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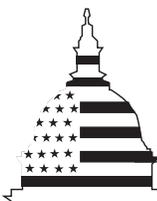
Report to the Chairman, Committee on  
Small Business, House of  
Representatives

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November 2002

**SEPTEMBER 11**

**Small Business  
Assistance Provided in  
Lower Manhattan in  
Response to the  
Terrorist Attacks**



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Highlights of [GAO-03-88](#), a report to the Committee on Small Business, House of Representatives.

**Why GAO Did This Study**

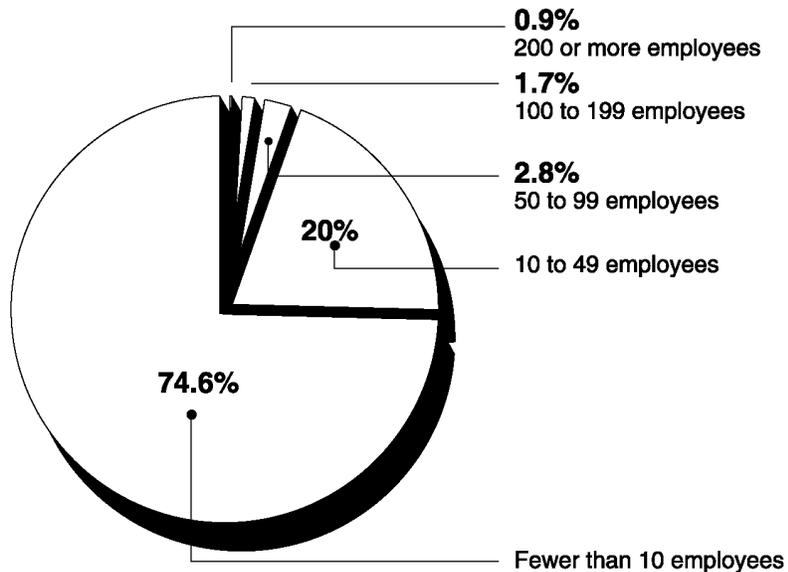
The attacks on the World Trade Center had a substantially negative impact on the New York City economy, severely affecting businesses. In the aftermath of the attacks, Congress, among other things, appropriated emergency supplemental funds to several federal agencies to aid and rebuild the affected areas. The Chairman of the House Committee on Small Business asked GAO to describe the assistance provided to small businesses that is funded from emergency supplemental appropriations of federal Community Development Block Grant funds and other sources.

**What GAO Found**

To assist in New York City's recovery from the September 11, 2001, terrorist attacks, Congress appropriated \$3.5 billion in Community Development Block Grant funding of which Congress earmarked at least \$500 million to be used to compensate small businesses, nonprofit organizations, and individuals for their economic losses. One year after the attacks, these funds, administered in part by New York State's Empire State Development Corporation (Empire State), have provided \$266 million to about 9,000 small businesses, many with fewer than 10 employees (see fig. below). Such assistance has included grants to compensate businesses for part of their economic losses—for both physical and economic injuries—and payments to attract and retain small businesses in efforts to revitalize the affected areas. Hundreds of millions of dollars remain available through these and other programs to assist an estimated 18,000 affected businesses. Empire State has employed mailings, visits, walk-in centers, and mass media to inform businesses of assistance programs.

Other efforts by the Small Business Administration, New York City and State, banks, and nonprofit organizations have provided critical assistance to address the immediate and additional unmet needs of small businesses.

**Percentage of Small Business Recovery Grant Recipients, as of September 11, 2002, by Number of Employees**



Source: GAO analysis of Empire State database.

[www.gao.gov/cgi-bin/getrpt?GAO-03-88](http://www.gao.gov/cgi-bin/getrpt?GAO-03-88)

To view the full report, including the scope and methodology, click on the link above. For more information, contact William O. Jenkins, Jr. (202-512-8678) or [jenkinswo@gao.gov](mailto:jenkinswo@gao.gov).

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## **Abbreviations**

BRG	Business Recovery Grant
CDBG	Community Development Block Grant
EIDL	Economic Injury Disaster Loans
HUD	Department of Housing and Urban Development
LMDC	Lower Manhattan Development Corporation
SBA	Small Business Administration
SBDC	Small Business Development Center
SFARG	Small Firm Attraction and Retention Grant
STAR	Supplemental Terrorism Activity Relief



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United States General Accounting Office  
Washington, DC 20548

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November 1, 2002

The Honorable Donald A. Manzullo  
Chairman, Committee on Small Business  
House of Representatives

Dear Mr. Chairman:

The September 11, 2001, terrorist attacks on the World Trade Center had a substantially negative impact on the New York City economy, strongly affecting businesses, both large and small and as disparate as financial services firms, travel agencies, and retail stores. Some businesses were destroyed, some displaced, and still others could not operate because of street closures and the lack of utilities. Many small businesses still face a diminished client base and uncertainty about the future redevelopment of the World Trade Center site.

In the aftermath of the attacks, Congress appropriated emergency supplemental funds to various agencies to aid and rebuild the affected areas. In particular, Congress made \$3.5 billion in Department of Housing and Urban Development's Community Development Block Grant (CDBG) funds available to the Empire State Development Corporation (Empire State) and its subsidiary, the Lower Manhattan Development Corporation. Congress earmarked at least \$500 million of that total to compensate small businesses, nonprofits, and individuals located in lower Manhattan for their economic losses.

This report responds to your request that we describe the types and amounts of assistance provided to small businesses from (1) the CDBG supplemental funding and (2) other sources of funds that have been made available to rebuild or sustain small businesses in lower Manhattan.

To address these objectives, we met with officials and obtained data from federal, state, city, and nonprofit organizations on the assistance that they provided to small businesses in the aftermath of the terrorist attacks. We also met with lower Manhattan small business advocacy groups, whose directors were often small business owners, and attended meetings in which members spoke about the impact of the terrorist attacks on their businesses. In addition, we visited city and state business recovery centers and a Small Business Development Center and attended a chamber of commerce networking event in lower Manhattan. See appendix I for a detailed description of our scope and methodology.

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We conducted our work between April and September, 2002, in Washington, D.C., and New York, New York, in accordance with generally accepted government auditing standards.

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## Results in Brief

Empire State, a New York State entity, designated by the Governor, has taken the lead in providing business assistance using CDBG funds, allocating \$506 million for small business assistance. As of September 11, 2002, Empire State had disbursed \$266 million in grants to lower Manhattan businesses through its small business assistance programs.<sup>1</sup> Empire State's Business Recovery Grant Program began providing assistance in mid-February 2002 and has provided grants to 8,783 businesses to help compensate them for their economic losses. About 75 percent of these businesses had fewer than 10 employees. In addition, through its Small Firm Attraction and Retention Grant Program, Empire State has provided grants to 246 businesses that have demonstrated their commitment to remain in lower Manhattan by signing long-term leases. Small businesses can receive assistance from both of these programs, as well as other Empire State programs, as long as the specific eligibility criteria are met for each program. Empire State also recently increased the amount of compensation that is available to eligible businesses—both businesses that already have received grants and new applicants—from its Business Recovery Grant Program; the expected additional grants are not yet fully reflected in Empire State's disbursements. In addition, Empire State is starting programs that provide funds to nonprofit organizations and other entities, which in turn will provide technical assistance and low-interest loans to small businesses. Apart from grant administration, Empire State continues outreach to make more businesses aware of available assistance. Moreover, the Lower Manhattan Development Corporation plans to provide \$200 million from its CDBG funds to Empire State for small business assistance programs.

The CDBG assistance is part of a larger network of assistance that other government, nonprofit, and private organizations are providing to small businesses in lower Manhattan. New York City and State offered grant assistance to small businesses within the first few months after the terrorist attacks, disbursing \$24 million to 4,722 businesses, and continue to subsidize a program offering bridge loans to businesses through

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<sup>1</sup>Not-for-profit organizations are also eligible under the programs and are included in the "business" statistics.

