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Small Firms Still Benefit From Sept. 11 Programs

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Three years after the terrorist attacks of Sept. 11, significant incentives remain to induce small businesses to stay in or move to downtown Manhattan -- a result, in part, of concerns that construction, safety worries and lack of transportation continue to depress foot traffic in the area.

Included in the available aid are grants, tax breaks and wage subsidies for hiring downtown workers who lost their jobs after Sept. 11.

While the area's most severe economic hemorrhaging has subsided and many companies are more upbeat, two recent studies suggest the recovery is not complete. Revenue was down 30% between 2000 and 2003 for a group of 88 small downtown businesses that received financial aid through the Partnership for New York City, a nonprofit group of CEOs. And the employment level for that same group was down 27% since the attacks, according to the group's study conducted in June.

"They are still recovering from the double whammy of Sept. 11 and the recession," says Maria Gotsch, senior vice president for the partnership's New York City Investment Fund.

Meantime, downtown businesses say some of their non-Lower Manhattan clients still resist traveling to the area. One-fifth of those recently asked in a separate survey of 600 downtown businesses reported such resistance, unchanged from last year. Of those, 65% mentioned construction disruption as a factor inhibiting clients, according to a report issued this week by Alliance for Downtown New York, a nonprofit organization of companies and property owners. Greater availability of yellow taxis and more restaurant choices would improve the situation, roughly a third said.

While the near and long-term future of Manhattan is bright, not all problems are "completely resolved," says Charles Gargano, chairman of the state's Empire State Development group. He says the lingering incentives help fuel the continued revitalization of the area. "We don't want downtown Manhattan to be the stepchild of midtown Manhattan anymore. We want to build it larger than it was before."

Grants and Loans

For starters, about \$52 million in grant money remains in the state's [Small Firm Attraction and Retention Grant program](#) for companies that have up to 200 employees and that sign five-year new or renewed leases in lower Manhattan. Grants range from \$3,500 to \$5,000 per employee, but workers whose taxes aren't withheld by the employer don't qualify. Most firms have until Dec. 31 to apply; however if a business has signed a lease between Sept. 1 and the end of the year, it has until April 1, 2005, to submit its application. Notably, the grants are taxable.

While the program is ending soon, there may be a push for more such incentives. More than half of companies surveyed for the Alliance for Downtown New York face lease expiration between now and 2008, a time frame corresponding to a presumed heavy construction period in the rebuilding of Lower Manhattan. Only 55% of those said they planned to renew; the remainder said they would not renew or were undecided.

"One of the first goals should be to ensure that these companies renew," says Carl Weisbrod, president of the alliance. While the study included large and smaller employers, Mr. Weisbrod notes that foot traffic from the bigger business's clientele fuels sales for smaller ones. "Point No. 1 about the downtown is that... the businesses are interdependent," he says. "The more workers downtown, the better."

A new source of help will come this fall when microlender [Seedco](#) launches a \$5 million to \$10 million program that will provide technical assistance, grants and loans to Lower Manhattan businesses. One target group for the program will be small shops that provide residential services such as dry cleaning and day care. Businesses will not have to show effects from Sept. 11 to qualify. "This is to help expand as well as stabilize," says Seedco's CEO William Grinker.

Also, in June the American Red Cross launched its [September 11 Recovery Grant program](#), which is providing grants to nonprofits that offer mental-health and wellness-recovery services to some communities underserved by existing Sept. 11-related services. The \$50 million program is accepting proposals now and over the next 18 months; most grant sizes are expected to range from \$50,000 to \$500,000.

Tax Breaks

Meantime, companies may not be aware of certain tax breaks still available to them. For instance, under the federal Liberty Zone Tax Benefits program, small businesses that move south of Manhattan's Canal Street can soften the blow of expenses with enhanced tax breaks for capital expenditures. This primarily counts on property purchases after Sept. 10, 2001, and before Dec. 31, 2006.

There's also the [Lower Manhattan Economic Revitalization Program](#), which among other things, reduces real-estate taxes in pre-1975 buildings in lower Manhattan for five years by as much as \$2.50 a square foot and requires landlords to pass this savings directly on to tenants through reduced rents. Through this program, certain buildings may also qualify for energy-cost reductions, savings that also should be passed on to tenants.

Separately, New York Gov. George Pataki recently added Lower Manhattan to the list of city communities where businesses operating outside New York City can relocate and obtain economic incentives, including a refundable, per employee tax credit under the Relocation and Employment Assistance Program.

To help steer through the aid maze, there are firms such as New York Grant Co. that will, free of charge,

examine what programs a small business may qualify for. For fees ranging from hundreds to thousands of dollars, the company then will handle all application, compliance and deadline criteria. "Businesses struggling just to stay alive are often hard-pressed to spend any time navigating the system," says Ann Kayman, the company's CEO.

Other Assistance

Finally, a few other post-Sept. 11 programs are still kicking around. One is a wage-subsidy program operated through the [Consortium of Workforce Education](#), a union-backed nonprofit work-force-assistance group. Through this program, businesses can get 180 days of wage subsidies for hiring workers from a pool of people who worked on or below Canal Street on Sept. 11, 2001, and lost their jobs subsequently. The reimbursement rate is 50% up to \$12.50 an hour.

"It puts somebody back to work that is out of work and it alleviates the stress on the business's wallet for a few months," says Austin Childs of the consortium.

Another effort being revitalized is [Adopt-a-Company](#), which lets corporations, foundations or wealthy individuals sponsor small companies with donations, advice or business. And next April, one of the most high-profile post-Sept. 11 downtown economic stimulus efforts, the Tribeca Film Festival, will return with movie screenings and a street fair designed to bring commercial foot traffic downtown. Launched in May 2002 with the help of actor Robert De Niro and his partner Jane Rosenthal, who produced "About a Boy" and "Wag the Dog" among other films, the festival this year injected an estimated \$70 million of spending into the downtown economy with 400,000 people in attendance.

In addition to buying advertising in the festival's catalogue, small businesses geared toward families can apply to be hosts and set up a tent or table free of charge during the festival's massive street fair. The event was started "not because the world needed another festival," says Craig Hatkoff, another festival co-founder, but "to give people downtown a reason to start over and be there again."



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