Kathryn S. Wylde

Biographical Summary

Kathryn S. Wylde is President & CEO of the Partnership for New York City, the city's premiere business leadership organization. The Partnership has been responsible for significant programs in housing and economic development, education, public safety and employment.

Wylde is also the founding President & CEO of the New York City Investment Fund, a $100 million subsidiary of the Partnership, which provides financial support and business expertise to assist projects that stimulate job creation and economic growth in the city and its neighborhoods.

Previously, Wylde served as founding President & CEO of the nonprofit New York City Housing Partnership, building it into one of the nation's largest producers of affordable housing. The Housing Partnership has sponsored development of more than 20,000 owner-occupied homes and rental apartments, valued in excess of $2.5 billion, and spurred revitalization of economically distressed communities.

An internationally known expert in housing and economic development, she has advised or consulted with foundations, cities and nonprofit organizations and authored a number of articles and policy papers. Prior to joining the Partnership, she led a nonprofit community development corporation in Brooklyn, served as a senior executive in a community hospital and administered the community reinvestment program of a major savings bank.

4/15/03

POST-9/11 ECONOMIC INDICATORS

1. Assembled by the Partnership for New York City

VENTURE CAPITAL

§ **Number of NYC Firms Securing Venture Capital**

4Q 00 1Q 01 2Q 01 3Q 01 4Q 01 1Q 02 2Q 02 3Q 02 4Q 02 1Q 03 2Q 03
73 62 55 49 46 17 21 21 11 19 16
(Source: VentureSource)

AIRLINE PASSENGER TRAFFIC

Still depressed passenger volumes appear to be slowly rising, up 1.8% this June from last year.

§ **Annual Passenger Volumes, January - June**
(JFK, LGA, EWR)

2003 = 39,003,623 **2002** = 38,456,239
2001 = 44,166,012 **2000** = 44,562,483
(Source: Port Authority of New York and New Jersey)

FINANCIAL ACTIVITIES

The financial activities sector has lost over 10,000 workers since July 2002 (a 2.4% fall) and almost 45,000 workers since July 2001-a 9.29% decrease over those 24 months.

§ **Jobs in Financial Activities Sector**

July 2003 July 2002 July 2001
Employment 438,600 449,400 483,500
12mo%ch -2.40% -7.05% -1.67%
24mo%ch -9.29% -8.60% 0.10%
(Source: New York State Department of Labor)
Data not seasonally adjusted

RETAIL

Employment in retail trade has remained fairly stable over the past twelve months (July 2002 - July 2003), a decrease of only 0.72%. Since July 2001 however, employment in the retail sector has dropped by over 2%.

§ **Jobs in Retail Trade Sector**

July 2003 July 2002 July 2001
Employment 260,400 262,300 266,600
12mo%ch -0.72% -1.61% -3.41%
24mo%ch -2.33% -4.96% 0.72%

(Source: New York State Department of Labor)
Data not seasonally adjusted

PROFESSIONAL AND BUSINESS SERVICES
In the professional and business services sector, employment has fallen by nearly 9% since July 2001.

§ **Jobs in Professional and Business Services Sector**

July 2003 July 2002 July 2001
Employment 534,100 545,600 585,500
12mo%ch -2.11% -6.81% -1.13%
24mo%ch -8.78% -7.87% 5.12%
(Source: New York State Department of Labor)
Data not seasonally adjusted

INFORMATION
The information sector, which includes publishing and broadcasting media, lost nearly a fifth of its workforce since pre-9/11 levels-more than 37,000 people lost employment over the period.

§ **Jobs in Information Sector**

July 2003 July 2002 July 2001
Employment 164,400 173,200 201,600
12mo%ch -5.08% -14.09% 6.39%
24mo%ch -18.45% -8.60% 14.74%
(Source: New York State Department of Labor)
Data not seasonally adjusted

TOURISM
Both domestic and international visitor numbers are expected to increase this year. According to NYC & Company, more than 11 million young people and their families visited NYC last year, making family travel the fastest growing segment of the city's tourism industry.

