face enormous challenges, but not all of the economic adversity can be attributed to the September 11th attacks. It is, of course, difficult to disaggregate the lasting impacts of the attacks from longer-term trends that had been affecting the city's economy, perhaps most notably the decentralization of the financial services industry and loss in technology jobs, which, if intensified by the WTC attacks, were nevertheless clearly in evidence before 9/11.

In *9/11: Three Years Later*, issued in August 2004, the State Comptroller's Office reported that the city had suffered 11 straight quarters of economic decline and higher quarterly job losses than the nation since 2001. But there was good news for the city: the first quarter of 2004 showed the first positive job growth since the attack, albeit below the national average. More recent economic reports are even more positive. In a June 2005 report on the New York City Economy, the city's Office of the Comptroller reported that job growth in the first quarter of 2005 outpaced the nation's and that payroll jobs in the city, seasonally adjusted, grew by 17,000, more than twice the fourth quarter 2004 growth.¹⁵

Real Estate Stabilization

One year after the attack, Colliers ABR, a commercial real estate firm, estimated that 71 percent of displaced tenants of the WTC had stayed in Manhattan, but only 10 percent had stayed in Lower Manhattan; most had moved to Midtown (56 percent) or Midtown south (34 percent). Most companies that left the city went to New Jersey.¹⁶ A study completed by Audience Research and Analysis for the Alliance for Downtown New York found that two years after September 11th there were signs of stabilization in the real estate market in Lower Manhattan,¹⁷ and New York Federal Reserve Bank economist Andy Haughwout reported that "after initially dipping, the price of office buildings in Lower

¹⁵ *Economic Notes*, New York City Office of the Comptroller, June 2005.

¹⁶ *Rebuilding Wall Street*, 9/11/02.

¹⁷ *The Lower Manhattan Commercial Sector: Signs of Stabilization; September 2003*, Audience Research and Analysis.

Manhattan relative to the nation as a whole has increased slightly in the three years since September 11th.” Franz Fuerst of the City University of New York found that businesses tended to relocate to areas in which other similar businesses were located, many to Lower Manhattan.¹⁸

Tourism and Culture

Indicators related to tourism and attendance at cultural events strongly suggest that 9/11 has not had any long-term adverse impact on the city as a tourism or business travel destination. Recent reports on the city’s tourism levels in 2004 found air passenger traffic to be up by almost 2 percent from the previous peak year of 2000, hotel occupancy rates to be only slightly below the 2000 peak, and the number of forecasted visitors almost 10 percent higher than in 2000, a new high. The most recent *Economic Snapshot* of the New York City economy published by the New York City Economic Development Corporation reported that between May 2004 and May 2005 air traffic into and out of the region’s airports increased by 12 percent and hotel occupancy increased from 87 percent in June of 2004 to 90 percent in June of 2005.¹⁹

ESD Programs: Impacts and Effectiveness

Estimates of Impact

In September 2003, ESD completed its own estimates of the economic impacts of the JCRP and the BRG and SFARG programs. Based upon its experience working with impacted businesses, ESD estimated that the BRG program was responsible for the retention of 25 percent of the jobs of assisted

businesses and that the JCRP and the SFARG programs accounted for 75 percent of the job commitments companies made. The economic impact of these three programs, by ESD’s estimates, annually averaged 114,567 jobs in the city and 123,967 in the state. A survey of commercial tenants sponsored by the Alliance for Downtown New York found that 35 percent of BRG recipients said that the grant influenced their decision to remain downtown, while 41 percent of SFARG recipients reported that the assistance influenced their location decision.

While there has been no rigorous assessment of the impact that the JCRP program had on retaining jobs, it is clear that the competitive advantages of locating in lower Manhattan had been seriously affected by the WTC attack. The damage to the transportation infrastructure, as well as safety and security concerns of many larger businesses, affected the attractiveness of lower Manhattan as a location for many of the businesses that needed to make a locational decision after September 11th. Moreover, other states, most notably New Jersey and Connecticut, were aggressively seeking to attract displaced businesses. Given these issues, it is likely that many of the companies may have made alternative location decisions in the absence of the JCRP program.

In addition to short-term, quantifiable impacts, this report suggests some long-term “qualitative” impacts of the agency’s economic recovery efforts.

1. *Building the economic development capacity of community-based organizations in New York City: Interviews with staff of “intermediary” organizations funded through ESD’s loan and technical assistance programs indicated that working with businesses affected by 9/11 had led to an overall*

¹⁸ Economic Scene, Alan B. Krueger, “The commercial resilience of New York is clear three years after the 9/11 attacks,” *New York Times*, September 16, 2004.

¹⁹ *Economic Snapshot: A Summary of the New York City’s Economy*, NY EDC, August 2005.

increase in their capacity to serve small businesses in New York City.

2. *Long-term impacts associated with “payback” funds:* Because of the way the BRLP was funded, intermediary organizations will be able to continue to support the financing needs of small businesses in New York City. Once loans are repaid, new capital will be freed up for further lending. The impact of this program is thus likely to be felt for a number of years going forward.
3. *Improved relationships with city and federal governments:* Although direct economic impacts of improved relationships are difficult to quantify, interviews suggest that the experience of working together on the WTC recovery led to improved and more cooperative relationships, particularly between ESD and the city’s EDC.
4. *Building relationships with companies:* ESD’s Strategic Business Division had a long and strong history of building relationships with major employers in the city. Working with these companies in the present context has generated some “goodwill” that might yield longer-term benefits.