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participating banks and community-based lenders.<sup>2</sup> CDBG funds will be used to reimburse a portion of these costs; however, neither the city nor the state has made a claim for reimbursement. In addition, the Small Business Administration (SBA) began making loans to eligible small businesses within days of the terrorist attacks. As of September 11, 2002, SBA had approved 2,486 loans totaling \$201 million for businesses in lower Manhattan, of which it had disbursed \$154 million. Several banks also have offered short-term, low-interest loans to small businesses to tide them over until other resources became available. Moreover, several nonprofit organizations, often funded by donations and charitable groups, are providing assistance. The September 11th Fund has committed \$50 million in business assistance. Although the nonprofits' programs have not reached as many businesses or provided as much funding as the Empire State programs, they have filled a need by providing early assistance and have targeted hard-to-reach groups and businesses. For example, one organization operates in the Chinese community and targets industry groups, such as garment businesses and limousine drivers. In addition to financial assistance, some of the nonprofit organizations offer businesses extensive technical assistance, including future business planning and help with completing financial documents.

We provided HUD, SBA, and Empire State with an opportunity to review this report. They provided comments that were technical in nature, which we have addressed in the report where appropriate.

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## Background

Using CDBG funds to respond to disasters is not unprecedented; however, the dollar amounts allocated for such purposes in the wake of the terrorist attacks on New York City are the largest ever made through the program. In the months following September 11, 2001, \$3.5 billion in emergency supplemental CDBG funding was made available for New York City—more than the total CDBG funds provided nationwide for all major disasters in the last 10 years.<sup>3</sup> Congress appropriated \$40 billion to the President for emergency expenses (Emergency Response Fund) to respond to the terrorist attacks of September 11.<sup>4</sup> Emergency response funds available for

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<sup>2</sup>A bridge loan is a short-term loan that is intended to provide financing until a more permanent arrangement is made.

<sup>3</sup>These funds were appropriated on a no-year basis and remain available until expended.

<sup>4</sup>The 2001 Emergency Supplemental Appropriations Act for Recovery From and Response to Terrorist Attacks on the United States, Pub. L. 107-38, 115 Stat. 220 (2001).

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transfer to the Department of Housing and Urban Development (HUD) could be used for CDBG programs, as authorized by title I of the Housing and Community Development Act of 1974, as amended.<sup>5</sup> Specifically, on November 1, 2001, the Office of Management and Budget designated \$700 million for CDBG funding for New York City out of the Emergency Response Fund that Congress had appropriated. On January 10, 2002, Congress appropriated an additional \$2 billion for CDBG funding, earmarking at least \$500 million to compensate small businesses, nonprofit organizations, and individuals for their economic losses.<sup>6</sup> Finally, on August 2, 2002, Congress appropriated an additional \$783 million for CDBG funding.<sup>7</sup>

Although the CDBG program's primary purpose is community development, not disaster assistance, supplemental CDBG appropriations have been made to provide recovery assistance from past natural disasters, usually severe hurricanes, earthquakes, or floods. As in the aftermath of natural disasters, HUD waived many requirements—such as assisting persons of low and moderate income—of the general CDBG program.<sup>8</sup> HUD is one of many federal agencies that offer disaster

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<sup>5</sup>Section 434 of the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 2002 (HUD 2002 Appropriations), Pub. L. 107-73, 115 Stat. 651, (2001).

<sup>6</sup>The Department of Defense and Emergency Supplemental Appropriations for Recovery From and Response to Terrorist Attacks on the United States Act, 2002 (Emergency Supplemental Act, 2002), Pub. L. 107-117, 115 Stat. 2336 (2002), provided \$2 billion for emergency response to the September 11 attacks for CDBG (Community Development Fund). The act also required that of the total amount made available in the Community Development Fund, no less than \$500 million shall be made available for individuals, nonprofits, or small businesses located on or south of West 14th Street (west of its intersection with 5th Avenue) or on or south of East 14th Street (east of its intersection with 5th Avenue), with a limit of \$500,000 per small business for economic loss.

<sup>7</sup>The 2002 Supplemental Appropriations Act for Further Recovery From and Response to Terrorist Attacks on the United States, Pub. L. 107-206, appropriated an additional \$783 million for the Community Development Fund for emergency expenses to respond to the September 11 attacks.

<sup>8</sup>Section 434 of HUD 2002 Appropriations authorized the Secretary of HUD to waive or specify alternative requirements for any provision of any statute or regulation the Secretary administers in connection with the obligation by the Secretary or the use by the recipient of these funds or guarantees (except those related to fair housing, nondiscrimination, labor standards, and the environment).

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assistance, and HUD requires that its funds not be used to duplicate benefits provided by other federal agencies, such as SBA.<sup>9</sup>

Empire State<sup>10</sup> is the New York State entity designated by the Governor to administer the first CDBG appropriation of \$700 million. Created in 1968, Empire State is a corporate governmental agency of the state of New York and is currently engaged in housing and economic development and special projects throughout the state. To carry out large-scale economic development activities, Empire State has created various consolidated subsidiaries. In November 2001, the Empire State board of directors authorized the creation of the Lower Manhattan Development Corporation (LMDC) to assist in the economic recovery and revitalization of lower Manhattan, with special emphasis on the redevelopment of the areas damaged by the terrorist attacks. LMDC functions as a joint city-state development corporation with a 16-member board of directors that is appointed by the Governor and the Mayor. For the amounts appropriated by Congress in the 2002 Emergency Supplemental and the 2002 Supplemental previously noted, which totaled \$2.8 billion, LMDC was designated in the legislation as the entity to develop programs and distribute assistance.

In its January 30, 2002, action plan, Empire State estimated that almost 18,000 businesses in New York City, representing approximately 563,000 employees, were disrupted or forced to relocate as a result of the terrorist attacks. Empire State estimated that businesses with 200 employees or fewer accounted for 99 percent of all affected businesses and about 50 percent of all affected employees.<sup>11</sup> As lead agency in administering federal assistance to New York City businesses, Empire State is carrying out the action plan, which HUD approved, for providing \$700 million in business assistance, with \$506 million allocated for small business programs. Additionally, LMDC has a HUD-approved action plan for

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<sup>9</sup>SBA officials stated that they are providing disaster loan data to HUD so they can determine if any of their grants (issued subsequently to SBA disaster loans) through their grantee were made for duplicative purposes.

<sup>10</sup>Empire State Development Corporation has been adopted as the business name of the New York State Urban Development Corporation.

<sup>11</sup>Throughout this report, we use the term “small business” as defined by the particular assistance provider and program. For example, Empire State has defined small businesses as those with fewer than 500 employees for its Business Recovery Grant Program and 200 or fewer employees for its Small Firm Attraction and Retention Grant Program. Other agencies and programs have different eligibility standards.

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spending \$306 million, primarily to provide residential retention and attraction grants to individuals. LMDC also has made a proposed action plan available for public comment that it will submit to HUD, which would provide \$350 million to Empire State for use in its business assistance programs—\$200 million of which would be used for its small business programs. LMDC currently has issued no formal plans for spending the remaining, approximately \$2 billion in CDBG funding.

In addition to the assistance provided by government and private organizations, qualifying small businesses can receive federal tax benefits that have been made available for those affected by the terrorist attacks. The tax benefits include expanded work opportunity tax credits and special allowances for certain business property. Businesses also may benefit from real estate tax abatement, commercial rent tax exemptions or reductions, and energy discounts. These types of assistance are not discussed in this report.

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## Empire State Uses CDBG Funding to Provide Various Types of Assistance to Small Businesses

From an allocation of \$506 million, Empire State developed various programs to assist small businesses. Empire State's Business Recovery Grant (BRG) Program provides grants to businesses to compensate them for economic loss, and its Small Firm Attraction and Retention Grant (SFARG) Program provides incentives to remain in or relocate to lower Manhattan. Empire State is implementing additional programs to provide technical assistance and loans and also expects to reimburse other city and state programs for their expenditures. Additionally, Empire State has made and continues to make many efforts to reach out to affected businesses. Table 1 contains information on the funding provided and disbursed as of September 11, 2002, for each of the Empire State small business assistance programs.

