New York City Independent Budget Office Fiscal Brief

August 2011

The Aftermath:

Federal Aid 10 Years After the World Trade Center Attack

Summary

Just days after the events of September 11, 2001, President Bush and Congress promised that $20 billion in federal aid would be provided to help New York City recover from the attack. That promise came as the World Trade Center site continued to smolder. Given the unprecedented scale of the destruction—physical, economic, and emotional—no one had real estimates of what the needs and costs would be.

As a result, the federal promise was loosely defined. Assistance was provided for immediate relief, but a large portion of the aid was to flow to New York over time as specific uses of the assistance were determined. In the first three years following the attack, IBO produced a series of reports tracking the status of the federal aid: how much was dedicated for purposes such as emergency response, recovery, and rebuilding. In the last of those reports, issued in August 2004, we reported that roughly half the aid, which had grown to a total of $20.5 billion, had been received and used for emergency response to the attack and for assisting the city's economic recovery with the remaining aid expected for longer-term rebuilding projects.

Now, 10 years after the attack, we update our last report with a focus on the use of the funds for long-term rebuilding:

- Support for New York's rebuilding and development in the wake of September 11th totaled $11.3 billion, which came in the form of direct aid and tax breaks.
- The largest share of the rebuilding aid, $4.6 billion, has been directed to transportation projects such as the World Trade Center Transportation Hub and Fulton Street Transit Center. With construction underway, these projects are expected to be completed over the next few years.
- Of the $8.0 billion in Liberty Bonds authorized by the federal government to encourage commercial and residential development, just over $700 million remains available for commercial projects. These bonds, allocated to the Port Authority for Tower 1 and shops at the World Trade Center site, must be used by December 2012.

Our review finds that the promised level of federal aid has been allocated to New York, although a large share of the $2.9 billion in tax breaks aimed at spurring hiring and business investment were not used and attempts to redirect the funds have been unsuccessful. Beyond the $20.5 billion in aid for the city's recovery, the federal government has also provided aid to survivors, relatives, and businesses through the Victims Compensation Fund and extended medical monitoring and treatment programs.

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INTRODUCTION

The September 11, 2001 attack on the World Trade Center (WTC) towers in Lower Manhattan imposed tremendous economic costs and challenges on the neighborhood and the larger city. In addition to incalculable emotional costs, many individuals and families suffered the financial costs of lost loved ones, deleterious health effects, and housing damage and displacement. Businesses suffered losses of employees, property, and demand, both immediately following the attack and during the protracted recovery. Government incurred the costs of emergency response and cleanup, repairing damaged public infrastructure, and the additional harm done to an economy already in recession. Insurance covered some costs and private investment and philanthropy have been substantial. Federal, state, and local government outlays and tax expenditures paid for cleanup and recovery, and later public infrastructure and programs, to improve quality of life and encourage private-sector investment.

The federal government's fiscal response in the days after the attack was a loosely defined promise of $20 billion in assistance to New York City. Given the unprecedented scale of the damage and destruction, determining how much aid the city would actually need was a challenge and the promise of $20 billion was not based on a quantitative estimate of the recovery costs. This aid to New York was allocated through multiple federal agencies in four congressional bills.[1] Federal assistance, which included both direct expenditures and tax expenditures, was directed to individuals, businesses, and New York State and New York City governments.

In the first three years following the attack, IBO examined the status of the federal assistance in several reports. In the last of those reports, released in August 2004, IBO classified the aid into three categories: emergency response, recovery, and rebuilding and identified roughly half of the total $20.5 billion in aid that had yet to be spent. This report focuses on developments since 2004. (Based on current data, IBO also made some revisions to our classifications and updated the reported spending where appropriate. See this table for a crosswalk between our previous tallies and this report.)

In this analysis, we first identify $11.3 billion of the total assistance as rebuilding and development, including most of the funds that had not been spent in 2004, largely because the funds were designated for major development projects that were still in planning stages. The funds for rebuilding and development come from three sources: Federal Transit Administration (FTA) grants, Department of Housing and Urban Development Community Development Block Grants (CDBG), and the Liberty Zone Economic Package. We then provide updates on federal spending in the other categories: $7.3 billion on emergency response and $1.9 billion to provide general budgetary relief to the city and state. In light of recent developments, we also discuss the World Trade Center Captive Insurance Fund (WTC Insurance Fund) and the recently passed James Zadroga 9/11 Health and Compensation Act.