Effectiveness of ESD’s Program Design and Implementation

A customer service survey of 400 grant recipients completed by ESD in September 2003 found that most were satisfied with the grant programs they had accessed. Forty-eight percent reported being very satisfied, 41 percent somewhat satisfied. Only 10 percent reported being dissatisfied. Among other results:

- ▶ 66 percent found the application process easy to navigate, 28 percent overly complicated;

- ▶ 89 percent of those who used the 800 ILOVENY call center found the person who handled their application to be responsive and helpful;
- ▶ 89 percent of those who submitted their application through a walk-in center found it organized and responsive to their situation and needs;
- ▶ 87 percent of those who used a state website found it helpful;
- ▶ 88 percent reported that the staff person who handled their application was sufficiently knowledgeable about the program;
- ▶ 96 percent reported that the staff person who handled their case was courteous during the application process;
- ▶ 42 percent of those asked about the impact of the grant on their businesses’ recovery from the 9/11 disaster reported that it was vitally helpful, 52 percent that it was somewhat helpful;
- ▶ asked what improvement in the grant program could better assist their businesses’ recovery efforts the most frequent response, by 47 percent, was to increase the amount of the grant; 43 percent of responses related to the management of the grant process; 21 percent asked that disbursement time be shortened, 18 percent that the application be simplified, 4 percent that customer service staff be increased, and 9 percent that publicity be increased.

A survey of commercial tenants in Lower Manhattan completed by Audience Research and Analysis for the Alliance for Downtown New York found that:

- ▶ 38 percent of those that received a BRG grant found it very helpful, 48 percent somewhat helpful, and 35 percent reported that it influenced their decision to remain downtown;

- 34 percent of those that received an SFARG grant found it very helpful, 51 percent somewhat helpful, and 41 percent reported that it influenced their decision to remain downtown.

For purposes of compiling this report, survey data were supplemented by interviews with a number of beneficiaries of selected programs. Four recipients of JCRP grants were interviewed, three recipients of SFARG grants, and eight community-based grantees of the TA Program. Though an admittedly small sample, these interviews suggested that grantees perceived the programs to be well run and responsive to their needs.

The four JCRP grant recipients interviewed for this study were generally agreed that the application and review process was relatively smooth and timely. They found staff to be accessible, responsive, and helpful in providing application materials and assisting with the applications as well as with updates on the status of the approval process. As one stated:

The process worked really well – the application was simple, the response time was good. It was all very professional.

JCRP grantees had few complaints, in part because they had administrative and legal support to work on the documentation and terms of the agreements. As these grantees tended to have sufficient working capital, getting funding quickly was not a major concern. Some grantees noted that delays came more at their end than at ESD's.

Organizations that obtained TA and BRLP grants were also extremely positive about their relationship with ESD. A sampling of comments from these grantees provides an overall impression that the design and management of the recovery effort were perceived to be highly effective.

Remarked a staff member of the Nonprofit Finance Fund:

I have a degree in urban policy and I know how many people it takes to agree to get something to work. I am grateful for the people at ESD for being as responsive as possible within the constraints placed on them. They said, "These are the government regulations. Tell us how we might do things differently." Then they thought about it and they came back and said, "This is what we can do, while this is what we can't do."

Observed a staff member of the Renaissance Economic Development Corporation:

People at ESD were delightful to work with. They were the right group to manage programs to generate economic recovery... ESD achieved great accomplishments. It is a credit that it decided to allocate money to CDFIs in Chinatown... ESD allowed us to create a program that we wanted, our own design.

Remarked a staff member of SEEDCO:

We were tremendously impressed by the response of ESD. Without such a good partner we could not have done everything we have done.

And according to a staff member of the New York City Partnership who was involved in ReSTART:

At the macro level, ESD and EDC are rated with a gold star. The overall accomplishment in terms of size, allocation of resources, and timing was excellent. Combined with private sector and federal interventions, the recovery was better than anyone could have expected.

But satisfaction with and praise for ESD and its programs were not universal. In

particular, organizations that represented tenants of the World Trade Center believed that they should have received additional attention and resources. Other local organizations believe that too great a proportion of CDBG funds went to larger businesses, the decisions of which were probably not influenced by the incentives and support provided through ESD programs. There is general concern about federal funds that are yet to be spent, though most is focused on programs not being administered by ESD. Given the breadth and scale of ESD's activities and the number of actors involved, neither the nature nor the extent of these criticisms can be said to be extensive.

Findings on the Federal Role

THE ESTABLISHED FEDERAL APPROACH TO DISASTER RECOVERY THROUGH FEMA WAS NOT DESIGNED TO RESPOND TO THE SCALE AND SCOPE OF THE ECONOMIC CRISIS RELATED TO THE SEPTEMBER 11TH ATTACKS.

Given the unprecedented nature of the attack and the destruction it caused, it is not surprising that the federal emergency response system in place on September 11th was utterly inadequate to address the need for economic recovery. That is the virtually unanimous view of all who had a role in planning the business recovery effort. Apart from the sheer magnitude of destruction, FEMA's expertise lay in working with homeowners and local governments, not the business community. Nor were FEMA's systems of a scale that could adequately address the needs of so many individuals and businesses in such a concentrated area. Even the Small Business Administration, which coordinated its disaster loan program with FEMA, historically made most of its loans to homeowners and businesses experiencing physical loss and was not well

prepared to process a large volume of loans addressing economic loss.

THE VERY QUICK DECISION BY THE FEDERAL GOVERNMENT TO PUT ESD IN A LEADERSHIP ROLE MINIMIZED POTENTIAL "TURF ISSUES" AND FACILITATED A QUICK RESPONSE.

Responding to a request by Governor Pataki, the White House decided to place ESD in a leadership position early on in the economic recovery process. This quick decision proved to be a vitally important one. The result of this quick decision was that little time or energy was spent in jockeying for position, which facilitated a more cooperative relationship among all levels of government.

THE VARIOUS STATUTES GOVERNING THE USE OF FEDERAL FUNDS WERE OFTEN A POOR FIT FOR THE NEEDS OF BUSINESSES AND PLIGHT OF THEIR OWNERS.