**Table 1: Information on Empire State Small Business Assistance Programs Using CDBG Funding as of September 11, 2002**

Dollars in millions

<b>Program</b>	<b>Total dollars allocated to program</b>	<b>Total dollars disbursed to businesses</b>	<b>Total number of businesses assisted</b>
Business Recovery Grant	\$331	\$254	8,783
Small Firm Attraction and Retention Grant	105	12	246
Business Recovery Loan Fund	50	<sup>a</sup>	<sup>a</sup>
Technical Assistance	5	0.2	<sup>b</sup>
Bridge Loan	15	<sup>c</sup>	<sup>c</sup>

<sup>a</sup>This program has not yet begun to disburse funds or provide assistance.

<sup>b</sup>This program does not provide direct financial assistance to businesses, but provides grants to nonprofit organizations to provide technical assistance to businesses.

<sup>c</sup>Although no CDBG funds have been disbursed for this program, \$6.3 million in other city and state funds have been provided in loan loss reserves to private banks and nonprofit lenders that have provided \$31.5 million in loans to 950 businesses. Empire State plans to reimburse city and state disbursements with CDBG funds in the future.

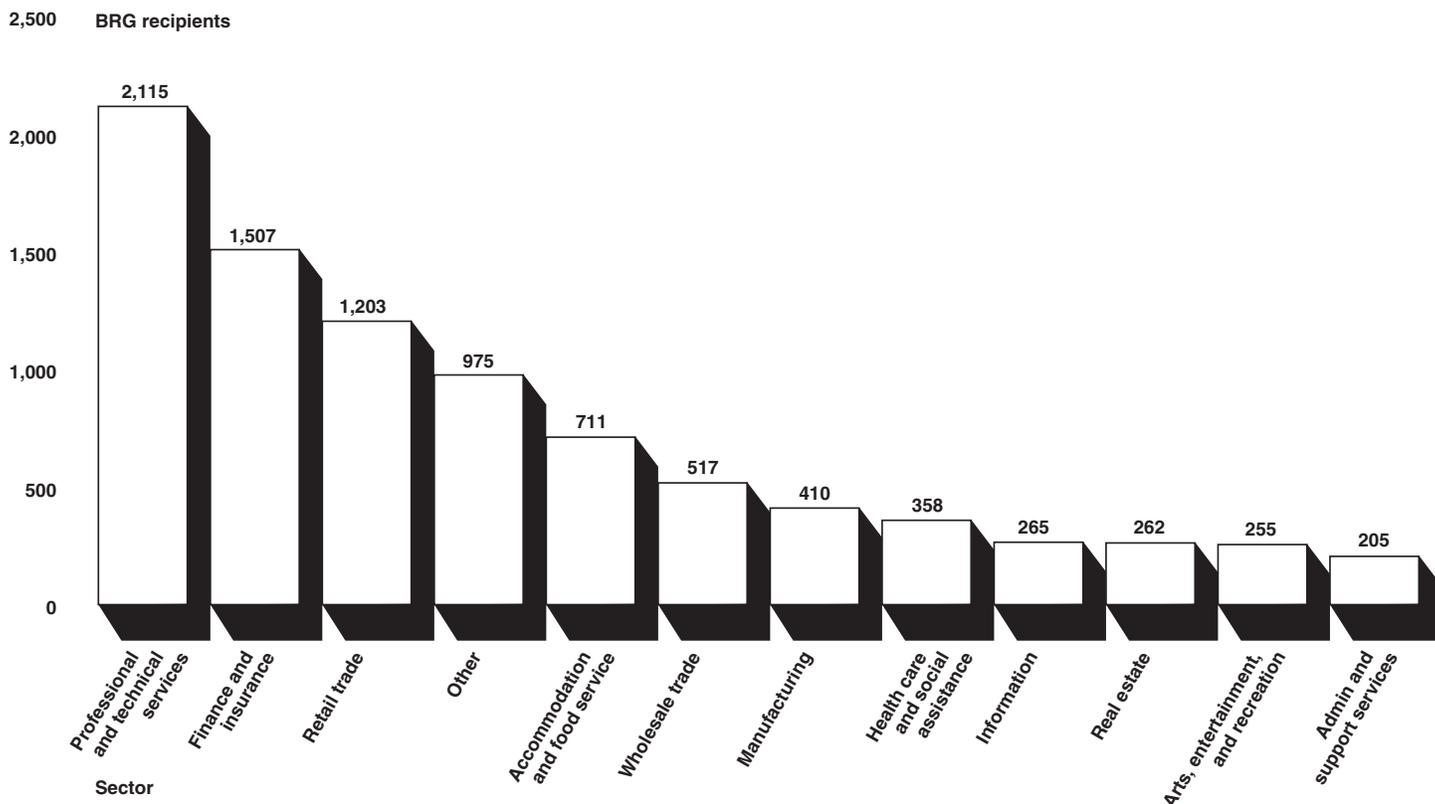
Sources: Empire State and GAO analysis of the Empire State Disaster Recovery Database.

In addition to the small business programs, Empire State officials said that retention assistance for larger businesses is particularly important to the future of the lower Manhattan economy. To a great extent, larger businesses and their employees provide small businesses in lower Manhattan with a client base. Small businesses in turn provide larger businesses and their employees with services ranging from business consulting, accounting, and office supplies to personal services, such as dry cleaning, dining establishments, and newsstands. Empire State has allocated \$5 million for a recovery grant program for larger businesses with more than 500 employees nationwide, but with fewer than 200 employees in lower Manhattan, from which it has disbursed \$3.1 million to assist 18 businesses. Empire State also has allocated \$170 million for a larger firm business attraction and retention program, and LMDC is seeking approval to provide Empire State with additional funds, of which \$150 million would go toward this program, bringing the total program allocation to \$320 million. As of September 11, 2002, no disbursement of funds had been made from this program. According to Empire State, it had made offers to 102 businesses of which 50 had accepted offers totaling \$140 million—a process that requires a much longer time frame than does the SFARG Program.

## Business Recovery Grants Compensate for Economic Loss

The BRG Program for small businesses offers grants to compensate for economic losses. The BRG Program is Empire State's most far-reaching business assistance program. The first BRGs were provided in mid-February 2002. As of September 11, 2002, 8,783 businesses had received BRG grants totaling \$254 million. The median grant amount was \$9,261. Businesses with fewer than 50 employees accounted for 95 percent of the businesses receiving BRGs and received \$200 million, or 79 percent of the total amount of BRGs disbursed. All types of businesses are eligible for BRGs, and assisted businesses can be categorized into various sectors, as shown in figure 1. The largest number of businesses assisted falls into three sectors: professional and technical services; finance, which also includes insurance; and retail trade.

**Figure 1: Types of Businesses Receiving Business Recovery Grants**



Source: GAO analysis of Empire State database information on 8,783 BRG recipients.

To be eligible for a BRG, businesses must have had fewer than 500 employees worldwide; have been located on or south of 14th Street in

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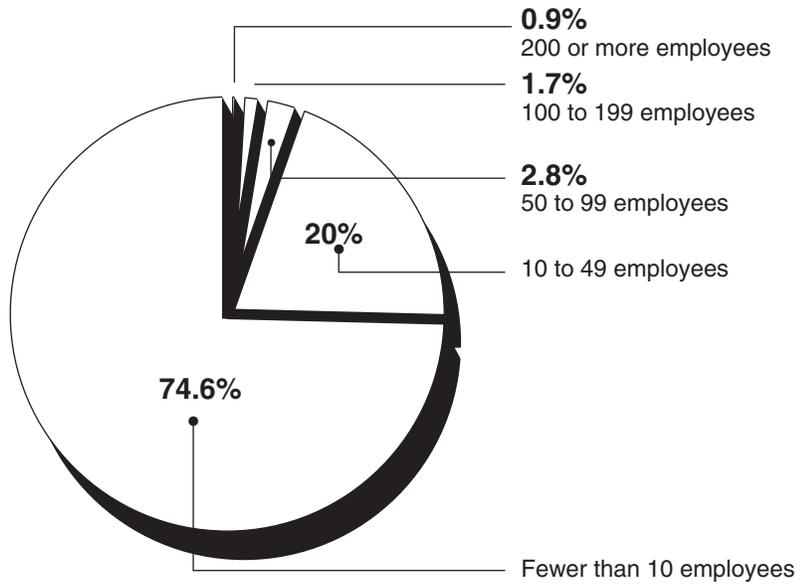
Manhattan on September 11, 2001; and have suffered uncompensated economic losses related to the attacks. The program identifies four geographic areas, or zones, upon which it then bases the number of days of revenue for which it will compensate. In the BRG computation, the number of days of revenue increases the closer the zone is to the World Trade Center site. See appendix II for a map that identifies these geographic areas. Revenue periods range from 3 to 25 days, and maximum grant amounts range from \$50,000 to \$300,000, not to exceed a business' economic loss after adjusting for insurance and other compensation.<sup>12</sup> In addition to other eligibility requirements, businesses must still be operating in the city or agree to resume operations in the city within 1 year of the receipt of grant funds as well as agree to retain a substantial portion of their business operations in the city for at least 3 years. The program will accept applications through December 31, 2002.

