

Bouncing Back From 9/11

The Challenges and the Progress

by David Madison, Ph.D., Director of the National Guild of Five O'Clock Club Career Coaches

The following article is based on a panel presentation at the March 12, 2004 meeting of the HR Network at the Marsh headquarters in Manhattan. The network is co-sponsored by Marsh and the Five O'Clock Club, and is a venue for HR professionals to meet informally and hear discussions of important issues of the day.

The panelists on March 12th were Michael Dollman, Ph.D., Regional Commissioner of the Bureau of Labor Statistics; Kathryn Wylde, President and CEO of the Partnership for New York City, the city's premier business leadership organization founded by David Rockefeller; and Bill Hartman, Senior Director, Cushman and Wakefield.

Michael Dollman's presentation will be summarized in one of the summer issues of this magazine, following the release by the government of the report that he discussed. This article reflects the comments of Ms. Wylde and Mr. Hartman.

The September 11, 2001 day of terror evoked memories of that other day of infamy, December 7, 1941, which prompted America's entrance into World War II. The country's situation in the weeks following the attack on Pearl Harbor, with our Pacific fleet in ruins, could hardly have looked worse. But anyone who doubts America's ability to rise to a challenge would do well to recall that by the end of the war—just three and half years later—our industrial apparatus was turning out *one battleship per week*.

There appears to be a collective adrenaline that kicks in, and this is especially so in a dynamic metropolis that prides itself in being, in many ways, the capital of the world. In the days following the attack on our city, New Yorkers knew that they had been hit hard. And now, two and half years later, we now have a pretty good idea of the damage sustained by New York City on 9/11—beyond the most grievous hurt of about 3,000 lives lost.

Insurance companies paid \$37 billion in claims for 9/11, the largest insured event in history.

Tallying the Economic Devastation

Studies conducted by the Partnership for New York and a number of fiscal analysis firms show that the attack cost the city between \$80-100 billion in lost economic output. Research by Cushman & Wakefield reveals the astounding fact that the Manhattan office space destroyed or damaged with the collapse of the World Trade Center was more than the *total* office space in other major cities such as Los Angeles, Atlanta, Miami and Dallas.

Downtown Manhattan, of course, has long ranked as one of the major financial hubs of the world, so it's no surprise that the financial industry was among those hit hardest by the devastation. Other damaged industries include travel and tourism, retail and real

estate. The crippling effect on the airline industry, for example, was front-page news for months after the attack, and even now in 2004, international travel—for both business and pleasure—is still 26 percent below pre-9/11 levels. The hotel occupancy rate in the city during 2000 and 2001 (prior to September) was about 88 percent. It went as low as 73 percent in the wake of the attack, and now is around 76 percent, a major indicator that travel and tourist are struggling to bounce back.

This deficiency has impacted other businesses, especially retail. Anyone who does much shopping in the city can expect to hear other languages while browsing and standing in the checkout line. Indeed, before 9/11 two-thirds of visitor spending in the New York retail sector came from international travelers.



Bill Hartman, Cushman and Wakefield

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Sources of New Money

The on-going recovery has been enabled in part by money from the federal government and from insurance. Congress voted \$20 billion to help rebuild the infrastructure and the economy, and insurance companies paid \$37 billion in claims—indeed, this turned out to be the largest insured event in history. Reconstruction and adjusting to the ongoing threat of terror have actually been a stimulant to job growth—and in many cases the return of jobs lost. It appears that 80 percent of the jobs that were forced out of lower Manhattan by



Kathryn Wylde, Partnership for New York City



9/11 are now back in the city, many of them downtown. For all of the hassles of the commute and possible dangers of working in an area that surely remains a choice target, the stimulation and collective adrenaline of Manhattan are irresistible. Broadview Financial, for example, moved from Fort Lee to 1345 Avenue of the Americas because 300 of its clients were within walking distance of the new office. Manhattan packs a lot of energy into every city block.