As part of the FEMA team, the SBA was empowered only to make loans, not the grants that were needed to provide businesses with swift financial compensation to mitigate severe revenue losses. Even when business conditions stabilized and businesses were able to take on debt to rebuild or restructure, SBA lending criteria proved too restrictive for many. For example, collateral requirements usually involved a pledge of the borrower's residence, a risk that few borrowers could accept. Restrictions on the types of industries that could be assisted (e.g., the exclusion of financial services companies) were a further impediment. This issue was ultimately waived as a result of ESD's efforts. Initial loan limits (though these were subsequently increased) were also inadequate to the circumstances. The "duplication of benefits" principle incurred delay and additional anxiety that were eventually resolved through compromise.

Similar problems complicated the use of HUD's CDBG program, which was not designed for disaster situations. CDBG funding can be used to serve three potential purposes: serving low- and moderate-income residents, combating urban blight, or meeting urgent needs. Although the WTC attacks clearly met the "urgent need" standard, ESD spent considerable time convincing HUD that this was the appropriate category for addressing the business recovery needs in New York City.

Working with HUD obliged ESD to obtain a variety of waivers from the secretary or Congress and involved an enormous amount of paperwork and no small degree of patience in working with staff that often seemed more concerned with obtaining detailed documentation than in collaborative problem-solving. For example, HUD required ESD to report on the number of "low- and moderate-income" individuals served through its programs. Maintaining records related to the income levels of employees of assisted firms added to the administrative burden and did not meet the primary objective of providing disaster relief assistance to businesses. Without minimizing the need for government accountability for the expenditure of federal funds, the normal bureaucratic process for monitoring the use of these funds added greatly to ESD's administrative burden.

THE VERY LONG TIME THAT IT TOOK TO NEGOTIATE WITH HUD AND THE SBA DELAYED SERVICE DELIVERY.

The inconsistencies between the need in New York City and the design of both the SBA and HUD programs resulted in a great deal of time and energy being spent on working out the details of the assistance, rather than in addressing the needs of the business community. Staff from ESD went back and forth with both federal agencies on a number of issues concerning the recovery

programs. This process took considerable time and delayed the ability of ESD to put cash out on the street as promptly as possible.

ALTHOUGH SUBSTANTIAL, FEDERAL FUNDING COMMITMENTS FOR BUSINESS RECOVERY FELL FAR SHORT OF FULL COMPENSATION FOR BUSINESS LOSSES.

By almost any imaginable measure \$20 billion, over \$1 billion of it for business assistance, is a huge sum of money to spend on disaster relief. Even so, although a large percentage of affected businesses received assistance from ESD programs, the funding made available seldom came close to compensating their full losses. It was beyond the scope of this report to determine the appropriate level of compensation. However, for policymakers this continues to present a serious debatable question: To what extent should the government be obliged to "make businesses whole?"

Findings on Intergovernmental Relationships

FOR ALL THE DIFFICULTY AND FRUSTRATION ESD AND OTHER AGENCIES EXPERIENCED, THE DEGREE OF COOPERATION AND COLLABORATION AMONG AGENCIES, ESPECIALLY LOCAL ORGANIZATIONS IN NEW YORK CITY, WAS A REMARKABLE AND ENCOURAGING PHENOMENON.

In general, especially at the outset, agencies involved in the recovery were responsive and helpful to one another as well as to the businesses they were trying to serve across jurisdictional and political lines. Interviews with city and federal officials were overwhelmingly positive. Reflected one city official:

It was a pleasure to work with the dedicated professionals of ESD who were some of the best in the country...We pulled together

particularly well in presenting a cohesive voice to the Feds and working out programmatic details for the initial \$700 million CDBG package. I remember a HUD official taking me aside after our first meeting in D.C. and expressing his surprise and relief that the city and state were on the same page.

HUD officials were similarly positive about their relationship with ESD and particularly impressed with the quality of the agency's reporting and openness in communicating when issues arose.

SEPARATE ADMINISTRATION OF JOINTLY FUNDED STATE/CITY PROGRAMS IS NOT EFFICIENT.

The added complexity and work that resulted from ESD and the EDC separately administering their respective 10 percent Bridge Loan Program loan loss reserve contributions could have been avoided had one agency delegated program administration to the other. Though lack of trust and working relationships between ESD and EDC in the early days after 9/11 was a barrier to such an arrangement, a simpler program would have resulted from confronting and working out their reservations.

ALTHOUGH GREATER COORDINATION IN THE INITIAL MONTHS OF THE RESPONSE MIGHT HAVE BEEN POSSIBLE, IT MAY ALSO HAVE IMPEDED HOW QUICKLY SOME PEOPLE WERE HELPED.

To some extent, ESD and the city's EDC focused their attention in the early weeks after 9/11 on quickly responding to immediate needs. The result was that there was some duplication in services. For example, it might have been more "efficient" for there to have been one retail grant recovery program, not two programs administered separately as there were for a

time by the city and state. Or, perhaps one call center and a commonly managed set of walk-in centers would have been preferable. On the other hand, the time needed to establish a "perfect" joint program administered by both city and state would probably have meant a delay in assistance to businesses.

COMPATIBILITY BETWEEN REPUBLICAN ADMINISTRATIONS MAY HAVE CONTRIBUTED TO THE LEVEL OF COOPERATION IN THE RECOVERY EFFORT

For the most part, the response to a major national emergency is a coming together across party lines. There is more willingness than usual to be flexible and to develop cooperative relationships; it is not business as usual in the political arena. This was the case with the economic recovery efforts in New York City following 9/11. Yet, the fact that the mayor, governor, and President all were Republican might have smoothed some potential areas of conflict and helped to facilitate an even more rapid response.

Findings on the Role of ESD

Management of the Recovery

A NUMBER OF INHERENT CHARACTERISTICS OF ESD PROVED TO BE IMPORTANT IN THE AGENCY'S RECOVERY EFFORTS.

Although no public agency could be prepared to deal with an economic disaster the like of which occurred in New York City as a result of the World Trade Center attack, in many ways ESD was well positioned to mount a quick and effective response. The following characteristics of the state agency proved important in the way the recovery effort evolved.