REBUILDING AND DEVELOPMENT

Rebuilding and development funds are focused on long-term recovery in the city, mostly targeted at restoring and improving Lower Manhattan as a place to visit, live, and do business, as well as providing support for rebuilding

Federal September 11th-Related Aid Directed to New York City
Dollars in millions

	Total	Rebuilding & Development	Emergency Response	General Budgetary Relief
Federal Transit Administration	$4,550.0	$4,550.0		
Liberty Zone Economic Package	5,029.0	4,092.0		937.0
Community Development Block Grant Funds	3,483.0	2,702.9	780.1	
Federal Emergency Management Agency	5,953.9		5,014.6	939.2
Small Business Administration	137.6		137.6	
Emergency Transportation	541.0		541.0	
Other	806.0		806.0	
TOTAL	**$20,500.5**	**$11,344.9**	**$7,279.3**	**$1,876.2**

SOURCES: IBO; Federal Transit Administration; U.S. Government Accountability Office; Lower Manhattan Development Corporation; Federal Emergency Management Agency; Congressional Research Service
NOTES: $2.75 billion of Federal Emergency Management Agency's original $8.8 billion allocation was transferred to the Federal Transit Administration and these funds are reflected in Federal Transit Administration in the table and text. For the Liberty Zone economic package, $1.228 billion of rebuilding and development aid and $937 million of general budgetary relief reflect only the cost to the federal government.

the World Trade Center site itself (see here for site specific details). Transportation improvements in Lower Manhattan funded by FTA grants make up the biggest piece of rebuilding and development funds at $4.6 billion. A total of $2.7 billion in CDBG funds target a wide variety of rebuilding and development goals, including job creation, rental and mortgage assistance, affordable housing creation, parks, streetscape improvements, education facilities, and cultural programming (see here for a full list of projects). The majority of the Liberty Zone Economic Package's $4.1 billion of rebuilding and development funds consist of tax incentives for hiring and business investment, though concern about limited use of the incentives has led to proposals that the assistance be converted to aid for transportation. The Liberty Zone package also included the Liberty Bond private-activity bond program, which has been used to provide financing assistance to both commercial and residential development projects.

Although many of the projects have lagged their original timelines, plans are in place for using the federal aid and construction of many planned projects is underway. While delays are not unusual for large-scale construction projects, these projects faced additional hurdles given the political challenges, security concerns, and complex engineering required to build on the World Trade Center site. But the use of some federal aid for rebuilding and development still remains in question. There is considerable uncertainty about how much of $2.9 billion in anticipated tax expenditures were used. And of the $8.0 billion in Liberty Bonds authorized—estimated to cost the federal government about $1.2 billion in foregone revenue—$701.6 million has yet to be issued.

Federal Transit Administration Grants

Dollars in millions

Recipient	Project	Budgeted	Disbursed
Port Authority	WTC Transportation Hub Terminal	$2,872.0	$1,105.8
Port Authority	WTC Vehicle Security Center	19.9	19.9
MTA	Fulton Street Transit Center	847.0	621.9
MTA	South Ferry Terminal	420.0	419.3
NYS Department of Transportation	Rte 9A-WTC North & South Promenade	287.3	236.2
ESDC	LM Construction Command Center	17.0	14.0
FTA	Oversight and Administration	86.8	
TOTAL		**$4,550.0**	**$2,417.1**

SOURCES: IBO; Federal Transit Administration

NOTES: As of March 31, 2011. Disbursed funds are funds that have been provided to the recipient by the Federal Transit Administration. A small amount of funds for oversight and administration are retained by Federal Transit Administration to cover the costs of administering the grants.

Transit Projects in Lower Manhattan Receive Significant Funding. FTA grants totaling nearly $4.6 billion, or 22.2 percent of federal spending on the 9/11 recovery, were awarded to the Port Authority of New York and New Jersey (Port Authority), the Metropolitan Transportation Authority (MTA), and the New York State Department of Transportation (NYSDOT). The Lower Manhattan Construction Command Center also received FTA grant funds which it has used for construction monitoring and coordination. The transportation projects are expected to be completed within the next few years and the FTA funds exhausted.

Progress on WTC Transit Projects. As part of redevelopment of the World Trade Center site, the Port Authority is managing the construction of the World Trade Center Transportation Hub for PATH service to New Jersey. The transportation hub will include connections to the MTA-managed Fulton Street Transit Center, the Hudson River ferry terminals, and 200,000 square feet of retail space.[2]

The $2.9 billion FTA grant covers most of the transportation hub's current $3.8 billion budget. As of March 2011, $1.1 billion of FTA aid had been disbursed for the project and the remainder will be used over the next few years as the Port Authority estimates completion between the fourth quarter of 2013 and the second quarter of 2014. (The city, state, and federal governments use different terminology when accounting for the status of funding. IBO is using the federal term "disbursed" to indicate funds that have been provided to the recipient by the FTA.)

Although the FTA allocation for the WTC Transportation Hub has increased, questions remain about whether the project will be completed within the current budget, which has increased several times since initially being set at $2.2 billion in 2005. In June 2009, the FTA grant for this project rose by $663.0 million through an agreement between the FTA, Port Authority, and MTA that reallocated funds across projects.