§ **Visitors to NYC**

Domestic International

1998r 27.1 million 6.0 million
1999r 29.8 million 6.6 million
2000r 29.4 million 6.8 million
2001 29.5 million 5.7 million
2002e 30.2 million 5.1 million
2003e 30.5 million 5.4 million
(Source: NYC & Company)

§ **<u>Direct Visitor Spending</u>**

1998 $14.7 billion
1999 $15.6 billion
2000 $17.0 billion
2001 $15.1 billion
2002e $15.1 billion
2003e $15.5 billion
(Source: NYC & Company)
r = revised; e = estimate

§ **<u>Broadway Ticket Sales</u>**

2001 Jan Feb Mar Apr May Jun
$11,010,665 $12,204,960 $13,799,317 $15,306,808 $14,569,842 $13,639,717
Jul Aug Sep Oct Nov Dec
$13,442,959 $12,474,260 $9,046,125 $11,932,985 $13,843,556 $18,505,473
2002 Jan Feb Mar Apr May Jun
$10,074,345 $12,577,964 $15,166,067 $14,400,783 $15,295,729 $13,625,525
Jul Aug Sep Oct Nov Dec
$13,826,063 $13,693,430 $12,462,265 $14,436,870 $14,073,029 $21,351,241
2003 Jan Feb Mar Apr May Jun
$13,352,355 $13,796,065 $12,571,954 $16,179,234 $15,157,591 $14,758,697
Jul
$13,897,761
(Source: The League of American Theatres and Producers, Inc.)

§ **<u>Broadway Theater Attendance</u>**

Although theater attendance during July was down from prior years, at 207,375 compared to 229,616 in 2002 and 235, 570 in 2001, overall attendance numbers for the year to date indicate that Broadway may be in the beginnings of a rebound from last year's slump.

Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
2001 194,298 222,272 251,032 285,379 258,208 236,507 235,570 215,801 160,677 221,263 217,988 270,968
2002 165,947 207,728 248,004 243,039 251,168 222,782 229,616 224,680 198,236 226,908 216,884 290,260
2003 217,940 219,476 200,029 253,751 239,443 223,773 207,375
(Source: The League of American Theatres and Producers, Inc.)

§ **<u>Average Daily Hotel Room Rate</u>**

Despite significant reductions in room rates, hotel occupancy during the first half of 2003, although relatively high in June, has been lower than both 2001 and 2002.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1999	$188.39	$194.95	$195.68	$207.98	$214.19	$210.14	$187.01	$185.55	$220.76	$240.68	$246.69	$273.96
2000	$205.34	$202.94	$207.42	$222.33	$233.90	$234.73	$202.35	$203.55	$251.67	$262.59	$264.20	$266.83
2001	$208.26	$209.40	$208.46	$216.67	$221.03	$217.85	$188.86	$187.47	$197.44	$185.39	$202.45	$202.45
2002	$183.16	$187.93	$183.59	$194.37	$199.73	$191.83	$170.53	$169.18	$195.35	$210.74	$212.08	$223.16
2003	$177.70	$177.47	$172.62	$177.97	$184.94	$182.15						

(Source: PKF Consulting)

§ **Hotel Occupancy**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1999	65.6%	72.8%	81.2%	80.5%	81.8%	81.1%	78.4%	81.6%	87.4%	90.1%	88.9%	74.1%
2000	67.7%	79.9%	86.2%	89.4%	87.1%	87.4%	82.6%	85.0%	88.8%	86.5%	85.9%	76.1%
2001	65.7%	74.3%	76.5%	77.6%	77.9%	79.0%	74.0%	76.8%	61.9%	70.7%	75.9%	72.1%
2002	62.0%	72.0%	76.0%	76.0%	77.6%	77.6%	72.7%	76.7%	75.0%	80.9%	78.2%	78.8%
2003	61.5%	69.2%	68.3%	67.7%	76.2%	79.8%						

(Source: PKF Consulting)

COMMERCIAL REAL ESTATE

The availability rate Downtown fell sharply from 17.0% to 14.9% at the close of the quarter, as a number of large transactions were signed. Six transactions were over 50,000 sf. The top three were HIP Health Plan of New York for 486,000 sf at 55 Water Street, Oppenheimer Funds for 206,000 sf at 2 WFC, and NYC Teachers' Retirement System for 157,702 sf at 55 Water Street. The rise in leasing activity reflects a positive turnaround for the area. Average asking rental rates Downtown slid from $35.72 psf to $34.99 psf.