- ▶ *Facility redundancy:* That ESD had key operations and staff in both New York City and Albany proved to be critical in the initial response.

- ▶ *Strong preexisting culture:* According to ESD staff, the organization had strong leadership, a stable staff that had worked together for a long time, and a team approach to management, all of which proved to be important not only in the initial response but later in the design and implementation of programs.
- ▶ *Capacity:* There were three elements of ESD’s capacity at the time of the World Trade Center attack. First, given the size of New York State, ESD was a large agency with a staff of almost 500 employees. It is probably one of the largest economic development agencies in the United States. Second is technological capacity; ESD staff who were interviewed, as noted earlier, reported that they were able to mount a quick response because they had cell phones, laptops, and videoconferencing capabilities. The existence of a Local Area Network was also of critical importance, allowing ESD staff in Albany and New York City to share files and work back and forth on critical documents. The ability to share information instantaneously proved important to the ability of ESD to quickly respond to the crisis. Finally, for a state economic development agency, ESD has historically had an unusually strong commitment to research and policy analysis, a capacity that proved to be critical in the months following the attack.

ESD PROVIDED EARLY, STRONG, AND DECISIVE MANAGEMENT OF THE RECOVERY PROCESS.

Even in the first hours after the attack of September 11th, its leadership realized that ESD would play a key role in the economic recovery and began to develop a first-stage response to business needs. Within 48 hours, ESD had set up a walk-in business assistance center in Manhattan and

transformed the state’s tourism call center into a business assistance call center. The agency then quickly set out to gather the information needed to estimate economic needs and design an effective long-term recovery program. In the process of doing so it had to manage a complex set of relationships with the other public agencies in the city of New York and the federal government. Within the constraints of federal regulations, it developed systems for awarding loans and grants on a large scale and in a consistent manner. As new situations arose, ESD quickly adapted its programs in a pragmatic fashion. Although conflicts inevitably developed along the way and there were clearly some interest groups that were not fully satisfied with how federal funds were allocated, interviews with federal, state, and city officials, nonprofit organizations, and individual client businesses revealed a strong consensus that ESD had managed the economic recovery program effectively.

MAKING THE BRG PROGRAM AN AS-OF-RIGHT VS. DISCRETIONARY PROGRAM REDUCED ADMINISTRATIVE BURDENS AND GENERATED A STRONGER ECONOMIC STIMULUS.

At the outset, there was some debate whether to use standard eligibility criteria and funding formulas or have greater discretion to decide whether an applicant was genuinely at-risk of leaving the area, as with the JCRP. A discretionary program would have required a more time-consuming and complex decision-making process and, in all likelihood, generated a lower volume of grants. ESD staff who initially believed that more discretion would have been desirable, in retrospect, agree that the as-of-right approach had a greater impact in stabilizing the downtown economy.

RELYING ON A CASE MANAGEMENT APPROACH FOR ALL BUSINESS CONTACTS, PARTICULARLY IN THE EARLY STAGES, PROVED HIGHLY EFFECTIVE.

ESD made a conscious decision early in the recovery process to follow its traditional, well-tested “case management” approach in much of its business outreach and assistance activities. This involved assigning to each client, large or small, an ESD staff member who would maintain a relationship with the client and respond to the client’s needs on an ongoing basis. The staff person who took a call or received a visitor applying for assistance via the 1-800 number or walk-in center was assigned to that business and became responsible for following up to make sure that it received appropriate assistance. SBD staff members were also assigned to work on an ongoing basis with major employers affected by 9/11. The timeliness of initial outreach to and ongoing follow-up with these large employers was critical to developing trusting relationships and an understanding their needs with respect to re-establishing operations.

THE ENORMOUS COMMITMENT OF PUBLIC SECTOR EMPLOYEES WHO WORKED WELL IN EXCESS OF THEIR NORMAL HOURS ON THE ECONOMIC RECOVERY WAS CRITICAL.

The attacks of September 11th provided a compelling example of how human beings can come together in the face of extreme adversity. Stories abound of extraordinary commitment, sacrifice, and generosity among the many volunteers who responded to the disaster. From the school children collecting pennies to the emergency personnel from all over the country who came to assist in the rescue process this positive energy has been well documented. But the story of the hundreds of city, state, and federal officials who worked around the clock to address business recovery and economic stabilization has not been as

widely told. ESD employees, the focus of this report, were profoundly affected by the events of September 11th and committed themselves fully to assisting the thousands of businesses struggling to regain a footing. Many of these employees worked overtime for weeks. From volunteering at the call and walk-in centers to working through weekends to complete research and analysis tasks, the time and energy ESD staff committed to the recovery effort were extraordinary.

GOOD INFORMATION OBTAINED BY SKILLED RESEARCH STAFF AND THE DEVELOPMENT OF DATABASE AND INFORMATION SYSTEMS PROVED CRITICAL TO THE OVERALL DESIGN, IMPLEMENTATION, AND MANAGEMENT OF THE RECOVERY.

One outstanding aspect of ESD is its understanding, reflected in its research capacity, that data on business impacts would be critical to designing effective programs with the right tools and to the appropriate scale. ESD also developed and utilized information systems built on databases it had designed as part of its implementation process. It was acknowledged that, time being of the essence, ESD could not allow itself to get bogged down in data collection or database design. It had to be comfortable with an ad hoc approach. But in overseeing the implementation process, ESD pursued continuous improvement of these databases, updating and refining them as special circumstances and additional needs were identified.

BETTER COORDINATION BETWEEN THE PHILANTHROPIC COMMUNITY AND GOVERNMENT COULD HAVE BENEFITED THE BUSINESS RECOVERY EFFORT.