The size of businesses assisted varies as measured by the number of employees and annual revenues. Businesses with fewer than 10 employees accounted for about 75 percent of the businesses assisted (see fig. 2). Recipients of BRG assistance who had revenues of less than \$1 million accounted for 5,785 businesses, or about 67 percent of the businesses assisted (see fig. 3).

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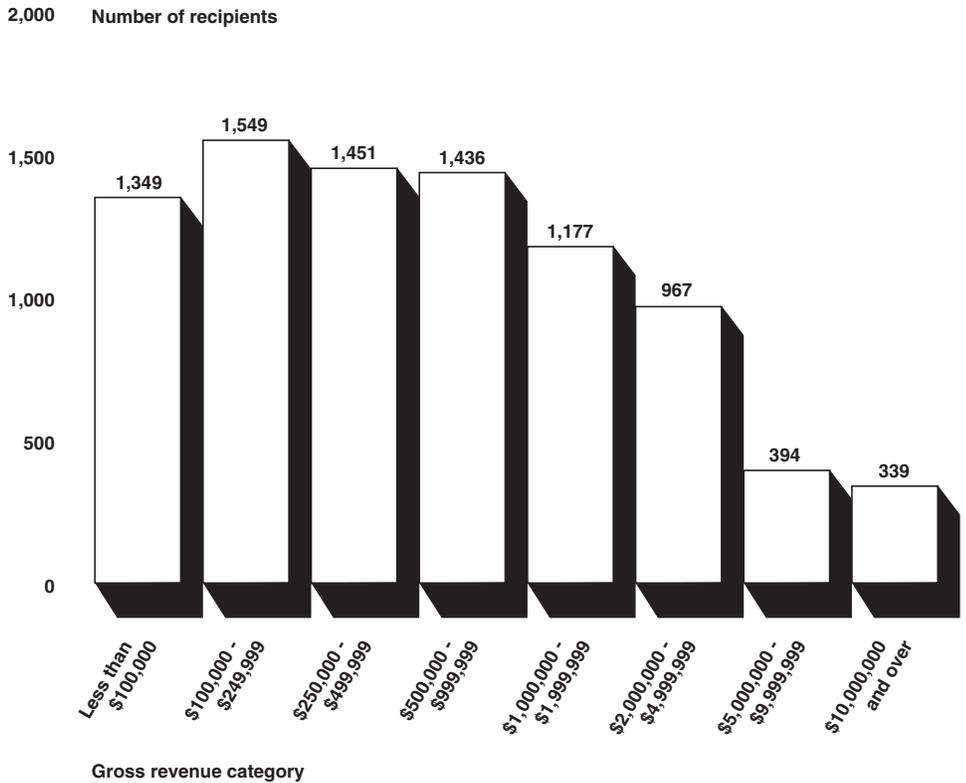
<sup>12</sup>Prior to August 28, 2002, the number of days of revenue included in the grant determination was 2 to 10, depending on the zone in which a business was located. According to Empire State officials, this change was made when Empire State reassessed the amount of funding available and the needs of businesses, particularly those that were located in or near the World Trade Center site.

**Figure 2: Percentage of Business Recovery Grant Recipients, by Number of Employees**



Source: GAO analysis of Empire State database information on 8,783 BRG recipients.

**Figure 3: Annual Gross Revenues of Businesses Receiving Business Recovery Grants**



Source: GAO analysis of Empire State database information on 8,662 BRG recipients.

The BRG Program has provided assistance to thousands of businesses; however, it has awarded only about one-half of the number of grants it originally estimated and has not covered a substantial portion of the uncompensated economic losses reported by businesses. Although Empire State estimated that it would make 19,600 grant awards, on the basis of the number of small businesses believed to be located in the eligible area, as of September 11, 2002, it had provided 9,373 grants.<sup>13</sup> Empire State is making additional outreach efforts and hopes to increase the number of businesses assisted. Analysis of the economic losses reported by businesses shows that at the median of businesses receiving a BRG, the

<sup>13</sup>These grants were made to 8,783 businesses. Some businesses received multiple grants because of appeal decisions or supplemental grant awards.

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BRG covered about 17 percent of a business' losses that were not covered by insurance and other city and state grants.<sup>14</sup> Empire State recently changed the BRG computation, both retroactively and prospectively, to increase the number of business day revenues considered in determining the grant amount, particularly for those businesses that were in or near the World Trade Center. This change will result in increased payments to some businesses and thereby reduce the amount of their uncompensated economic losses.

With new criteria for increased payments and additional applications expected, Empire State is estimating that the total allocation for the BRG Program will be \$481 million. Empire State also is expected to use CDBG funds to reimburse city and state programs that provided grants to small businesses soon after the September 11 attacks. The city and state programs have disbursed \$24 million in assistance; however, as of September 11, 2002, neither had filed for reimbursement. As previously noted, LMDC is currently seeking approval to provide Empire State with additional CDBG funds, of which \$150 million would go toward the BRG Program, bringing the total program allocation from \$331 million to \$481 million. Empire State and LMDC plan to meet the federal legislative requirement that \$500 million in CDBG assistance be used to compensate small businesses, nonprofits, and individuals located in lower Manhattan almost exclusively through the BRG Program. The remaining expenditures will come from part of LMDC assistance to individuals through its housing assistance program.<sup>15</sup>

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<sup>14</sup>This means that BRGs covered less than 17 percent of uncompensated losses for businesses below the median, and that BRGs covered more than 17 percent of uncompensated losses for those businesses above the median. An additional analysis of the extent to which BRGs covered total estimated losses shows that at the median, BRGs covered an estimated 15 percent of total estimated losses, without accounting for other compensation.

<sup>15</sup>In addition to the housing assistance that LMDC provides to those persons who make a commitment to remain in lower Manhattan, it offers a \$1,000 grant per household to those persons who have continued to live in the area since September 11, 2001.

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## Small Firm Attraction and Retention Grants Are Meant to Help Businesses Move to or Remain in Lower Manhattan

The SFARG Program offers grants to qualifying businesses (i.e., businesses with no more than 200 employees that are located or planning to locate in the general area south of Canal Street) that sign a new lease or renew an existing lease for a minimum of 5 years.<sup>16</sup> For existing businesses to be eligible, their current lease must expire no later than December 31, 2004, except for businesses located in an area designated as the “October 23rd Zone.”<sup>17</sup> The program offers grants on the basis of the number of employees in the business. Grant payments are made in two installments, the first at the time of application approval and the second 18 months after the application date. Total payments are \$3,500 per employee, except for businesses that were in the “Restricted Zone” and remained downtown, for whom total payments are \$5,000 per employee.<sup>18</sup> The program will accept applications through December 31, 2004.<sup>19</sup>

The first SFARG assistance was provided on June 13, 2002. As of September 11, 2002, Empire State disbursed \$12 million to 246 businesses in initial installment payments. The median grant amount was \$27,500. The SFARG Program initially was limited to businesses with a minimum of 10 and no more than 200 employees. In response to public reaction, the program was amended to expand eligibility to all businesses with no more than 200 employees, with no lower limit. The program also has been criticized for excluding businesses that were located in the eligible area as of September 11, 2001, but that had long-term leases that did not expire by December 31, 2004. Business advocates argue that those businesses also had a demonstrated commitment to the area, which should make them eligible and not place them at a disadvantage relative to new businesses

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<sup>16</sup>The exact area description for the eligible area is “that area within the Borough of Manhattan bounded on the north by the centerline of Canal Street, from the Hudson River to Rutgers Street, then southeast along the centerline of Rutgers Street and continuing along the centerline of Rutgers Slip to the East River.” In addition, businesses that were in an area defined as the “Restricted Zone” may obtain a grant of \$3,500 per employee, if they relocate outside of the general eligibility area on or prior to December 31, 2002, but still remain in the city.

