

LOWER MANHATTAN DEVELOPMENT CORPORATION

Proposed Amendments to Partial Action Plan S-2

Overview

The Lower Manhattan Development Corporation (LMDC) is the recipient of a \$2 billion federal grant for the World Trade Center (WTC) disaster recovery and rebuilding efforts for Lower Manhattan. LMDC received \$783 million in additional federal funds for damaged properties and businesses (including the restoration of utility infrastructure) as well as economic revitalization related to the terrorist attacks at the WTC Site. Both of these federal grants are administered by the United States Department of Housing and Urban Development (HUD).

Twelve LMDC Partial Actions Plans (PAPs) and one Final Action Plan (FAP) allocate the entire \$2 billion grant towards remembrance, rebuilding, and renewal initiatives in Lower Manhattan, defined by LMDC as the entire area of Manhattan below Houston Street. All funds within the \$783 million grant were allocated through LMDC Partial Action Plans S-1 and S-2.

This proposed amendment would add the 130 Liberty Deconstruction Program to Partial Action Plan S-2 and reallocate \$37.5 million of the \$735 million allocated to the Utility Restoration and Infrastructure Rebuilding Program within Partial Action Plan S-2 to the 130 Liberty Deconstruction Program. LMDC estimates that it will need to cover approximately \$37.5 million in additional costs associated with the 130 Liberty Deconstruction Program, which is the abatement and deconstruction of the building at 130 Liberty Street.

This proposed amendment to allocate \$37.5 million to the 130 Liberty Deconstruction Program would bring the total allocations for 130 Liberty Street related costs to over \$274,617,180, when combined with the allocation in PAP 7 of \$237,117,180 for the World Trade Center Memorial and Cultural Program insofar as it includes costs associated with the parcel and building at 130 Liberty Street, including acquisition, insurance, and administrative costs as well as costs associated with abatement and deconstruction.

The current versions of PAP 7 and S-2, as well as other PAPs are available on LMDC’s website, www.renewnyc.com, at http://www.renewnyc.com/FundingInitiatives/partialact_plans.asp

Any change greater than 5% in the funding committed to a certain program, the addition or deletion of any program, or change in the designated beneficiaries of a program constitutes a substantial amendment and such amendment will be available for public review and approval by HUD.

To date, HUD has approved 15 Partial Action Plans totaling the entire \$2.783 billion allocation:

PAP No.	Purpose of Partial Action Plan	Date Approved or Amended	Total PAP Expenditure
1	Residential Grant Program, Employment Training Assistance Program, Interim Memorial, and Planning and Administration	09/27/2006	\$253,203,500
2	Business Recovery and Economic Revitalization	7/11/2007	\$322,000,000
3	Cultural and Community Development	06/14/2003	\$24,047,048.42
	Amendment Community Development	2/28/2006	\$570,000.00

4	Short Term Capital Projects, Long Term Planning, Supplemental Funds for Business Recovery Grant Program	12/6/2006	\$154,305,603.00
S-1	New York Firms Suffering Disproportionate Loss of Life	09/15/2003	\$33,000,000.00
S-2	Utility Restoration and Infrastructure Rebuilding	09/15/2003	\$750,000,000.00
	Amendment to Utility Restoration and Infrastructure Rebuilding	Draft for Public Comment Released 6/27/2008	
5	Tourism and Communications	01/28/2004	\$2,421,052.63
6	Affordable Housing Program	12/6/2006	\$44,631,578.95
7	WTC Memorial and Cultural Program and Lower Manhattan Tourism	07/11/2007	\$251,439,137.24
8	WTC Memorial and Cultural Program, Related Initiatives, and Lower Manhattan Tourism as amended	12/6/2006	\$93,391,473.69
	Memorial Foundation (Funds generated from program income and not 2.78 billion allocation)	11/23/2004	\$1,000,000.00
9	WTC Memorial and Cultural Program, Tribute Visitors' Center, LowerManhattan.info, Pace Green Roof	9/27/2006	\$70,994,736.84
10	Lower Manhattan Revitalization Programs, Lower Manhattan Tourism, Planning and Administration	2/28/2006	\$301,458,947.00
11	WTC Memorial and Cultural Program, Cultural Enhancement Initiatives, and the Drawing Center	12/6/2006	\$162,086,073.63
12	WTC Memorial and Cultural Program, Fulton Corridor Revitalization Program, and Lower Manhattan Neighborhood Parks and Open Spaces	7/14/2006	\$157,500,000.00
FAP	WTC Memorial Reserve, Affordable Housing, Community and Cultural Enhancements, Economic Development, Education, Transportation Improvements	12/31/2007	\$161,950,849.00
Total Funding Allocated To Date from \$2.78 billion allocation			\$2,783,000,000

Public Comment

The proposed amendments are substantial amendments that were open to public comment from June 27, 2008 through July 30 2008. Comments were accepted by posted mail and electronic mail. LMDC placed invitations to public comment for this amendment in English, Spanish and Chinese daily newspapers. In addition, the text of the draft plan was made available on LMDC's website (www.renewnyc.com).