The downside, naturally, is the cost of doing business in Manhattan. Real estate taxes have been raised, understandably, insurance premiums have increased and firms must now shoulder the big cost of building security. The Empire State Building provides a dramatic illustration of the insurance situation, although it is atypical due to its icon status. It is insured for about \$600 million and prior to the attack the annual premium was about \$1 million. After the attack the ESB couldn't buy insurance; Congress finally came to the rescue with re-insurance protection—and the annual premium is now \$9 million.

The Strain on Government

It's hard to recall a time when our city and state haven't struggled to make ends meet, and the fiscal situation wasn't wonderful before the attack. We have been faced with *structural deficits* due to rising costs for pensions, Medicaid and debt financing—these fixed expenditures are growing at 6 per cent a year, while the economy grows at 3 or 4 per cent. Obviously it's a major strain to continue borrowing to overcome this mismatch. The last thing any fiscal planner wanted to see was a major emergency that would add billions in costs, both short-term and for the foreseeable future.

anti-terrorism, many of whom are stationed around the world. Some of these officers were assigned to assist authorities in Madrid in the wake to the train bombings there. Lessons learned from these atrocities may help prevent more attacks here. Hosting the Republican National Convention this summer will obviously be a boon to the city economy, but the security costs for the government will be enormous.

The Empire State Building is insured for \$600 million. Their annual premium rose from \$1 million before the attack to \$9 million afterwards.

We face additional financial burdens as well to upgrade the transportation and power infrastructures—such projects might have been on the drawing board, but they now have priority status. The rapid closing of the bridges and tunnels on September 11th and the August 2003 blackout heightened the awareness of our vulnerability in several spheres. "These events have shown us," one official commented, "that

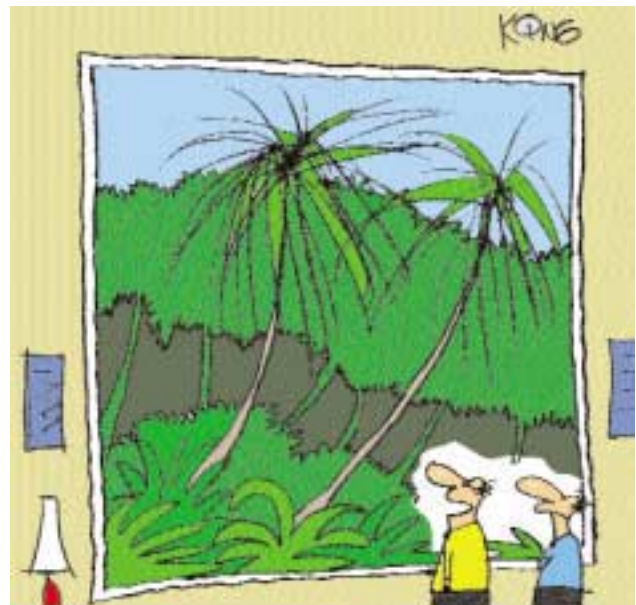
To meet the post-9/11 reality, for example, the New York City Police Department today employs 1000 officers assigned to intelligence and

Manhattan is an island." We have always taken for granted the easy crossing of the rivers, but we learned the feeling of being trapped—and the danger posed by having virtually no escape routes. The securing of the bridges and tunnels, the building of a reliable ferry system, and the creation of redundant power grids are now major issues—and major expenses. To help close the gap between tax revenues and the ballooning expenses, New Yorkers have already seen an 18 per cent increase in real estate taxes, 10 per cent surcharges on state and city taxes, and the removal of some of the clothing sales tax exemptions.

The NYPD today employs 1000 police officers assigned to intelligence and anti-terrorism, many assigned around the world.

Help for the Private Sector

Accelerated growth for the economy, of course, is one of the keys to recovery and fiscal health. One of the agents for boosting this process was already in existence before 9/11, but has taken on new meaning and mission: the New York City Economic



"I tore down that city block I own and had it replaced with a rainforest. Some of the business owners are a little angry, but my stress has all but gone away."