<sup>17</sup>An area designated by the Mayor’s Office of Emergency Management wherein pedestrian and vehicular traffic was restricted during September 27 through October 23, 2001. A company located in this zone must sign a new lease; renew an existing lease; or reaffirm an existing lease, which must expire on or after September 11, 2006.

<sup>18</sup>An area designated by the Mayor’s Office of Emergency Management, wherein pedestrian and vehicular traffic was restricted during September 19 through September 26, 2001 (see app. II).

<sup>19</sup>Except for those applicants who enter into new leases between September 1, 2004, and December 31, 2004, who will have until April 2005 to submit a completed application.

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coming to the area. Empire State officials told us that SFARG was designed to provide incentives to businesses at risk of leaving, not for those that already had long-term commitments in the area. Additional criticism has been made that SFARG took too long to put the program in place and that relatively few businesses have received any benefits. LMDC is currently seeking approval to provide Empire State with additional CDBG funds, of which \$50 million would go toward the SFARG Program, bringing the total program allocation from \$105 million to \$155 million.

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### Business Recovery Loan Program Will Increase Access to Capital

The Business Recovery Loan Program will provide funding to community-based lending organizations, which in turn will provide low-cost working capital loans to businesses that were adversely affected by the terrorist attacks and to businesses that have subsequently located or will locate new operations in lower Manhattan.<sup>20</sup> The program is intended to enhance access to capital to businesses, particularly to those that do not meet SBA credit or eligibility criteria for disaster loans. Loans are available to businesses (1) located on or south of 14th Street in Manhattan as of September 11, 2001; (2) located in the five boroughs of New York City, but outside of lower Manhattan, that were adversely affected because at least 10 percent of their revenues were derived from sales or services to other businesses located on or south of 14th Street in Manhattan; or (3) newly located on or south of 14th Street in Manhattan since September 11, 2001.

As of September 11, 2002, Empire State had selected 10 organizations to participate in the Business Recovery Loan Program. State officials had not disbursed any funds from the program and were in the process of contracting with the lending organizations. Under the program, lending organizations can make loans up to \$250,000 per business. Repayments of principal by the borrowers of eligible loans may be retained by the lending organization as capital for making additional small business loans in the lender's target area. A business advocacy group has criticized Empire State for taking too long to put the program in place.

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### Technical Assistance Program Funds Legal, Planning, and Other Aid

The Technical Assistance Program provides grants to community-based organizations and other service providers to allow them to provide additional assistance to businesses affected by the World Trade Center

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<sup>20</sup>Funds may be used for payroll; rent; utilities; inventory; and, in certain circumstances, refinancing existing debt.

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disaster. The program allocation is \$5 million, with a maximum grant of \$250,000 per organization. Technical service providers are to assist small businesses with strategic planning; finance, insurance, and legal issues; and basic business management and to help businesses identify and access disaster funds available from CDBG-funded state programs and other city, state, and federal government agencies. The service providers may also assist with marketing, member development, and attraction efforts. To qualify for technical assistance, businesses must have fewer than 200 employees, have been affected by the disaster, and currently be located south of 14th Street in lower Manhattan.

As of September 11, 2002, Empire State had selected 23 community-based and other service providers for the program and had provided a total of \$224,000 to 4 of the organizations—some of which already offered technical assistance as part of their ongoing assistance programs. Although such organizations already have offered services to some businesses and over a year has elapsed since the attacks, a state official said that there is still a need for additional services and that more and better information currently exists to help make business decisions than in the period immediately after September 11, 2001. Empire State officials also hope that businesses that obtain technical assistance will apply for financial assistance, if they have not done so already.

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### Bridge Loan Allocation Will Contribute to City and State Efforts

The Empire State action plan allocates \$15 million to provide loan loss reserve subsidies to lenders making bridge loans to affected businesses. Empire State is a partner in the World Trade Center Disaster Recovery Bridge Loan Program, a joint city-state program that began in October 2001. Through this program, the city and state provide loan loss reserve subsidies to participating lenders, which make bridge loans to businesses awaiting SBA loan approvals.

Eligible businesses are New York City-based, commercial, industrial, and retail enterprises and not-for-profits that were affected by September 11 and that are applying for SBA disaster loans. Participating banks and community-based lenders make the bridge loans to provide interim capital to businesses. If the SBA loan is approved, the business pays off the bridge loan with the SBA loan proceeds. If the borrower does not qualify for an SBA loan, the lender may restructure the bridge loans as term loans. In the original Bridge Loan Program, New York City and State shared equally in providing participating lenders with a 20 percent loan loss reserve subsidy for approved bridge loans. Empire State will use CDBG funds to reimburse the city and state for their loss reserve expenditures at a later date.

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Participating lenders have disbursed \$31.5 million in bridge loans to 950 businesses as of September 11, 2002. The total city-state loan loss reserve payments total \$6.3 million. The Bridge Loan Program is open until January 31, 2003, corresponding to the SBA Disaster Loan Program's ending date.

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## SBA, New York City and State, Banks, and Nonprofit Organizations Have Also Assisted Small Businesses

Empire State and LMDC are not alone in their efforts to provide assistance to small businesses in lower Manhattan. There are many other organizations from all levels of government and the private and nonprofit sectors that have come forward to offer loans, grants, and technical assistance to small businesses affected by the disaster. Often these organizations were providing assistance within weeks or months of September 11, well before the Empire State programs became available. SBA disaster assistance is the other major source of federal assistance to businesses in New York. SBA began making loans within days after the terrorist attacks and has since made thousands of loans to businesses throughout the region. New York City and State offered cash grants to businesses within the first few months after the terrorist attacks as well as bridge loans to businesses through participating lenders. Some banks have also provided additional assistance and short-term loans to affected businesses. Finally, many nonprofit organizations, often funded by donations and charitable groups, have made loans and grants and offered other aid to hundreds of small businesses. Although these programs have not reached as many businesses or provided as much funding as the Empire State programs, they have filled a need by providing early assistance and targeting hard-to-reach groups and businesses. Some of these organizations, as well as business advocacy groups, also have played an important role in facilitating the flow of information among businesses and representing the interests of small businesses recovering from the disaster.

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## SBA Disaster Assistance Aids Businesses, Nonprofits, Homeowners, and Renters

In the aftermath of September 11, SBA declaration number 3364, “New York City Explosions and Fires,” entitled business owners, nonprofit organizations, homeowners, and renters in New York City and the surrounding region to apply for SBA physical disaster loans and economic injury disaster loans (EIDL).<sup>21</sup> Congress made special appropriations of \$175 million to SBA for disaster assistance to respond to the terrorist attacks. SBA can use the appropriations to provide approximately \$651 million in loans, while allowing \$40 million for program administration. The appropriations are being used to cover the “subsidy rate” of the loans, which represent the costs to the government for the loans.<sup>22</sup> From its first loan on September 15, 2001, through September 11, 2002, SBA provided 4,381 loans totaling \$346 million within the broadly defined disaster area; of this \$346 million, businesses in lower Manhattan received \$154 million.<sup>23</sup> SBA’s deadline for filing applications has been extended several times and is now January 31, 2003.

