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\$8 Billion in Bonds for NYC Reconstruction Could Be Squandered, Report Warns

New York -- A report released today by Good Jobs New York finds that \$8 billion in tax-free bonds recently authorized for Lower Manhattan are so loosely governed, there is a possibility they will benefit large companies much more than small businesses and that none of the bonds will be used for affordable housing. Governor Pataki and Mayor Bloomberg each get to allocate half the bonds and have until December 31, 2004 to do so.

Part of the "Job Creation and Worker Assistance Act of 2002" authorizes the Private Activity Bonds - dubbed "Liberty Bonds" -- for New York City's rebuilding after the September 11th attacks. Issued by the State and City, the bonds will fund "private activities" including commercial real estate, which under current law that oversees Private Activity Bonds, is a purpose not usually allowed. Interest on the bonds is federally tax-free. According to Congress' Joint Committee on Taxation, the bonds will cost U.S. taxpayers \$1.2 billion in lost revenue.

GJNY's report finds that:

- The Governor and the Mayor may allocate the bonds without any public comment and without any cost/benefit or other analysis.
- Of the \$8 billion in bonds, no more than \$1.6 billion can be use for rental housing. But, there is no requirement that any funds be used for this purpose or that any housing built with these bonds provide some rental units for low-income households.
- Small businesses have the greatest need for reasonably priced commercial office space, but there is no requirement that any of the money will be used for this purpose.

The bonds must be used for commercial real estate, residential rental property, retail property and public utilities, with the majority being

allocated for commercial real estate in Lower Manhattan or elsewhere in New York City.

"Most assuredly the powerful elite in the real estate industry are working to influence the use of the funds," said Bettina Damiani of Good Jobs New York. "The Governor and the Mayor need to allocate these bonds in an accountable and transparent manner, listen to members of the community and make sure the money goes where it is most needed."

This report is part of GJNY's Reconstruction Watch project - www.reconstructionwatch.net.