§ **Availability Rate**

	1Q 2002	2Q 2002	3Q 2002	4Q 2002	1Q 2003	2Q 2003
Midtown	10.8%	11.2%	12.0%	12.9%	13.2%	13.9%
Downtown	14.2%	15.8%	16.3%	16.1%	17.0%	14.9%

§ **Average Asking Rent**

	1Q 2002	2Q 2002	3Q 2002	4Q 2002	1Q 2003	2Q 2003
Midtown	$54.87	$53.96	$54.26	$51.61	$50.93	$49.22
Downtown	$38.31	$38.81	$37.53	$35.40	$35.72	$34.99

(Source: Newmark Real Estate & Financial Service)

RE-OPENINGS AND OPENINGS

§ Newly Signed Leases After 9/11

Amish Market (17 Battery Place)
Ann Taylor Loft (2 Broadway)
Ann Taylor (World Financial Center)
Au Bon Pain (World Financial Center)
Borders Books (100 Broadway)

Chase Bank (280 Broadway)

Cosi (World Financial Center)
Crunch Gym (25 Broadway)
Duane Reade (280 Broadway)
Duane Reade (45 Pine Street)
Estee Lauder Co. Store (100 Church Street)
Gap Kids (World Financial Center)
Godiva (World Financial Center)
Hallmark (World Financial Center)

Les Halles (15 John Street)

Modells (280 Broadway)
Nine West (2 Broadway)

Nine West (179 Broadway)
Ritz Carlton Hotel (2 West Street)
Southwest NY (World Financial Center)
Starbucks (233 Broadway)
Starbucks (115 Broadway)
Starbucks (World Financial Center)
Washington Mutual (270 Broadway)

§ Reopenings

Borders Books (Moved to 100 Broadway)
Brooks Brothers (1 Liberty Plaza)
Century 21 (22 Cortlandt Street)
Embassy Suites Hotel New York City (BPC)
J&R Music World (Park Row)
Millenium Hilton (55 Church)
United Artists Battery Park Stadium 16 Multiplex (BPC)

(Sources: Wall Street Rising and other sources)**LOWER MANHATTAN IMPROVEMENTS**

§ **$25-Million Grant for Green Space**

A LMDC grant, funded by HUD, will allow NYC to create new green space in Lower Manhattan and rehab existing facilities. At least 13 sites will either be created or upgraded within a period of two years.

(Source: Lower Manhattan Development Corporation)

§ **Timeline**

Mid June 2003 - Groundbreaking of the Elevated Acre at 55 Water Street, the first park redevelopment commenced in Lower Manhattan since 9/11

Fall 2003 - Selection of WTC Memorial Design
Nov-Dec 2003 - Temporary WTC PATH Terminal opens
April 2004 - Completion of LMDC study on Lower Manhattan airport and commuter access alternatives
Late 2004 - Fast Ferry to LaGuardia begins service
2004-2005 - Permanent WTC PATH Terminal groundbreaking
End 2005 - Fast Ferry to JFK begins service
End 2005-Early 2006 - Completion of WTC 7
Late 2006 - Permanent WTC PATH Terminal opens
2009 - WTC PATH Terminal fully complete including pedestrian connections
(Sources: Lower Manhattan Development Corporation, Larry Silverstein)

RESIDENTS IN LOWER MANHATTAN

§ Of the total $3.483 billion in disaster CDBG funds, $160 million in individual assistance grants have been approved through the Residential Grants Program, as of 5/31/03.