LMDC delivered copies of this amendment in English, Spanish, and Chinese to approximately 80 community, residential, civic and cultural organizations throughout Lower Manhattan, including all Lower Manhattan elected officials and Community Boards

LMDC did not receive any relevant comments on these proposed amendments.

Proposed Amendments to Partial Action Plan S-2

This proposed amendment reallocates \$37.5 million of the \$735 million allocated to the Utility Restoration and Infrastructure Rebuilding Program to the 130 Liberty Deconstruction Program, leaving \$697,500,000 for the Utility Program.

The following table details the current allocations for each of the three Action Plans and the proposed changes:

<u>Partial Action Plan S-2</u>	<u>Current Allocation</u>	<u>Change</u>	<u>Revised Allocation</u>
Utility Restoration & Infrastructure Rebuilding			
Category One - Emergency and Temporary Service Response	\$250,000,000		\$250,000,000
Category Two - Permanent Restoration and Infrastructure	\$330,000,000		\$330,000,000
Category Three - Service Interference	\$60,000,000		\$60,000,000
Category Four - Construction of Carrier Neutral Lateral Conduits	\$50,000,000		\$50,000,000
Category Five - Construction of Redundant Fiber Connections to Critical	\$20,000,000	(\$12,500,000)	\$7,500,000
Category Six - Mandated Infrastructure Improvements	<u>\$25,000,000</u>	<u>(\$25,000,000)</u>	<u>\$0</u>
<i>Subtotal Utility Program</i>	\$735,000,000	(\$37,500,000)	\$697,500,000
130 Liberty Deconstruction	-	\$37,500,000	\$37,500,000
Program Administration	<u>15,000,000</u>		<u>\$15,000,000</u>
<i>Total</i>	\$750,000,000		\$750,000,000

Please refer to approved Partial Action Plan S-2 and Partial Action Plan 7 as published on LMDC’s website (<http://www.renewnyc.com/FundingInitiatives/PartialActionPlans.aspx>) for the full text of those plans.

I. 130 Liberty Deconstruction Program

Partial Action Plan 7 has funded the acquisition of the property at 130 Liberty Street in August 2004 as well as subsequent costs to insure, manage, monitor, abate and deconstruct the building at the site. The costs associated with the abatement and deconstruction are currently estimated to exceed the amounts allocated in Partial Action Plan 7. The proposed amendment would add the 130 Liberty Deconstruction Program to Partial Action Plan S-2 and allocate \$37,500,000 to that Program. These funds would be available to pay costs associated with the abatement and decontamination of the building as well as construction management services, environmental services, scaffolding rental, and administration.

LMDC will seek to recover costs for the 130 Liberty Deconstruction Program from a number of third parties. Recovery will be sought from the general contractor based on all available contract claims, including indemnification and insurance. LMDC will also continue to seek contributions from the prior insurers of the building in accordance with the Deconstruction Funding and Settlement Agreement, a portion of which has already been received for designated costs incurred in 2007. In addition, LMDC will

seek to recover funds from Deutsche Bank related to the cost of abatement of hazardous material that existed in the building before September 11, 2001.

II. Utility Restoration and Infrastructure Rebuilding Program

The proposed amendment will reduce the allocation for the Utility Restoration & Infrastructure Rebuilding Program from \$735,000,000 to \$697,500,000. The Program objectives, eligibility, priorities, and categories will remain unchanged. As described in the original plan, the eligible cost categories of the program are listed in order of reimbursement priority. In the event that eligible costs exceed allocated funds, eligible costs for the highest priority program will be addressed first, with additional funding flowing upward from the lowest priority categories in which funds remain available. As a result, the reduction in program funds may impact the \$25 million allocation for Category 6 and \$12.5 million of the \$20 million allocation for Category 5. However, eligible costs for the majority of funding under the plan are to be determined through examination and review of reimbursement requests based on Generally Accepted Auditing Standards. Depending on the results of these ongoing audits, there may be a greater or lesser impact on these final categories.