The WTC Vehicle Security Center, with a budget of about $630 million that includes $20 million from the FTA, will be the permanent screening facility for buses, trucks, and cars entering the WTC site. It has also served as the temporary passageway for construction material during the site's build-out. Since it is necessary for the facility to be operational when the first office tower is completed, this project was sped up by the reallocation of most of its federal funding to the WTC Transportation Hub, thereby eliminating the federal review process for the project. The federal grants were replaced by funding from the Port Authority.

Grants to the MTA Fund Improved Transportation Connections. The MTA rehabilitation of the Fulton Street Transit Center, which provides access to 10 train lines, is expected to receive $847.0 million in FTA funding, the second largest of the FTA grants. The project is currently underway, with $621.9 million of the FTA allocation disbursed as of March 2011, with the remainder to be used as work continues. The overall budget for this project has risen significantly, from an early budget of $799 million to $1.4 billion now.[3] In addition to the FTA grant, the transit center received $423.3 million in federal funding under the American Recovery and Reinvestment Act and $129.7 million from MTA sources.[4]

The MTA expects the transit center's new and refurbished entrances and passageways to improve passenger transfers and circulation between subway lines and to connect the subways with the PATH at the WTC Transportation Hub. The project will not expand subway service.

The new South Ferry Terminal subway station was completed in 2009 at a total cost of $530 million, including the $420 million FTA grant. The station can now accommodate a 10-car train, unlike the old station that only covered the first five cars. The station also connects to the nearby Whitehall Street station. Construction took two years longer than planned and the opening of the station was further delayed, in part due to a gap between the platform and trains. In addition, water leaks have been an ongoing problem at the station, which is built well below the water table.

State Reconstructs West Street with Enhanced Streetscape Improvements. Delineating the western border of the WTC site, West Street—also identified as New York State Route 9A—is under the authority of the New York State Department of Transportation. The street was under reconstruction at the time of the attack, when it suffered significant damage. The state transportation department examined several options for rebuilding the street, including below-grade and at-grade replacements along with a landscaped promenade, new pedestrian overpasses, and parks and playgrounds. The at-grade option was ultimately chosen, receiving FTA grant funding of $287.3 million.

Community Development Block Grants Fund Wide Range of Projects. The federal government channeled $3.5 billion in assistance for a broad spectrum of projects via Community Development Block Grants. The majority of CDBG funds, some $2.7 billion, have been directed towards rebuilding and development. But the designated uses under the term rebuilding and development are broad, ranging from projects on the World Trade Center site, to parks and street improvements, to community and cultural programs.

Under the community development grant process, funds are spent from local sources on designated projects and then reimbursed by the federal government. About $2.0 billion of the funds budgeted for rebuilding and development have been reimbursed to the agencies and organizations responsible for the projects through the community development grant process. An additional $704.5 million, 26.1 percent, is budgeted for projects in various stages of planning and development.[5] The remaining $780.1 million of CDBG funds were directed towards emergency response needs for business losses and utility restoration, and are covered in this section because of the overlap in the areas being funded.

Out of the entire pot of CDBG funds, $235.1 million remains to be formally obligated to projects. (An obligation in this instance means that there is a signed contract for work to proceed or that the contracted work is already underway or completed.) But most of these funds have been budgeted to projects or broadly outlined programs in a preliminary plan. Just $28.7 million in CDBG funds are not yet budgeted, mainly from funds initially targeted for utility restoration that are now being reallocated to other uses.

The CDBG funds were budgeted under three allocations managed by the state's economic development entity and its subsidiary. The first allocation for $700.0 million, made shortly after the disaster, was distributed through the Empire State Development Corporation (ESDC). The second allocation of $2.0 billion and the third allocation of $783.0 million were distributed through the Lower Manhattan Development Corporation (LMDC), an ESDC subsidiary created after the attack for the specific purpose of coordinating post-9/11 rebuilding and development efforts in Lower Manhattan.

ESDC developed the strategy, created, and directly managed the business assistance programs funded by the first allocation. LMDC developed the strategy and created the programs for the funds from the second and third allocations, but only took a direct management role in a few instances, mainly the early planning efforts for the National September 11 Memorial & Museum. For grants in other areas, LMDC identified other public agencies or private organizations that were made responsible for implementation. These agencies and organizations undertake the work and then seek reimbursements from the federal CDBG funds. For example, work has been completed on three Lower Manhattan parks and the city is now waiting for its reimbursement, a multistep process that involves approvals by LMDC and the state.