(Source: NYC Independent Budget Office)
§ According to the Lower Manhattan Development Corporation, over $172 million in grants have been approved and more than 38,000 applications received for the Residential Grant Program as of June 2003.

(Source: Lower Manhattan Development Corporation)

BUSINESS IN LOWER MANHATTAN

§ Of the total $3.483 billion in disaster CDBG funds, $856.1 million in business assistance grants have been approved through various programs, including Business Recovery Grants (BRG), Job Creation and Retention Grants and Loans, Small Firm Attraction and Retention Grants and Loans (SFARG), and Employment Training

Assistance.

(Source: NYC Independent Budget Office)
§ 63 large employers (those with more than 200 employees) have accepted incentive packages totaling nearly $215 million offered by the city and state. In the aggregate, these agreements represent a commitment to preserve or create approximately 57,000 downtown jobs and to maintain a presence in Lower Manhattan for at least seven years.

(Source: NYC Economic Development Corporation and NYS Empire State Development Corporation)

LIBERTY BONDS

§ As of the end of July, the city and state have allocated only $962.5 million of the $8 billion in Liberty Bond funding that is available to spur commercial and residential construction. There is concern that the full amount available will not be used before the authority to issue the bonds expires on December 31, 2004.

(Source: NYC Independent Budget Office)

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Assessing the State of New York's Recovery from 9/11
Public Hearing Convened by Member of Congress Carolyn Maloney
Panel on Economy and Workforce
Remarks by Kathryn Wylde, President & CEO, Partnership for New York City

The 9/11 attack severely damaged New York City's economy, with both immediate and long term implications. According to a study conducted for the Partnership for New York City by a team of top management consultants, the direct cost of the attack was more than $83 Billion in lost economic output, as well as a loss of 125,000 jobs. Insurance proceeds and federal aid have helped the city recoup a portion of this loss, but these funds are coming into the local economy slowly and there remains a huge gap that continues to dampen recovery.

In Lower Manhattan, projects are underway to improve pedestrian and vehicular access downtown. These interim improvements, together with the reopening of the PATH in November and imminent construction starts on rebuilding 7 World Trade Center and development of the new transit hub certainly will accelerate economic recovery downtown, which is still 70,000 jobs short of its pre 9/11 employment levels. Unfortunately, hundreds of small businesses ran out of funds during the past two years and will not be around to participate in the recovery.

Over and above the direct economic losses, 9/11 created a number of new challenges for the city's economy which we are struggling to understand and address. The cost and availability of insurance (property, liability, life and workers comp), for example, continues to be a far more serious issue in Manhattan than anywhere else in America, despite the federal antiterrorism insurance program. The cost of security, both for local government and the business community, has created another huge new burden on our tax base that has been only partially offset by federal Homeland Security aid to high risk cities.

Other implications continue to unfold. The possibility of another attack has resulted in businesses reviewing their concentrations of employees in Manhattan, to insure business continuity under all foreseeable circumstances. Virtually every large Manhattan-based company is reviewing its ability to maintain operations in the event that Manhattan Island is shut down. In the case of financial institutions, federal regulators have aggressively pushed for creation of redundant operating facilities outside the city. The Partnership has joined with the Bloomberg Administration in efforts to encourage Manhattan-based companies to relocate secondary operations within the five boroughs, but there are competitive issues of cost, amenities and accessibility that must be addressed to make borough business districts beyond Midtown and Lower Manhattan attractive for key business functions. This requires public investment that the city cannot afford on its own.

Many businesses have also reduced their on-site work force and cut back on business travel, encouraging workers to telecommute from home and to utilize videoconferencing rather than getting on an airplane. This change in work patterns, allowed by technology but accelerated by 9/11, has resulted in at least a 10% drop in international business travel, damaging the airline, hotel and retail industries. It has also led to reduced demand for Manhattan office space, as many large firms – especially in professional services -- learned from their 9/11 experience that employees could work from home or a laptop office. Pre 9/11 averages of about 500 square feet of leased office space per employee have gone down to around 200 square feet for many businesses, with a dramatic impact on the office vacancy rate.