Interviews with some of the larger foundations involved in disaster relief efforts in New York City found that,

whereas considerable attention was paid to communication with city and federal officials, there was minimal communication between ESD and the philanthropic community. For the most part, the philanthropic community was focused on assisting individuals, not businesses. However, in a few instances, ESD and foundations were essentially operating on parallel tracks, with some of the foundations funding separate business assistance programs operated by small nonprofits and community-based organizations. The 9/11 Fund, formed by New York Community Trust and United Way, suggests:

There should be better coordination. Everyone rushed in; there was not a lot of time to meet with others. But more coordination, especially in the business area, should have taken place. This may have avoided overlaps in services.

New York Partnership staff offer similar thoughts.

We felt and feel that the private sector can be helpful, has to be organized and prepared to respond, to work with government in partnership. Ultimately, ESD and EDC did reach out and engage the business and nonprofit sectors, but it took time. A lesson was to reach out and coordinate with the business and nonprofit sectors earlier.

ESD MADE LIMITED USE OF OUTSIDE ASSISTANCE, PRIMARILY DEPENDING ON ITS INTERNAL BUSINESS AND FINANCING EXPERTISE IN DESIGNING PROGRAMS.

ESD faced a tradeoff between the need to quickly establish programs and get assistance “on the street” and more deliberative program design. Broad-based public outreach and consultation were not always feasible, as exemplified by the limited time available for public comment

on the action plans. ESD conscientiously reviewed and responded to comments (sometimes with new or substantially modified programs), consulted with a CDBG program consultant, and also sought, with little success, to find applicable program models from other states. Because ESD had strong internal resources it possessed business and financial expertise needed for effective program design. Taking these considerable efforts into account, more extensive use of outside business expertise might nonetheless have been helpful.

Program Design and Implementation

ESD SUCCESSFULLY UTILIZED BOTH A “RETAIL APPROACH” OF SERVING BUSINESSES DIRECTLY, AS WELL AS A “WHOLESALE APPROACH” OF WORKING THROUGH INTERMEDIARIES IN ITS LENDING AND TECHNICAL ASSISTANCE PROGRAMS.

ESD chose between a “retail” and “wholesale” delivery system for each program based on a judicious assessment of its internal capacity relative to that of existing intermediaries. ESD’s effort was primarily retail. Through its walk-in centers and major grant programs (BRG, JCRP, and SFARG) it was able to directly serve thousands of businesses with its own staffing capacity. By directly serving businesses, ESD was able to maintain control of important functions, ensure uniformity of the delivery process, and ensure that it was able to meet federal accountability requirements. Although it had strong internal capacity to deliver grant programs directly, it determined that working through intermediaries in the delivery of loan and technical assistance programs could draw on the established capacity of community-based organizations that it would otherwise have to build internally. In working through intermediaries, it recognized the importance

of evaluating organizational capacity and developing accountability systems. Its use of funding allocations rather than grants to capitalize intermediaries proved to be an effective practice that enabled it to easily reallocate funds when a lender's performance was poor or needed adjustment. Implementation through CBOs was especially critical to reaching very small and low-income businesses, Chinatown businesses, and nonprofit organizations.

THE USE OF A SIMPLE FORMULA TO CALCULATE BENEFITS PROVED TO BE AN EFFICIENT MEANS OF RAPIDLY ASSISTING THOUSANDS OF FIRMS.

One of the greatest challenges that ESD faced was how to rapidly assist such a large number of impacted businesses. It quickly realized that any approach that it would utilize to compensate businesses for their losses would have some inequities. ESD chose to use a simple formula in order to be able to respond quickly and efficiently to the many businesses that had suffered losses. The basis for calculating grants in the BRG program was gross revenue. While this was not always a fair indicator of a firm's earnings and financial resources across all industries, it did provide a measure that could be applied to all businesses and allowed for rapid response by ESD.

THE NECESSITY OF DEFINING GEOGRAPHIC ZONES ALSO LED TO SOME INEQUITIES.

Basing grants on geographic boundaries can be a source of inequity inasmuch as firms immediately outside boundary lines often suffer comparable losses to those within the boundaries. Inequities of this nature were likely inevitable. Nonetheless, it might be useful to further examine experience with eligibility criteria to identify ways in which such inequities might be mitigated in future disaster responses.

ALTHOUGH ESD WAS ABLE TO SET UP NEW CAPACITY QUICKLY, ADMINISTRATIVE AND STAFFING CHALLENGES WERE SIGNIFICANT.

ESD had to set up entirely new operations in its call center and three walk-in centers. Because these were offices, staff had to deal with all the logistics associated with running an office—getting copy and fax machines, telephones, and other systems, ensuring sufficient supplies of paper and staples, and so forth. Initially, John Bryan, ESD's Chief Administrative Officer, was almost exclusively focused on these tasks. Later, Eileen Mildenberger was given administrative responsibility. Yet, the day-to-day challenges were enormous. This set of administrative and logistical issues may have been dealt with more efficiently had an office manager or administrative person been placed in charge.

There were also significant challenges in staffing the new operations. Turnover among volunteers and temporary workers increased training and supervisory burdens. But even more taxing were the unpredictability and emotional elements of the work. Interviews with staff that took the early calls and manned the walk-in centers revealed how emotionally draining the work was. Many felt they could have used some professional mental health counseling. Having an experienced HR person involved from the beginning might have mitigated some of these issues.

ESD EFFECTIVELY USED A RANGE OF CREATIVE TOOLS TO GET THE WORD OUT TO THE BUSINESS COMMUNITY.

ESD utilized many different avenues for reaching out to the business community. For larger businesses, the approach was direct; staff of the Strategic Business Division quickly identified the largest affected companies, identified a key contact

person, and proactively called these contacts on a regular basis. For smaller companies, the outreach effort was more multi-faceted. In addition to the initial media attention given the 1-800 number and walk-in centers, ESD was relatively aggressive in making sure that most affected companies knew about the assistance programs. Outreach materials were translated into multiple languages and community-based organizations used as an outreach arm, particularly in Chinatown where ESD staff found that they were not effectively reaching the small business owners. Operation GO, in which ESD staff and volunteers took applications and program information and visited businesses in the different geographical zones, proved highly effective, broadening the program's visibility and lending a personal touch to the promotion of the resources. The evidence suggests that ESD reached a large proportion of affected businesses.²⁰

ESD HAD A FLEXIBLE APPROACH TO IMPLEMENTATION AND WAS WILLING TO MAKE MID-COURSE CORRECTIONS WHEN SOMETHING WAS NOT WORKING.