Short-Term and Long-Term Assistance to Lower Manhattan Businesses. Almost one-third of the total CDBG funds were budgeted for business assistance. About 56 percent of these funds were for emergency response and 44 percent for rebuilding and development. Emergency response consisted primarily of Business Recovery Grants providing $572.0 million in compensation for property damage, business interruption, and loss of customers. Rebuilding and development grants via the Job Creation and Retention, and Small Firm Attraction and Retention programs totaled $447.0 million. ESDC continues to make new allocations from the $45.4 million remaining in the Job Creation and Retention Program; in August 2011 it was announced that Oppenheimer & Co. will receive a $3 million grant (not reflected in the numbers here) toward its new corporate headquarters on Broad Street.

Community Development Block Grants

Dollars in millions

	Budgeted	Obligated
Emergency Response		
Business Assistance	$620.3	$620.3
Utilities	159.8	159.8
Subtotal	**$780.1**	**$780.1**
Rebuilding and Development		
Business Assistance	$496.8	$471.8
World Trade Center Site	841.6	758.8
Utilities	323.6	323.6
Housing	290.2	285.0
Parks	302.1	276.7
Streets and Transportation	130.5	129.5
Community and Culture	116.4	78.0
Education	41.0	3.0
Planning and Administration	132.0	116.8
Pending	28.7	24.6
Subtotal	**$2,702.9**	**$2,467.7**
TOTAL	**$3,483.0**	**$3,247.9**

SOURCES: IBO; Empire State Development Corporation; U.S. Department of Housing and Urban Development; Lower Manhattan Development Corporation

NOTES: As of March 31, 2011. Pending represents $24.6 million remaining to be reallocated from the funds previously committed for the utility program and $4.1 million from Lower Manhattan Development Corporation's primary allocation. May not add due to rounding. Click here for a full list of projects.

Significant CDBG Funding Provided for the World Trade Center Site. Another quarter of CDBG funds have been budgeted for the World Trade Center site, including the National September 11 Memorial & Museum and a performing arts center. Of the $841.6 million CDBG budget for the site, split between land acquisition and site preparation and construction costs, about $80 million has not been obligated yet, mostly due to the ongoing planning for the performing arts center.

LMDC's purchase and preparation of parcels south of the WTC site has proven much more costly than anticipated. This southern portion will serve as the pavilion and entrance for the memorial and museum, as well as the below ground Vehicle Security Center being constructed by the Port Authority. The site of the former Deutsche Bank building that was damaged beyond repair on 9/11, 130 Liberty Street is the primary parcel in this area. LMDC acquired 130 Liberty Street for $90 million in 2004 and initially budgeted $74 million for remediation and deconstruction costs. Deconstruction of the building was completed in February 2011 after suffering multiple setbacks, including the deadly fire in 2007. As costs ballooned above the original budget, LMDC sought reimbursement for the incremental costs from Deutsche Bank and third-party insurers, reaching a settlement and receiving $3.8 million from Deutsche Bank and over $100 million from the insurers. In addition to these settlement funds, the CDBG budget for the site has reached $292.1 million—$128.1 million more than originally budgeted. LMDC is involved in ongoing litigation to recover additional monies relating to the preparation of the parcels.

The planning, design, and construction of the memorial and museum are budgeted to receive $329.0 million in CDBG funds, in addition to substantial private contributions; $32.1 million of the CDBG funds have not been obligated. The memorial is scheduled to open to the public September 12, 2011, with the museum and pavilion expected to open September 2012.

The least developed of LMDC's WTC site initiatives is the performing arts center. In January 2011, the arts center's

CDGB budget was increased by $100.0 million to $160.0 million. The arts center was part of the original master plan for redeveloping the site, but languished due to debates over its placement, the architectural complexity of building such a venue, and the priority of other components of the redevelopment. The additional allocation suggests that more attention will now be devoted to the project, which is likely to be the last major piece of the WTC site completed, in the latter half of the decade.

Compromise Regarding Funds for Utility Restoration. The third federal CDBG allocation of $783.0 million was to be devoted primarily to utility restoration and improvements, initially budgeted at $750.0 million, including funding for both emergency response and rebuilding and development. Much of the infrastructure in the area needed to be repaired or replaced as a result of the attack. Following settlement of a dispute with Verizon and Con Edison in December 2010 and reassessment of needs, the program has been cut to $483.4 million, all of which has now been obligated and spent. The program originally budgeted funds in six prioritized categories. The highest priority categories, Emergency and Temporary Service Response and Permanent Utility Restoration, cost a total of $159.8 million and $207.0 million respectively, each less than expected. The dispute with Verizon and Con Edison concerned the potential reallocation of unused funds from these categories to category 3, Service Interference (disruptions caused by street restoration and construction projects). Resolution of the dispute allowed some money from categories 1 and 2 to be reallocated to category 3, which ultimately totaled $116.5 million. However, most of the funding difference between the original and final utility budgets was redirected to the WTC site.