Physical disaster loans go to eligible business owners (for any size business), nonprofit organizations, homeowners, and renters. Business loan terms are for a maximum of 30 years at a 4 percent interest rate when no credit is available elsewhere.<sup>24</sup> The loans can be used to repair or replace disaster-damaged property, including real estate, machinery and

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<sup>21</sup>Under another declaration creating an expanded EIDL, number 9TNY, SBA made all New York businesses eligible for assistance; however, the expanded EIDL could not be funded out of supplemental appropriations. In addition, SBA was authorized \$75 million for a new Supplemental Terrorism Activity Relief (STAR) Program, which provided \$4.5 billion in additional funding for 7(a) loans for businesses anywhere in the United States that can show direct or indirect adverse impact as a result of September 11. The 7(a) Loan Guaranty Program operates through private-sector lenders providing loans that are, in turn, guaranteed by SBA. We have not included either SBA’s expanded EIDL or the STAR Program in our review, since we are focusing on lower Manhattan. Also, businesses in lower Manhattan would be unlikely to use STAR, since its terms are not as favorable as those offered through the disaster assistance loan under the explosions and fires declaration.

<sup>22</sup>SBA budgeted \$6 million for physical loans, which at a subsidy rate of 14.67 percent, allows for \$41 million in loans. SBA budgeted \$129 million for EIDLs, which at a subsidy rate of 21.16 percent, allows for \$610 million in loans.

<sup>23</sup>For this disaster declaration, the eligible area included 15 New York counties for either physical or economic injury claims. Additional eligibility areas for economic injury claims include: 6 additional counties in New York, 6 counties in New Jersey, 2 counties in Connecticut, 2 counties in Pennsylvania, and 1 county in Massachusetts. Nonprofit organizations are also eligible for loans and are included in our “business” statistics.

<sup>24</sup>When credit is available elsewhere, the maximum business loan term is 3 years at an 8 percent interest rate.

equipment, inventory, and supplies. SBA also gives EIDLs to eligible small businesses and nonprofits. SBA determines what constitutes a “small” business on the basis of the type of business and its revenue or number of employees.<sup>25</sup> EIDL loans can be used for working capital, including making payments on short- or long-term notes or accounts payable. The loans carry a 4 percent interest rate but are only available to applicants with no credit available elsewhere. Loan amounts for both physical disaster and EIDL loans have been raised to \$10 million and nonprofits have been made eligible for this disaster only. Collateral is required for physical loans over \$10,000 and for EIDL loans over \$5,000. SBA also requires that applicants have a reasonable ability to repay the loan and any other obligations from expected earnings. Table 2 shows SBA assistance to businesses in lower Manhattan, as of September 11, 2002.<sup>26</sup>

**Table 2: SBA Loans to Businesses in Lower Manhattan, as of September 11, 2002**

Dollars in millions

<b>Program</b>	<b>Number of approved business loans</b>	<b>Total amount of loan approvals</b>	<b>Total amount of loan disbursements</b>
Physical Disaster Loan	503	\$32	\$16
Economic Injury Disaster Loan	1,983	168	139
<b>Total</b>	<b>2,486</b>	<b>\$201</b>	<b>\$154</b>

Note: Program amounts may not sum to totals due to rounding.

Source: SBA.

Business advocacy groups have criticized SBA for requiring collateral, particularly personal residences, for business loans and for denying too many loans. According to SBA data, denials and withdrawals have accounted for 54 percent of all business application dispositions.<sup>27</sup> The primary reasons for denial were “no repayment ability” and “unsatisfactory

<sup>25</sup> Although many exceptions exist, SBA has established two widely used size standards—500 employees for most manufacturing and mining industries and \$6 million in average annual receipts for most nonmanufacturing industries.

<sup>26</sup> This area was defined using zip codes, encompasses an area identified by the U.S. Department of Labor’s Bureau of Labor Statistics as being lower Manhattan, and is roughly similar to the eligibility area used in the state’s Business Recovery Grant Program.

<sup>27</sup> Without including application withdrawals, of those applications processed to a decision to either approve or deny, 44 percent of business applications were denied.

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credit.” The primary reasons identified for withdrawals were “no IRS record found” and “failure to furnish additional information.” SBA has also received criticism for not providing loans in a timely manner. According to SBA data, the average elapsed time from the receipt of a completed business loan application to disbursement issued is 38 days.<sup>28</sup> Although additional funding remains available for disaster loans, the number of applications has dwindled in recent months. SBA officials said that some recent applications are for businesses that already have received loans but are seeking additional loans.

SBA’s outreach efforts have included opening multiple locations to distribute and explain applications and door-to-door outreach to affected businesses. At one time, SBA worked from 20 different locations throughout Manhattan at which business owners could get SBA disaster applications and information, including 1 location in Chinatown with multilingual personnel. SBA currently makes loan applications and information available at 2 locations and over the telephone and Internet. SBA’s Service Corps of Retired Executives Program also has provided business counseling to affected owners.

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**Small Business  
Development Centers  
Provide Technical  
Assistance and Financial  
Planning Advice**

Funded in part by SBA and the state of New York, the New York Small Business Development Centers (SBDC) have seen increased demand at regional locations in their roles of providing business counseling and management assistance to small businesses since September 11, 2001.<sup>29</sup> SBA has trained SBDC personnel to help business owners complete disaster loan applications; in turn, SBDC personnel have helped more than 500 business owners apply for SBA disaster loans. The SBDC program has also established its own loan fund through private donations and provided \$5,000, 3-year loans at a 3 percent interest rate to 170 businesses, for a total disbursement of \$850,000. Although the loan program is now closed, having expended all of its funds, SBDC officials are looking to obtain additional funding to reopen the program in the near future. SBDC

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<sup>28</sup>SBA business loan processing time averaged 12 days from acceptance of an application to a determination to approve or deny a loan request. Business loans averaged 18 days from application to SBA’s issuance of closing documents, after which time the applicant is responsible for contacting SBA to set up a closing date.

<sup>29</sup>A national program sponsored and administered by SBA, SBDC participants are generally universities and community colleges and networks of service delivery centers that are established to provide management and technical assistance to small businesses.

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officials also anticipate obtaining state funding to establish another loan program to provide additional assistance to affected small businesses.

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### City and State Programs Also Give Grants to Small Businesses

Both the city and state of New York established assistance programs within months of the World Trade Center attacks.<sup>30</sup> Specifically, the city established the New York City Lower Manhattan Business Retention Grant Program to provide cash grants to nonretail businesses. This program began on November 14, 2001, and provided cash grants totaling \$10 million to 1,674 nonretail businesses, including manufacturers and professional service firms. The program stopped accepting applications on March 31, 2002. To qualify, businesses had to be located south of Houston Street and employ 50 or fewer workers; they also had to apply for a loan from SBA or an approved lender. A business could receive up to \$2,500 upon completing a loan application and up to a \$7,500 cash grant (for a maximum of \$10,000) upon approval of the loan, depending on the size of the requested loan. Moreover, businesses that were located in the World Trade Center were eligible for the full \$10,000 without having to apply to SBA.

The state established the World Trade Center Retail Recovery Grant Program to provide cash grants to retail businesses. This program began on November 5, 2001, and provided 3,048 retail businesses in lower Manhattan with cash grants totaling \$13.7 million. Eligible businesses included retail and personal service firms, with fewer than 500 employees, located south of Houston Street. The program offered businesses compensation equal to 3 days of lost revenue, capped at \$10,000, and required that businesses continue to operate in New York City. The state closed the program to new applications on December 31, 2001, after which Empire State began offering grants through the CDBG-funded Business Recovery Grant Program. Under the Empire State BRG Program, if a business had previously received a Retail Recovery Grant, the BRG grant amount was reduced by that amount.

While the city and state grant programs are now closed to new applications, a joint city-state bridge loan program—the World Trade Center Disaster Recovery Bridge Loan Program—that works in

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<sup>30</sup>The Empire State action plan identifies each of these programs as providing assistance that may be reimbursed with CDBG funds; however, as of September 11, 2002, neither the city nor the state had requested reimbursement for this assistance.

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cooperation with banks is still available, as previously described in this report. This program has participating banks and community-based lenders provide low-cost bridge loans to small businesses and nonprofits. The city and state each provided banks with 10 percent of the approved loan amount as a loan loss reserve. The first program loans were made on October 5, 2001. Subsequently, Empire State allocated \$15 million from its CDBG funds to provide loan loss reserve subsidies and expects to reimburse the city and state for their prior and continuing expenditures.