Close communications between the program designers and the program administrators throughout the implementation process resulted in the ability to make quick design and administrative adjustments. In addition, the agency's Review and Appeals Committees provided a structure for identifying and addressing administrative problems. Many improvements were made as the programs matured. Still, there were suggestions, such as the use of affidavits in lieu of leases, that staff would have liked the organization to have acted on more quickly.

²⁰ A survey of Lower Manhattan companies completed by Audience Research and Analysis in September 2003 found that 73 percent of those surveyed were aware of the Business Recovery Grant program.

ESD USED INFORMATION SYSTEMS EFFECTIVELY TO KEEP THE IMPLEMENTATION PROCESS RUNNING SMOOTHLY.

Intake forms completed by applicants provided useful data and the information provided in the applications facilitated the tracking of applicants as well as gave ESD staff insights into the nature of the people coming in and of their requests, the location and kind of business, and so forth; in other words, the applications provided data that could be mined over time.

A NUMBER OF GROUPS PROVED DIFFICULT TO SERVE. THESE INCLUDED IMMIGRANT BUSINESS OWNERS, INDIVIDUALS INVOLVED IN THE "INFORMAL" ECONOMY, AND BUSINESSES THAT, THOUGH SERIOUSLY HURT, WERE NOT LOCATED IN ELIGIBLE ZONES.

Addressing the business needs of the large number of non-English speaking business owners was a difficult challenge for ESD. Throughout the recovery process, ESD had to develop ways to address this problem, which was particularly acute in the hard-hit Chinatown area. In terms of business outreach, ESD published information in other languages and used community-based organizations. But there were other issues. Many of these businesses did not keep the kinds of records that were needed. The walk-in and call centers also had to address requests for assistance from many individuals who faced serious economic losses but did not qualify for assistance. These included informal businesses such as the numerous street vendors who operated on a cash basis and did not file business tax returns as well as businesses such as limo services that depended heavily on a lower Manhattan clientele but did not have an address within the eligible area. In the end, it proved difficult to serve these groups.

Lessons Learned

As the country struggles to address the continuing threat of terrorism, as well as the potential for large-scale natural disasters, the story of New York's struggle to recover from the economic devastation of 9/11 offers important lessons for local, state, and federal leaders. Relatively little attention has been paid thus far to the resources needed for economic and business, as distinct from physical or environmental, recovery from an economic disaster of the magnitude of that of 9/11.

When a disaster hits that has a widespread economic impact in a concentrated geographic area, it is critical for government to understand that economic recovery means a lot more than simply addressing the immediate losses of individual businesses. Attention must be focused on the longer-term economic environment—what can be done to encourage the resumption of commerce and economic activity in the impacted area. This means addressing the overall economic competitiveness of core industries in the impacted area to ensure that businesses are willing to reinvest and rebuild. It also means rebuilding the market by making sure that customers are willing to return. In short, the best means to minimize the losses of the smaller businesses is to ensure the preservation of a viable economic environment.

As the agency charged with coordinating overall federal anti-terrorism efforts, including assistance to local and state governments, the Department of Homeland Security should consider New York's business recovery efforts and the lessons it suggests.

Emergency Preparedness

1. Do not become over-reliant on the federal government for business recovery efforts. Maintain an inventory of relevant state and local resources—funding, staff, facilities, and equipment—and develop state and local business recovery plans for rapidly deploying resources in the event of disaster.
2. Ensure that all public agencies have good backup systems and some redundancy.
3. Encourage and help state economic development agencies review the experience of state and local agencies involved in previous natural disasters and, especially, their Y2K plans to be prepared for a telecommunications breakdown.
4. Ensure that economic development agencies have adequate technological capacity to respond effectively to business recovery needs. Access to cell phones and portable computers is particularly critical.
5. Encourage economic development agencies to maintain comprehensive business databases with key business characteristics and contact information.
6. Arrange for access to normally restricted government data sources such as federal ES 202 employment data for individual employers during a declared emergency. Data should be augmented to maximize its value for emergency response by using geocoding and GIS software to enable impact mapping.
7. Build on ongoing business retention programs in planning for business outreach. Preexisting relationships with

the business community are highly important to effective recovery efforts.

8. Identify consultants with specialized knowledge (e.g., experience with disaster recovery practices for businesses, strong knowledge of and relationship with applicable federal agencies and programs) to rapidly fill gaps in internal staff capacity.
9. Maintain a current inventory of available telecommunications capacity and commercial and industrial real estate in case a large-scale business assistance effort is needed.

Overall Management Approach

1. Disburse some money as quickly as possible to help businesses address immediate crises.
2. Do not get bogged down in detailed planning and the quest for a “perfect system.” Be pragmatic and creative. Seize opportunities.
3. Develop and publicize immediately outreach mechanisms such as call centers and walk-in centers.
4. Anticipate information needs and adapt existing MIS systems so that they can be used to manage a large database of companies.
5. Anticipate when developing program budgets and management plans the likelihood of a surge in applications near the deadline.
6. Establish a system for accepting and logging donations: money, pro bono assistance, equipment, and so forth.
7. Consider assigning a staff person to be the “administrative leader” and a human resource person to be in charge of staffing and training.

8. Enlist the help of mental health professionals. The availability of counseling and support to staff on the front lines of business assistance, especially in traumatic situations, can be immensely helpful.
9. Maintain close and continued contact with the business community. Request regular feedback.
10. Work with philanthropic organizations and coordinate public and private efforts.
11. Manage the input of key stakeholders, providing opportunities for public input while recognizing that the need for timely action sometimes conflicts with this objective.