The reduction in funding to the utility program left $249.1 million to be reallocated (after accounting for planning and administration costs). By early 2010, $52.5 million was reallocated to tearing down 130 Liberty Street. Following the settlement with Verizon and Con Edison, late in 2010, $35.0 million was reallocated to the memorial and museum and a plan was developed for $137.0 million of the remaining $161.6 million, which is now in the process of receiving final approval. This plan includes the $100.0 million addition to the performing arts center, as well as $20.0 million for a pedestrian bridge over West Thames Street and $17.0 million for the East River Waterfront Esplanade.

Over $1 Billion in Other CDBG Rebuilding and Development Funds. The remaining $1.0 billion of CDBG funds have been directed to a variety of needs: a residential grant program ($236.2 million); preservation and rehabilitation of affordable housing ($54.0 million); East River, Hudson River, and neighborhood parks ($302.1million); streetscape and transportation improvements ($130.5 million); education facilities ($41.0 million); community and cultural projects ($116.4 million); and planning and administration ($132.0 million).

Although most of the CDBG funds were directed to the WTC site and the surrounding Financial District, some of the funds were directed to other parts of Lower Manhattan, including Tribeca, Chinatown, and the Lower East Side. The various business assistance grant programs had differing boundaries, with the farthest north reaching 14th Street, and the Cultural Enhancement Fund extended as far north as Houston Street. The largest CDBG-funded housing program, which provided grants to individuals, served two zones; a priority zone in the immediate vicinity of the WTC site, and a second zone extending as far north as Canal Street. Funds used in Chinatown enabled the renovation of the Columbus Park Pavilion, housing preservation and rehabilitation, and the formation of the Chinatown Local Development Corporation (now becoming a Business Improvement District). The Lower East Side and Tribeca also received funds for housing preservation, rehabilitation, and development. Small amounts of CDBG funding went to the New York Waterfalls exhibit, which had multiple locations around the city, and to the Tribeca Film Festival.

Liberty Zone Economic Package Funds for Rebuilding and Development. The Liberty Zone Economic Package was the final piece of the $20.5 billion to be enacted, passed as part of the Job Creation and Workers Assistance Act of 2002. The package created tax breaks for business investment and the tax-exempt Liberty Bond program to encourage both commercial and residential development. New York City and State were also provided some general budgetary relief, discussed in the following section. According to the Congressional Joint Committee on Taxation, the estimated cost of the package to the federal government at the time of passage was more than $5.0 billion.

Tax Incentives for Lower Manhattan. A variety of tax breaks intended to spur hiring and other business investment in Lower Manhattan were estimated to cost the federal government $2.9 billion, or 56.9 percent of the Liberty Zone package.[6] The actual usage of the tax breaks was untracked, but is widely assumed to have been very low, potentially leaving most of this assistance unused.[7] Proposals have been put forth to reallocate the tax incentives to transportation projects in or connecting to Lower Manhattan.

A direct rail link between Lower Manhattan and John F. Kennedy Airport has been the most discussed option if the dollars were to be reallocated. In 2004, a feasibility study carried out by the Economic Development Corporation, the Lower Manhattan Development Corporation, the Metropolitan Transportation Authority, and the Port Authority explored strategies for spurring Lower Manhattan's recovery through improved accessibility. The study identified the airport rail link as the most feasible option. The proposal would connect Lower Manhattan to Brooklyn's Atlantic Terminal, where the Long Island Railroad's Atlantic Branch provides a connection to the airport. A 2008 report by Persons/SYSTRA Engineering suggested that the total cost for the project could exceed $10 billion—more than three times greater than the federal package of tax incentives.[8]

President Bush, at the behest of Governor Pataki and Mayor Bloomberg, approved reallocating $2.0 billion of the tax breaks to tax incentives for transportation projects. The funding was approved by the Senate Finance Committee in 2007, but was not included in final legislation. The reallocation was again proposed during the 2008 Federal Aviation Administration reauthorization, failing to make it into the final bill.

Tax Exempt Bond Program for Commercial and Residential Projects. The Liberty Bond program created $8.0 billion in triple-tax-exempt private-activity bonds at an estimated cost of $1.2 billion to the federal government from foregone income tax revenue (the cost to the city and state would be much lower). The allocation was split equally between the city and state, though they ended up collaborating on many of the awards: $6.4 billion of the bonds funded commercial projects, chosen by the Liberty Development Corporation for the state and the New York City Industrial Development Agency and $1.6 billion of residential bonds were to be awarded by the Housing Finance Agency (HFA) for the state and Housing Development Corporation (HDC) for the city.

Originally scheduled to expire at the end of 2004, the bonds were slow to be used, and the deadline was extended twice. Although all of the residential bonds have now been issued, a little more than $700 million of Liberty Bonds remain available for commercial projects. These bonds, allocated to the Port Authority, must be used by December 2012.