What is the state of NY's economic recovery two years after the attack? There is reason to be cautiously optimistic, based on indications that we have hit bottom and are headed in a positive direction, following the course of the national economy and the apparent recovery of the stock market. Typically, New York lags the nation in economic recovery by almost a year, due to our dependence on Wall Street and financial service industry bonuses. So it is not surprising that our recovery is slower than the rest of the country, only partially due to 9/11:

- The Gross City Product, as measured by the City Comptroller's office, has fallen steadily since early 2001 and dropped another 2.7% in the second quarter of 2003. (By comparison, the national GDP grew by 1.4% in that period.)
- Both the Mayor and Comptroller estimate that the city's GCP will continue to drop this year. The Mayor's estimate is 3.3%; the Comptroller's is 1.6%.
- The city's unemployment rate continues to run higher than that of the rest of the country. The city unemployment rate (not seasonally adjusted) was 7.6% in June; the state rate was 5.9% and the national rate was 6%.
- Both the Mayor and the Comptroller predict that the city will lose jobs in 2003. The Mayor's estimate of job loss is 75,000; the Comptroller's estimate is 54,900.

However, there is a general consensus that the city economy will begin to expand next year. The mayor is predicting job growth of 20,000; the Comptroller 12,800. Similarly, both predict growth in the city GCP. The Mayor predicts 2.9% growth, the Comptroller predicts 2% growth. In addition, the Federal Reserve is predicting that both economic growth and productivity will increase next year. However, they will likely increase at the same rate, which translates into little or no job growth.

City tax revenues are currently running ahead of projections. The City Council Finance Division forecasts that the city will raise $401 million more in tax revenue in the 2003-04 fiscal year than originally projected, reflecting improved earnings among taxpayers.

Many of the sectors of the economy most affected by 9/11 are still struggling, including financial services, professional services and the media. Employment in the financial services sector has dropped by 45,000 since June 2001, a decrease of 9.3%. (483,500 then to 438,600 now)

Professional services also lost substantial jobs—51,000 in the last two years, a drop of nearly 8.8%. (585,000 then, 543,100 now) The informational sector, which includes publishing and broadcast media, lost 37,000 jobs—an 18% drop. (201,600 then, 164,400 now)

The retail and tourism sectors of the economy have stabilized. Retail employment has dropped only 6,000 in the last two years (2.3%). However, Manhattan high-end retail, dependent on international travel, is still lagging.

Tourism is beginning to approach pre-2001 levels. It is estimated that the city will attract nearly 36 million tourists this year, which is close to the 36.2 million that came in 2000. However, the mix is different. We are now attracting more domestic tourists and fewer international tourists. That affects how much money tourists spend, since foreign tourists spend more money here. According to NYC & Company, tourists will spend $15.5 billion this year, compared to $17 billion in 2000.

Federal aid to date has been vital to stabilizing downtown, keeping many businesses from leaving, and attracting new residents to the area. The federal commitment to finance a new transportation infrastructure downtown is also critically important, although it is clear that more than the $4.5B currently available for this purpose will be needed to efficiently connect Lower Manhattan firms to the regional labor pool. Further concerns are with Homeland Security, where the federal high risk pool has helped this year but future funding is still uncertain. The worst thing for the New York economy – and the national economy – would be to short change our terrorism prevention and intelligence efforts that are needed to preclude another attack. The Liberty Bonds have emerged as an important tool for helping finance economic development and housing, but the December 2004 deadline imposed by Congress must be extended to allow the city to utilize these bonds. Recovery has not happened quickly enough to meet the original deadline.

In summary, it is critical that the federal government continue to work closely with New York City to understand the far-reaching consequences of 9/11, to insure that the city recovers from that attack, and to prevent a recurrence. Clearly this will require more resources and a renewal of the same sense of urgency that generated the initial $21B commitment to the city's rebuilding in the days following the attack.