Program Design and Implementation

1. As-of-right programs are critical to providing compensation for economic loss. These could go deeper to cover a greater proportion of losses than was the case in the 9/11 response.
 2. Use of intermediaries is an effective way to provide relationship-based services such as technical assistance and business loans to smaller firms.
 3. Use multiple avenues of marketing and promotion to reach out to the business community. A clear and compelling message is needed to persuade businesses that seeking assistance is worthwhile.
 4. Put multilingual capacity in place as soon as possible. Applications and technical assistance need to be readily accessible to non-English speaking business owners.
- ▶ Strike a balance between structure and flexibility. For programs seeking to serve a very large number of small businesses, it is important to have

standard program policies and procedures to increase administrative efficiency, accelerate activities, and forestall misuse and fraud. For programs that are more targeted, it is important to preserve sufficient flexibility to accommodate unique circumstances and avoid unintended inequities.

5. Provide a range of services including, but not limited to, loans, grants, and technical assistance.
6. Structure investments to foster long-term recovery and strengthen economic development capacity.
7. Work to develop strong intergovernmental relationships at the outset to identify where integration and/or delegation are politically and administratively feasible, and to focus on areas of collaboration that are most likely to succeed.

Recommendations

Our recommendations fall into two basic areas.

1. Review and revise federal laws and policies.
2. Promote better state and local preparedness.

Revise Federal Laws and Programs to Better Address the Potential Economic Recovery Needs of a Large-scale Disaster

As noted throughout this report, federal emergency assistance programs in place before 9/11 were not designed to address the type of large-scale economic disaster that resulted from the World Trade Center attack. These existing programs were primarily focused on residents and small businesses. Little attention had been given

to addressing a disaster that affected thousands of businesses, many of which were very large and were important “anchors” in the local economy. FEMA and SBA, the agencies usually called upon to address disaster recovery, were of little relevance in the case of the WTC attack. And, the agency that was called upon to provide economic recovery funding, HUD, was constrained by programmatic requirements that were inappropriate given the nature of the economic disaster. Clearly, it is critical that steps be taken to ensure that the federal government is better prepared to respond quickly and effectively in the event of any other disaster that affects thousands of businesses and the economic base of a large city or region. The following recommendations are formulated to address this need:

1. Designate an appropriate lead agency to set policies, coordinate intergovernmental relations, and serve as a clearinghouse of information on federal disaster relief related to economic recovery.

The federal Department of Homeland Security, established in response to the September 11th attacks, has assumed the role of lead federal agency for emergency preparedness and response. FEMA has been subsumed under the DHS’s Directorate of Emergency Preparedness and Response, one of the department’s five major divisions. Another division, the Office of State and Local Government Coordination, facilitates the coordination of DHS-wide programs that affect state and local governments. Having assumed the lead role in emergency preparedness, DHS is the logical choice to also take the lead on economic recovery. In this role, DHS should:

- ▶ Develop resource preparedness guides focusing on economic recovery for local and state officials.
 - ▶ Serve as a “one-stop” clearinghouse in conjunction with state-level counterpart agencies preparing guides for the business community much as it does now for residential property owners.
 - ▶ Develop policies and procedures outlining the roles of various federal agencies in economic recovery activities as part of a comprehensive disaster response effort.
 - ▶ Recommend changes that would help to streamline administrative processing and reduce the time required for negotiation, prior to federal assistance becoming available.
 - ▶ Clarify the respective roles and responsibilities at each level of government and consider both how to strengthen the capacity of state and local governments and define what roles each should assume directly.
 - ▶ Put in place management procedures to strengthen inter-governmental coordination.
2. Develop new federal legislation and regulatory policies that are more effective in meeting the needs of a community facing significant economic dislocation as a result of a disaster.

While DHS should be the lead agency, an effective response will still require funding and support from a wide range of federal agencies including HUD and SBA. This analysis of the WTC economic recovery efforts strongly suggests that existing policies and procedures need to be changed. In developing new policies and procedures, the following should be considered:

- ▶ Establish an “urgent need” economic recovery funding program under HUD that is separate from the CDBG Program and not constrained by any statutes governing that program.
- ▶ Develop more generous program funding formulas to cover a higher share of economic loss.
- ▶ Build into federal law waivers of mandates, such as HUD’s low- to moderate-income CDBG requirement, which are inappropriate for disaster recovery situations.
- ▶ Explicitly authorize retention incentives for large anchor businesses that are critical to an affected area’s stabilization and recovery.
- ▶ Waive taxation of emergency benefits (making the taxability waiver in effect part of the benefit).
- ▶ Review, clarify, and simplify grants management requirements and post-audit procedures for funds granted to states and localities to accelerate program implementation.
- ▶ Revise the federal “duplication of benefits” policy to differentiate between the value of loans and grants.
- ▶ Redesign the SBA’s Disaster Loan Program to make it more responsive to businesses recovering from major disasters by providing grants and/or more flexible loans in appropriate circumstances.

Encourage State and Local Governments to Plan for Business Disaster Recovery

Another recommendation for federal response arising out of the World Trade Center economic recovery activities is to encourage cities and states to be better prepared for economic emergencies. The Department of Homeland Security should:

- ▶ Provide grants to help state and local governments develop and disseminate databases on businesses and nonprofit agencies to include information on emergency contacts, numbers of employees, and so forth.
- ▶ Develop a handbook for state and local governments detailing how to prepare for an economic disaster and how to manage an economic recovery effort.
- ▶ Put in place in major cities plans to set up and operate emergency walk-in centers and special 800 numbers for emergency business assistance.
- ▶ Establish advance protocols for coordinating outreach to the business community with state emergency management offices.
- ▶ Disseminate this report (or some abridged version of it) to ESD's counterparts in other states, to the DHS and other appropriate federal agencies, and to the appropriate Congressional committees.