Due to the delays, the estimated cost of $1.2 billion to the federal government is probably out-of-date. That estimate of the 10-year cost assumed that the full $8.0 billion was issued by 2004. With the slower pace of issuance, federal costs in the first 10 years are likely to have been lower. However, the bonds generally have a longer term than 10 years, which means that the federal government will see costs in excess of $1.2 billion over the lifetime of the bonds.

Significant Private-Activity Bond Support for Development of the WTC Site. Almost 60 percent of the bonds, $3.8 billion, were for three projects relating to the World Trade Center site. Directly to the north of the main site, 7 World Trade Center received $475 million in bonds and was completed in 2005. A 2006 agreement between the Port Authority, developer Silverstein Properties (also the developer of 7 WTC) and the city on the redevelopment of the main site allocated another $2.6 billion of bonds to

Commercial Liberty Bonds
Dollars in millions

Project	Developer	Issuance Amount	Date of Issue
Commercial Only			
Atlantic Terminal-Bank of New York Tower	FC Hanson Office Associates	$90.8	02/03
1 Bryant Park-Bank of America	One Bryant Park/Durst	650.0	11/04
InterActive Corp	HTRF Ventures	80.0	08/05
7 World Trade Center	7 World Trade Company	475.0	03/05
Downtown Hotel	377 Greenwich	38.9	12/04
Site 26, Battery Park City	The Goldman Sachs Group	1,650.0	10/05
National Sports Museum	TNSM	52.0	8/06
Moinian Hotel	123 Washington	50.0	10/07
Silverstein Properties	World Trade Center Properties	2,593.5	12/09
PA -1 World Trade and Retail Space	1 World Trade Center WTC Retail	701.6	TBD
Commercial Portion of Residential Projects			
Front Street	Yarrow (NYS HFA)	$8.0	06/03
2 Gold Street	Rockrose (NYC HDC)	7.2	09/03
90 West Street	B.C.R.E 90 West Street (NYC HDC)	3.0	03/04
TOTAL		**$6,400.0**	

SOURCES: IBO; New York City Economic Development Corporation
NOTE: As of June 14, 2011

Silverstein Properties for Towers 2, 3, and 4, and $701.6 million of bonds to the Port Authority for Tower 1 and the entire complex's retail components.

Most of the bonding capacity for the main site, $3.3 billion, has not yet been made available for construction. The Silverstein Properties bonds for Towers 2, 3, and 4 have not yet been used, although short-term bonds were issued in December 2009 in order to meet the expiration deadline. Proceeds of this issuance were escrowed and a reissuance of longer-term bonds that will be used to finance construction is expected in the near future. The Port Authority bonds for Tower 1 and the retail portion of the site have not been issued. Congress passed a retroactive extension to December 2012 for these bonds after the 2009 deadline for issuance was missed.

Commercial Liberty Bonds Issued for Additional Projects in the City. The legislation creating the Liberty Bond program provided that up to $2 billion in Liberty Bonds could be used for commercial projects outside of the New York Liberty Zone—defined roughly as Manhattan south of Canal Street—if they were not needed for projects in the zone. Three early projects that received Liberty Bonds totaling $820.8 million were not located in Lower Manhattan: 1 Bryant Park in Midtown, Atlantic Terminal in Brooklyn, and InterActiveCorp's headquarters in Chelsea. Goldman Sachs received the second largest Liberty Bond allocation—$1.7 billion—to support construction of its headquarters at Battery Park City's World Financial Center in 2005. The remaining commercial bonds provided $159.1 million in financing for two Financial District hotels, commercial portions of residential developments, and the National Sports Museum, which filed for bankruptcy in 2009 after receiving $52.0 million in Liberty Bonds in 2006.

Residential Liberty Bonds Fund Market Rate Rental Development in Lower Manhattan. HFA and HDC provided financing assistance to a total of 15 projects with their residential Liberty Bond allocations. All of the projects, totaling 5,675 housing units, were located in the Financial District or Tribeca. The units created were overwhelmingly market rate. Although the legislation did not require the residential projects funded by the bonds to include an affordable housing component, both HFA and HDC generated small amounts of below-market rate housing from these projects. HFA-financed buildings were required to reserve 5 percent of units for tenants earning no more than 150 percent of area median income, creating some middle income housing in Lower Manhattan. HDC collected a 3 percent fee from developers, which was used to finance affordable housing elsewhere in the city.

GENERAL BUDGETARY RELIEF

The second major category of federal assistance was general budgetary relief for the New York State and New York City governments. The local economy was already in recession on September 11, 2001 and the attack further depressed local economic activity and tax collections. Two pieces of the federal aid package provided general budgetary relief for the state and city budgets. The cost of these benefits to the federal government was $1.8 billion.

The cost of the emergency response and cleanup ended up being less than expected and the city negotiated with the federal government to receive the excess Federal Emergency Management Agency (FEMA) allocation as unrestricted cash assistance. This direct unrestricted aid was used to cover general operating expenses for the city and totaled $939.2 million over fiscal years 2004, 2005 and 2006.