Development Corporation is charged with creating and coordinating efforts to attract business to the city. It is now focused heavily, for example, on working with major medical research institutions and universities to stimulate the science and education industries in the city. Mayor Bloomberg has worked closely with the NYCEDC, and undoubtedly it has been to the city's benefit to have a businessman at the helm. NYCEDC's website, which lists incentives, financing options and tax benefits for setting up shop in the city, can be found at <http://www.newyorkbiz.com/index.cfm>.

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Big Plans for the Future of New York

It is well to recall that, in the depths of the Great Depression, New Yorkers built the Empire State Building and Rockefeller Center. The same can-do, rise-from-the-ashes spirit is not in short supply now. We may be more cautious, even keenly aware that the terrorists have not given up, but there is no current of fear or pessimism about the city. We are focused on keeping our status as capital of the world. It took just one year for the PATH train to be carrying passengers into lower Manhattan again—just as the Pentagon was rebuilt by the first anniversary of the attack. The real estate market is showing renewed strength, even more rapidly than following the real estate recession of 1990; in 2003 there were \$10 billion in real estate purchases in New York City, which compares very favorably with such good years as 1987 and 1998.

Plans for the rebuilding of Ground Zero are well under way, Marriott is planning a \$190 million facility at 125th and Park Avenue, New York is making a strong bid for the 2012 Olympics, and the Hudson Yards project on the west side of Manhattan is setting the tone for the decade ahead. A statement on the Hudson Yards website betrays no hint terror-inspired despair:

New York City is engaged in a comprehensive and ambitious planning process for the Hudson Yards area of Far West Midtown. The redevelopment of Hudson Yards is critical to the long-term economic health of the city and state as it can accommodate future office and residential development. The Hudson Yards planning area extends from West 28th Street on the south, Eighth Avenue on the east, West 43rd Street on the north, and the Hudson River on the west. The area is isolated from public transportation, has few public amenities or significant green space, and is primarily characterized by large tracts of underutilized land. Its strategic location adjacent to Midtown Manhattan provides a unique opportunity [for the city] to plan comprehensively for its future, to maintain its place as the premier financial center in the world. (<http://www.nyc.gov/html/dcp/html/hyards/hymain.html>) ●



Wylde is enthusiastic about attracting more business to NYC.

The HR Network

Briefings for the informed professional

For HR Executives:

Below are the panelists who spoke at the HR Network in New York on *The Effect of 9/11 on the New York Market*.



Michael Dolfman, Regional Commissioner, Bureau of Labor Statistics

Dr. Michael Dolfman is Regional Commissioner for Economic Analysis and Information for the U. S. Bureau of Labor Statistics. His responsibilities involve oversight at all eight BLS regional offices.

What was the impact of 9/11 on the New York market? You may think you know, but this study, the largest ever conducted by the Bureau of Labor Statistics, has many surprising results. Dr.

Dolfman told us what it all means for our employer in the future. Fascinating and unexpected findings, to be published in our summer newsletter, after the findings are released to the public.

Kathryn S. Wylde is President & CEO of the Partnership for New York City, the city's premiere business leadership organization. Founded by David Rockefeller, the Partnership has been responsible for significant programs in housing and economic development, education, public safety and employment. Kathryn commented on developments in the NYC economy since 9/11 and told us how the economic development policies of the city have been reoriented in response to the post-9/11 world.



Kathryn Wylde, president and CEO, Partnership for New York City



William Hartman, Senior Director, Cushman and Wakefield

Bill Hartman, Senior Director, Cushman and Wakefield, has been involved in more than 4 million square feet of leasing transactions during his 14 years with C&Y. He presented trends in the real estate marketplace in downtown and mid-town (vacancy rates, asking prices), and gave a flavor of real estate development ideas since then, as well as prospects for the future.