ATTACHMENT A: INDIVIDUALS INTERVIEWED

Name	Role	Position/Organization
Brian Akley	ESD	Deputy Commissioner for Tourism
Meredith Andreucci	ESD	Call Center Managers
John Bacheller	ESD	SVP Policy & Research
Nikhil Badkari	Partner Org	SEEDCO
Mari Beeck	Partner Org	SEEDCO
Bruce Bernstein	Partner Org	NYSIA
Barbara Beverley	ESD	ESD Librarian
Tom Boehlert	ESD	Call Center Operators
Jeff Boyce	ESD	Director of Small Business
Becky Brantley	Federal	Loan Officer Office of Disaster Assistance SBA
Neville Bugwadia	ESD	SVP Corporate Marketing
Michele Byrd	Beneficiary	Executive Director, Independent Feature Project
Shelley Campbell	ESD	Business Marketing Program
Mary Jo Carey	ESD	Call Center Managers
Dave Catalfamo	ESD	SVP and Exec Deputy Commissioner
Rodney Christopher	Partner Org	NFF
Steve Cohen	Partner Org	SEEDCO
Kevin Corbett	ESD	Exec. VP & COO
Frank Corcoran	ESD	Loans & Grants
Martin Cukier	Beneficiary	Medeast Healthcare (SFARG Grantee)
Marilyn Davenport	Partner Org	Real Estate Board of NY
Robert Dean	Beneficiary	Center for Legal Aid (SFARG Grantee)
Michael D'Emic	Beneficiary	Comptroller, American Stock Exchange
John DiNuzzo	New York State	SEMO
Richard Eads	ESD	SBD Director
Joanne Fitzgibbon	ESD	Call Center Operators
Cecile Fu	ESD	Policy Analyst
Nikhil Gadkari	Partner Org	SEEDCO
Judith Garner	ESD	VP Strategic Business
Peter Genet	ESD	formerly ESD Strategic Business now Cushman Wakefield
Steve Gold	ESD	Strategic Business Division
Maria Gotsch	Partner Org	NYC Partnership
Paul Gottlieb	Beneficiary	Managing Director & COO RBC Capital Markets
Laura Guarascio	Partner Org	AMA
Jessie Handforth-Kome	Federal	Field Officer Office of Block Grant Assistance HUD
Grady Hedgesbeth	Partner Org	SEEDCO
Jim Held	ESD	Policy Analyst and Project Manager
Bruce Hoch	Beneficiary	DCG Corplan, Financial Service Study
Jim Jacob	ESD	SBD Director

Name	Role	Position/Organization
Shirley Jaffe	Partner Org	VP of Alliance for Downtown New York
Jeff Janiszewski	ESD	SBD Director
Pat Jenny	Philanthropy	NY Community Trust
Pat Kaufman	ESD	Deputy Commissioner
Kathy Kazanas	ESD	Policy Analyst
Carole Kellerman	Philanthropy	9/11 Fund
Richard J. Kennedy	Federal	Director Office of Block Grant Assistance HUD
Norma Khoury	ESD	volunteer
Carol Khoury	Partner Org	American Management Association
Jim King	New York State	State Director, SUNY Small Business Development Center
Dan Kurtz	Local Govt	NY EDC
Carrie Laney	ESD	Call Center Managers
Bill Leggiero	Federal	SBA Niagara Falls Regional Disaster Assistance Office
Sheri Lippowitsch	ESD	Project Manager Loans and Grants
Michael Lugo	Beneficiary	VP Internal Auditing New York Mercantile Exchange
Steve Matlin	ESD	General Counsel
Matthew Maguire	Local Govt	NY EDC
Jim Mazzarella	New York State	Governor's Office of Intergovernmental Affairs
Roger McDonough	ESD	Former Chief Counsel
Eileen Mildenberger	ESD	SVP Subsidiaries
Herbert Mitchell	Federal	Associate Administrator for Disaster Assistance SBA
John Muney	Beneficiary	Atlantis Health Plan (SFARG Grantee)
John Murphy	Beneficiary	Chairman President & CEO Oppenheimer Funds
Peter Oliver	Partner Org	SEEDCO
Jan Opper	Federal	Senior Program Officer, HUD
Carlos Otero	ESD	Contract Administration
Ken Pick	ESD	Customer Satisfaction Survey
Anthony Quenelle	ESD	ETAP program
Paul Raetsch	Federal	EDA Philadelphia Regional Office
Ray Richardson	ESD	SVP Strategic Business Division
Kathleen Roe	NYS Archives	NYS Archives
Sharon Rutter	ESD	Director, Technology Policy
Alex Santic	Partner Org	NYSIA
Bob Scardamalia	ESD	Research and Policy Office
Amy Schoch	ESD	Policy Director
Cindy Shannon	ESD	Call Center Operators
Harry Sicherman	ESD	CDBG consultant
Steven Spinola	Partner Org	Real Estate Board of NY
Susanna Stein	ESD	SVP Loans and Grants
Aviva Steinberger	ESD	Director Business Recovery
Pat Swann	Philanthropy	NY Community Trust
Joe Tazewell	ESD	Assistant VP Strategic Business Division
Brian Tress	Beneficiary	Ernst and Young, Tourism Study
Terry Trifari	ESD	Sr. VP Loans & Grants (retired)
Frances Walton	ESD	Sr. VP & Chief Financial Officer

Name	Role	Position/Organization
Benjamin Warnke	Partner Org	Managing Director Renaissance EDC
David Witschi	Federal	EDA Office of Economic Adjustment
John Wolf	Partner Org	American Management Association
Karina Wong	Partner Org	Chinatown Manpower Project
Bonnie Wong	Partner Org	Asian Women in Business
Robert Wood	ESD	Assistant VP
Kathy Wylde	Partner Org	NYC Partnership
Larry Zensinger	Federal	Formerly with FEMA