In addition to the grant programs, within days of the September 11 attacks, both the city and state established emergency walk-in centers that assisted small businesses. A toll-free hotline also was established to direct callers to emergency services. Business location services were provided as well as comprehensive on-line and hard-copy directories of emergency and business services available from governmental and nongovernmental sources. Outreach has included radio and print advertisements, direct mail, direct telephone calls, informational workshops, and an “Adopt a Company” Program.

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### **Banks Aided Small Businesses**

In addition to their participation in the Bridge Loan Program, some banks in New York offered additional assistance to small businesses, although there are no comprehensive data on the amount of total assistance they provided. Some banks offered short-term loan programs for businesses affected by the disaster. Loan terms were usually short, extending up to 5 years, with an interest rate at or below prime. However, banks did maintain existing credit standards; consequently, some banks had a high denial rate. For example, one bank denied over 80 percent of the applications that it received.

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### **Nonprofit Organizations Stepped in Quickly after September 11 and Continue Offering Services to Small Businesses**

After the September 11 terrorist attacks, several nonprofit organizations that traditionally assisted small businesses and had an interest in the business environment of lower Manhattan saw an immediate need that they could fill. Many nonprofits created programs for affected small businesses within weeks of the disaster and raised funds from banks, foundations, and other private contributors. As more disaster-related funding has become available, the nonprofits have been able or are seeking to supplement their original funds to expand or continue programs. The September 11th Fund, an organization dedicated to providing emergency and long-term assistance to the victims of September 11, became a major funding source for the nonprofits. The fund set aside \$50 million to help small businesses and provided significant funding to

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many of the organizations mentioned below. Additionally, some of the nonprofits discussed below and others have participated in the city and state's Bridge Loan Program, have been selected to receive funding from Empire State to provide technical assistance, and/or have been selected to receive some of the \$50 million of loan capital that Empire State will be awarding.

Nonprofits have been able to offer different and sometimes more personal services than those provided through the larger federal programs. For instance, Accion New York (Accion), a small business microlender, offers a package of loans, small grants, and personal technical assistance through its newly created "American Dream Fund." These services include help in completing forms and creating needed financial documents. The New York City Partnership provides businesses with recoverable grants and intensive technical assistance, such as a mentor to help with future business planning. The partnership also created a goods and services clearinghouse for businesses affected by the disaster. Another nonprofit, Seedco, offers not only loans and grants, but also wage subsidies to enable small businesses to meet payroll and retain workers who might otherwise be laid off. For each business, Seedco will subsidize 50 percent of the salary of up to 10 employees who make \$12 an hour or less.

Often, nonprofit programs will specifically target types of businesses that are either overlooked or ineligible for federal programs or other nonprofit assistance. Renaissance Development Corporation (Renaissance), which has been working in Chinatown since 1973, markets its programs to affected businesses, such as the garment industry and limousine drivers. Accion targets businesses that have been turned down for SBA loans; specifically, Accion established a working relationship with SBA in which SBA refers these businesses to Accion. Accion also was located at a business recovery center, where clients had access not only to Accion but also to Empire State and SBA programs. The partnership's program specifically chose to target retail businesses with 50 or more employees, in part, because Seedco's program covers those with fewer than 50 employees. Many of the nonprofits have far more flexible lending criteria than either SBA or the banks, thereby allowing them to make loans the others have eschewed. Unlike SBA, Renaissance does not require collateral or tax receipts, instead it relies on store receipts, site visits, lottery sales, and personal knowledge of a business to determine business viability. Table 3 shows major nongovernmental assistance as of September 11, 2002.

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The nonprofits noted above and other groups also have played an important role in advocating for the interests of small businesses. For example, newly founded business advocacy groups, such as From the Ground Up and the World Trade Center Tenants Association, have lobbied Empire State, city and federal officials, and others to change programs to benefit small businesses. Some of these groups also have helped facilitate the flow of information among businesses and organizations, either formally or informally. The Manhattan Chamber of Commerce, for instance, has held networking events in lower Manhattan to bring various resources to one place. Seedco has published a widely used directory of resources available to help small businesses.

**Table 3: Major Nongovernmental Business Assistance Programs, as of September 11, 2002**

Nongovernmental business assistance programs, as of September 11, 2002					
Organization/Type of assistance	Date began offering assistance	Targeted businesses	Number of Programs	Total amount provided	Terms/Miscellaneous
<b>Accion/World Vision</b>					
Loan	October 10, 2001	Affected small business south of 14th Street (or has 50 percent of its business there); especially those not eligible for SBA programs.	227	\$2,765,423	Up to \$30,000; 5 percent, 5-year term. World Vision provides a grant for 10 to 30 percent of the value of the loan.
Grant	October 10, 2001	Same as above.	227	480,000	Same as above.
<b>Downtown Alliance/Seedco</b>					
Loan	October 23, 2001	Retail and manufacturing businesses with fewer than 50 employees south of Canal Street.	195	6,400,000	Up to \$100,000 for loans and \$25,000 for grants; 2 percent, 3-year term; 50 percent wage subsidy for businesses with up to 10 employees that earn less than \$12 an hour.
Grant	October 23, 2001	Same as above.	488	4,600,000	Same as above.
Wage subsidy	October 23, 2001	Same as above.	238	1,300,000	Same as above.
<b>New York City Partnership</b>					
Recoverable grant	November 15, 2001	Businesses south of Chambers Street with 4 to 99 employees; retail with 50 to 100 employees.	51	7,670,000	\$25,000 to \$250,000; 0 percent interest.
<b>Renaissance</b>					
Loan	October 4, 2001	Chinatown businesses with fewer than 25 employees; garment factories with fewer than 50 employees.	134	1,998,000	Up to \$35,000; 2 percent, 3-year term.
Grant	October 4, 2001	Same as above.	60	123,458	Same as above.
Wage subsidy	October 4, 2001	Same as above.	34	456,500	Same as above.

Note: The nonprofits received loan loss reserve subsidies from the city and state's Bridge Loan Program for some of the reported loans.

Sources: Accion, Seedco, New York City Partnership, and Renaissance.

## Agency Comments

We provided HUD, SBA, and Empire State with an opportunity to review this report. They provided comments that were technical in nature, which we have addressed in this report where appropriate.

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We are sending copies of this report to the Ranking Minority Member of the House Committee on Small Business, the Chairman and Ranking Minority Member of the Senate Committee on Small Business, other appropriate congressional committees, the Secretary of Housing and Urban Development, and the Administrator of the Small Business Administration. We will also make copies available to others on request. In addition, this report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

If you have any questions about this report, please contact Nancy Simmons or me at (202) 512-8678. Key contributors to this report were Catherine Hurley, Mark McArdle, Dan Meyer, and Barbara Roesmann.

Sincerely yours,

A handwritten signature in black ink that reads "William O. Jenkins, Jr." The signature is written in a cursive style with a prominent initial "W" and a clear "Jr." at the end.

William O. Jenkins, Jr.  
Director, Financial Markets and  
Community Investment

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# Appendix I: Scope and Methodology

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To obtain information on the assistance provided to small businesses from Community Development Block Grant (CDBG) supplemental funding, we interviewed officials from the Department of Housing and Urban Development (HUD), New York State's Empire State Development Corporation (Empire State), and the Lower Manhattan Development Corporation (LMDC). For our analysis, we obtained detailed program information and data on the various programs that HUD, Empire State, and LMDC have created to assist businesses after September 11, including an Empire State database of grant recipients. This database is the same one used by the HUD Office of Inspector General to monitor expenditures in New York. We ascertained how information for this database was collected and maintained to determine its reliability, and we found the information to be reliable for our purposes.