The Liberty Zone package also provided general budgetary relief to New York City and State by allowing each to refund up to $4.5 billion of certain bonds an additional time, beyond the single refunding federal laws usually allow. This provision was estimated to cost the federal government $937 million in foregone tax revenue. New York City applied its allocation to 14 bond issues that included general obligation debt, as well as bonds issued by the Municipal Water Finance Authority (Water Authority), the Education Construction Fund, and the Sales Tax Asset Receivable Corporation (a vehicle for retiring outstanding Municipal Asset Corporation debt remaining from the 1970s financial crisis). The types of state bonds eligible for refunding were more limited: essentially MTA and qualified hospital bonds. According to state records, the MTA issued eight refundings, totaling $3,480.1 million. Additionally, the Dormitory Authority of the State of New York issued two refundings of conduit hospital revenue bonds, totaling $292.1 million. It does not appear that the state made use of its remaining $727.8 million allocation prior to the provision's expiration on January 1, 2005.

EMERGENCY RESPONSE

Overall, $7.3 billion, or 35.5 percent of the federal assistance made available to New York City, was spent on emergency response activities in the direct aftermath of the attacks. As most of these funds had been spent

State Grant of Special Borrowing Authority Helped City Meet Immediate Needs

In addition to the various forms of federal aid, the city also benefited from action by the state. To assist the city in financing its immediate cleanup and recovery needs, New York State approved a special authorization to borrow $2.5 billion through the New York City Transitional Finance Authority (TFA).[1] The resultant Recovery Notes and Bonds helped the city meet immediate cash flow needs for cleanup and recovery efforts and were partially secured by anticipated federal and state aid. TFA issued $1.0 billion in short-term Recovery Notes on October 3, 2001. The notes, backed by the anticipated aid, received the highest short-term ratings from all three major ratings agencies and retail participation in the sale exceeded that of any previous New York City bond issue.

The state law allowed TFA a one-time exemption to use the proceeds of the Recovery Bonds for day-to-day operating expenses. TFA issued $2.0 billion of long-term Recovery Bonds in July and September 2002 (fiscal year 2003), with $1.0 billion used to redeem the fiscal year 2002 Notes. The other $1.0 billion gave the city operating budget relief in fiscal year 2003.

[1] TFA is a state authority created to issue debt backed by the city's personal income tax and sales tax revenues. Although TFA debt is not subject to the city's debt limit, it is subject to a cap imposed by New York State.

by August 2004, we only provide a brief overview and ask readers to refer to our earlier work for more detail. Spending by FEMA was the largest component, at $5.0 billion. The Small Business Administration spent $137.6 million on assistance to business, $541.0 million was spent on emergency transportation work, and a total of $806.0 million was spent by other federal agencies to repair offices located in Lower Manhattan, provide emergency access to Medicaid due to the loss of medical records after facilities for processing Medicaid applications were destroyed, and provide funds for workers compensation claims.

FEMA and First Responders. About 70 percent of the emergency response funds, $5.0 billion, were disbursed by FEMA. Additionally, the agency provided $939 million in unrestricted aid to the city (discussed above) and transferred $2.8 billion to the Federal Transit Administration.

Of the emergency response funds, $1.5 billion flowed through the city's general fund for specific reimbursable expenses.[9] The largest recipients were the Department of Design and Construction, which oversaw cleanup of the site, and the police and fire departments. All of the aid that flowed through the city's general operating budget has been used. Another $1.1 billion was reimbursements to public agencies and authorities other than New York City, including the New York State Emergency Management Office, the Port Authority, and the New York State Police. Aid provided directly to individuals for items such as housing assistance and crisis counseling totaled $521.2 million, while hazard mitigation spending came to $312.1 million.

Due to the inability of New York City and its contractors to obtain debris removal insurance, $1.0 billion in emergency response FEMA aid was used to establish the WTC Captive Insurance Fund. Along with the Victims Compensation Fund, the captive insurance fund is intended to compensate individuals for losses incurred in the attack and cleanup; over 10,000 claims were received. In March 2010, a $575 million base settlement was approved by the fund's board of directors. Following a critique by the U.S. District Court judge overseeing the case, the agreement was amended, increasing the settlement to $625 million. The settlement was affirmed in January 2011, allowing the claims evaluation process to begin. A neutral claims administrator agreed upon by the plaintiffs and the fund was appointed to oversee the valuation of each claim and initial payments were released in early 2011.

Additional Federal Aid to Victims and Responders. While the insurance fund was set up to address claims against the city or its contractors stemming from the cleanup, the Victims Compensation Fund was set up to compensate attack victims in exchange for their agreement not to sue the airlines. The fund awarded $7.0 billion, appropriated by Congress, to survivors, relatives, and businesses that suffered economic losses on September 11, and closed in December 2003. Note that these awards are not included in the $20.5 billion figure of aid granted to New York City.

In December 2010, Congress passed the James Zadroga 9/11 Health and Compensation Act. The legislation reopened the Victims Compensation Fund, capping additional payments at $2.8 billion. Claimants are required to choose between the compensation fund and seeking tort remedy through the WTC Captive Insurance Fund.

A second section of the Zadroga bill established the World Trade Center Health Program. The program provides medical monitoring and treatment to eligible first responders, and is estimated to cost the federal government $1.6 billion over the federal fiscal years 2011 through 2015, when it expires. It also requires the city to cover 10 percent of the program's expenditures. The city Department of Health and Mental Hygiene has budgeted $8.4 million annually for the program, based on the fiscal year 2010 costs for a predecessor program, discussed below. Should the federal estimates for the new program, which covers a larger population, prove correct, the city's currently budgeted amount will fall short of its responsibility by approximately $25 million each year through 2015.

The World Trade Center Health Program replaces the World Trade Center Medical Monitoring and Treatment Program and guarantees a stable funding stream through 2015.[10] The monitoring and treatment program cost the federal government $475.8 million from 2002 through 2010. An initial appropriation by the U.S. Department of Health and Human Services of $102.0 million in 2002 and 2003 was included in the $20.5 billion in aid to New York as emergency response funds. The program was not funded in 2004 or 2005. In 2006, the program was expanded from screening and monitoring to include treatment, as will the new World Trade Center Health Program. The Zadroga bill establishes mandatory annual appropriations for the new health program, unlike the original program that relied on discretionary appropriations. Although the $373.8 million spent on the WTC Medical Monitoring and Treatment Program from 2006 through 2010 and $1.6 billion for the WTC Health Program could be considered additional federal aid to the city, this funding is not added to the $20.5 billion discussed elsewhere in this report.

TEN YEARS LATER

Following the World Trade Center attack of September 11, 2001, there were serious concerns that New York City's position as a global center of commerce and culture was in jeopardy. Ten years later, these concerns have been largely allayed. Lower Manhattan in particular has found new life with an influx of residents and retail development, as well as some diversification in its mix of firms and occupations. While much of this success is attributable to the resolve of the city's residents and businesses, the $20.5 billion of federal aid to the city played a crucial role. Although some rebuilding projects were slow to start, in most instances these projects are now underway and making use of the promised federal aid. But one piece of the $20 billion aid pledge is likely to go unmet: it is doubtful that Washington will permit the unused portion of $2.9 billion in tax breaks to be reallocated for other uses in the city.

Report prepared by Eric F. Anderson

Endnotes

[1]Public Law 107-38, 2001 Emergency Supplemental Appropriations Act for Recovery from and Response to Terrorist Attacks on the United States; Public Law 107-117, Department of Defense and Emergency Supplemental Appropriations for Recovery from and Response to Terrorist Attacks on the United States Act, 2002; Public Law 107-206, 2002 Supplemental Appropriations Act for Further Recovery from and Response to Terrorist Attacks on the United States; Public Law 107-147, Job Creation and Worker Assistance Act of 2002.

[2] http://www.wtc.com/about/transportation-hub

[3]Early presentations, predating a formal budget, estimated the cost of the project at $400 million, http://www.mta.info/capconstr/fstc/documents/040202_tc.pdf

[4]The American Recovery and Reinvestment Act of 2009, commonly referred to as the stimulus act, is an economic stimulus package, enacted by the United States Congress in February 2009.

[5]Information on spending status from the most recent LMDC quarterly report, dated March 31, 2011, to the U.S. Department of Housing and Urban Development, with minor adjustments for information verbally communicated by LMDC.

[6]All estimates of the federal cost of parts of the Liberty Zone Economic Package are from the Joint Committee on Taxation. Estimated Revenue Effects of the Job Creation and Workers Assistance Act of 2002. March 6, 2002. Publication JCX-13-02.

[7]New York City Comptroller's Office, *9/11: Three Years Later, Securing the Federal Pledge*, August 2004.

[8]Lower Manhattan–Jamaica/JFK Transportation Project: Summary Report. Prepared by Parsons/SYSTRA Engineering, Inc. December 2008.

[9]Adding $402.4 million for operations and administration to the amounts listed in the text, equals $4.8 billion. The $200 million difference between this and the $5.0 billion stated as FEMA emergency response funds is attributable to rounding and small, unreconciled discrepancies between two FEMA-provided data sources, and between one of those sources and the Comprehensive Annual Financial Reports of the Comptroller for New York City.

[10]The World Trade Center Medical Monitoring and Treatment Program is the current name for the program. As the goals and responsibilities of the program have evolved, it has been renamed to reflect those.

Supplements to this report:

State and City Subsides Help Spur Construction On World Trade Center Site

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Additional Tables

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