To obtain information on other sources of funds available to rebuild and sustain business in lower Manhattan, we interviewed officials from the following: the Small Business Administration (SBA), the New York City Economic Development Corporation, the New York Small Business Development Center (SBDC), FleetBoston and the Bank of New York, and nonprofit organizations that provided financial assistance. We selected the nonprofit organizations by reviewing various media and Internet sources on the rebuilding effort in New York as well as through referrals from other organizations concerned with economic renewal in lower Manhattan. We met with officials from the following nonprofit and other organizations that offer financial assistance toward the rebuilding and economic renewal efforts:

- Accion New York,
- Downtown Alliance,
- New York City Partnership,
- Renaissance Development Corporation,
- SeedCo, and
- the September 11th Fund.

We also met with business advocacy groups, whose directors are often small business owners, to obtain their views on the assistance that Empire State, SBA, and others provided. These groups included the following:

- From the Ground Up,
- Manhattan Chamber of Commerce,
- Tribeca Organization,

- Wall Street Rising, and
- the World Trade Center Tenants Association.

We obtained the Empire State disaster recovery database, which captured data on program activity through September 11, 2002. We used these data to calculate descriptive statistics on the numbers of businesses, dollar amounts, and other characteristics of the Business Recovery Grant (BRG) Program, the Small Firm Attraction and Retention Grant (SFARG) Program, and the large business recovery grant program. We used median instead of mean values because the median values were more representative of the “typical” grant.<sup>1</sup> In addition, we analyzed the database to determine other characteristics of BRG recipients, including annual gross revenues, number of employees, type of business on the basis of the North American Industry Classification System code given, and the extent to which BRGs covered businesses’ reported losses. We limited our analysis to disbursed grants. When multiple grants went to the same business as the result of an appeal or from an award for a supplemental grant, we summarized the data by business, not by grant. Since the BRG Program includes nonprofits in addition to small businesses, we included nonprofits in our analysis, although entities that identify themselves as nonprofits accounted for less than 3 percent of the total receiving grants. Other conditions or limitations are described in the explanations of specific analyses that follow.

For our analysis of business employee size, we used the total number of employees of the business; when the business had other business affiliations, we used the total number of employees worldwide. The BRG Program uses the total number of employees worldwide to determine if a business qualifies as a small business. In our analysis of revenues of BRG recipients, we used the gross revenue amount reported at the business location. This gross revenue amount is the figure used in computing the grant amount. The database did not have total business gross revenues that included affiliated businesses. We included both businesses that received one grant and businesses that received multiple grants, when the database included the same gross revenue figure for each of the multiple grants. Also, Empire State informed us that the gross revenue entries include projected annual revenues for some new businesses that did not have a year of revenue data, as well as annual expenses, in lieu of revenue,

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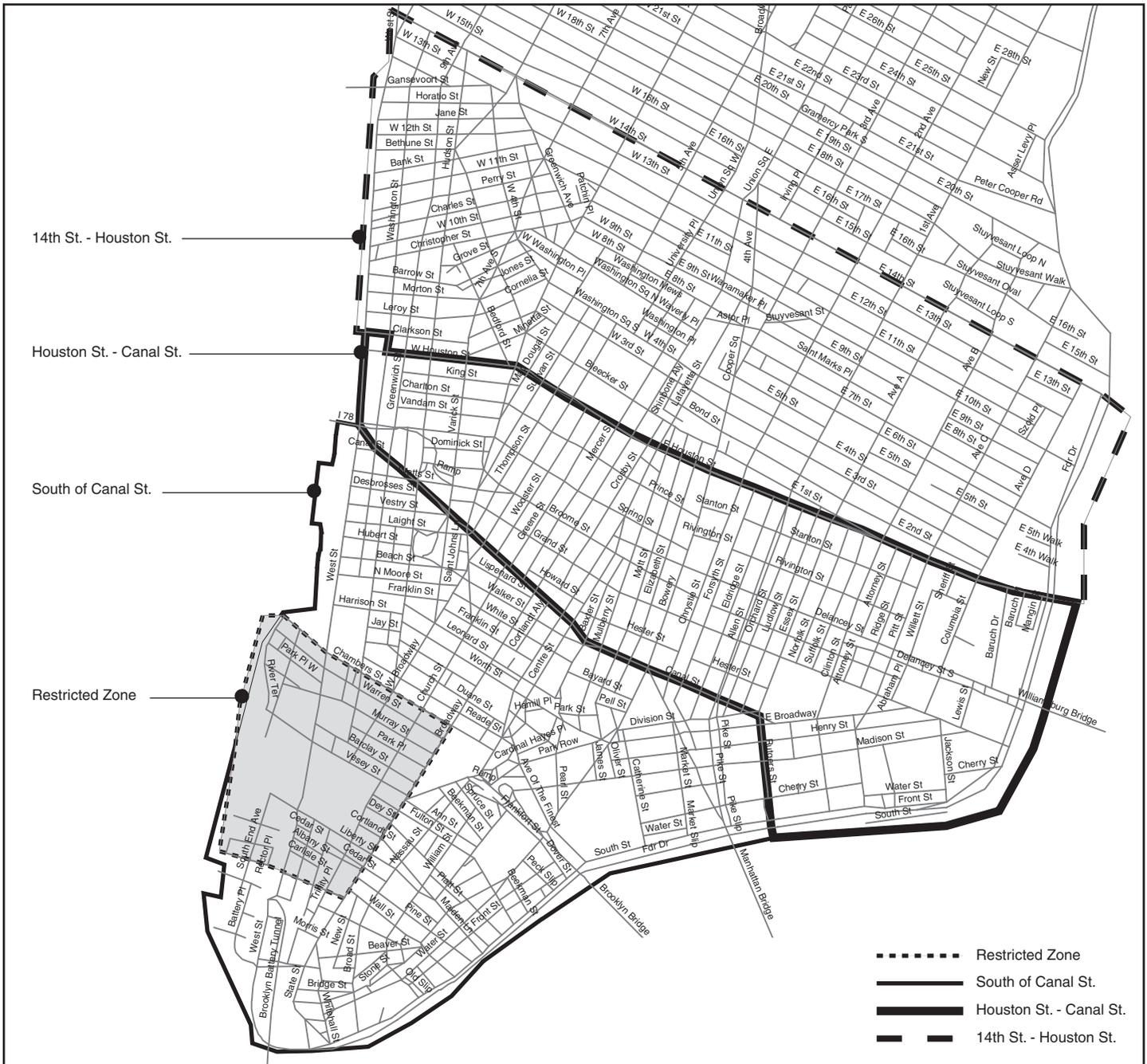
<sup>1</sup>A median value is a measure of central tendency and does not over represent the influence of a small number of cases with very large values, as does a mean.

for some businesses that do not generate revenues and for nonprofits. For our analysis of type of business, we used the business classification code from the database and grouped the results by the first two letters of the code, which designate the general industry type. Where the groups represented less than 3 percent of all businesses, we grouped them in the “other” category.

We made two calculations of the extent to which BRGs compensated for business losses. The business loss data are self-reported and unaudited by Empire State. In the first calculation, we determined to what extent BRGs covered the uncompensated loss incurred by each business. The uncompensated loss was determined by using the business “net loss” database entry, which reflected remaining losses after adjusting for insurance proceeds and the city’s Lower Manhattan Business Retention Grants; we further reduced this amount by the amount of the state Retail Recovery Grant. The BRG amount was then divided by the uncompensated loss figure to obtain the percentage of uncompensated loss covered by BRGs for each business. Where businesses had received multiple grants and the net loss figures were the same for each grant, we totaled the disbursed grant amounts and divided the total by the uncompensated loss amount. In the second calculation, we determined to what extent BRGs covered the total loss incurred by each business. We divided the BRG amount by the total business loss to obtain the percentage of the total loss covered by BRGs for each business. Where businesses had received multiple grants and the total loss figures were the same for each grant, we totaled the disbursed grant amounts and divided it by the total loss amount. To more accurately characterize the loss and compensation experience of small businesses in lower Manhattan for this report, we considered the entire distribution of the above statistics over all businesses to identify any uneven distribution around the median, or 50 percentile, which was the most common single summary measure we chose to report.

We conducted our review between April and September, 2002 in Washington, D.C., and New York, New York, in accordance with generally accepted government auditing standards.

# Appendix II: Map of Lower Manhattan with Highlighted Empire State Program Areas



Source: Empire State.

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