

CHINATOWN
AFTER SEPTEMBER 11TH:
An Economic Impact Study

An Interim Report

Asian American Federation of New York

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In Collaboration With:

Federal Reserve Bank of New York

Fiscal Policy Institute

Ralph and Goldy Lewis Center for Regional Policy Studies, University of California, Los Angeles

The views expressed in this report are those of the Asian American Federation and do not necessarily reflect the views or positions of the Federal Reserve Bank of New York or the Federal Reserve System, the Fiscal Policy Institute, or the Ralph and Goldy Lewis Center for Regional Policy Studies, UCLA.

FOREWORD

Nearly seven months after September 11th, New Yorkers of all backgrounds continue to feel the pains of the unfortunate loss of life while we work hard to heal our wounds and rebuild our city. The impact of September 11th has certainly been pervasive beyond words, as has been the outpouring of heroism and philanthropy demonstrated by so many ordinary people, uniformed as well as civilian, during these trying times. All of us at the Asian American Federation pay our respects to those who have lost or given their lives, offer our best wishes to those families who have endured the tragedy, and salute the fine spirit of New York.

The lingering aftermath of September 11th is deeply felt in neighborhoods close to Ground Zero, including Chinatown. During the first three months after September 11th, stories abounded about the desperation of many low-wage workers who became unemployed and the resolution of many small business owners who worried about their firms' prospects. Ti-Hua Chang of WNBC-TV captured the vivid images of Chinatown in crisis in his special news report, "Tragedy in Chinatown," on February 10th. Clearly, Chinatown was experiencing an unprecedented level of economic depression.

Chinatown After September 11th is an attempt to document and quantify the severity of the economic impact on the community. We hope to provide a deeper understanding of the economic distress in Chinatown, beyond impression and anecdotes. More importantly, we hope to offer a sound basis for public policy discussions and community economic planning concerning the redevelopment of Chinatown and of Lower Manhattan.

This report is the product of wonderful cooperation and spirited teamwork. We benefited greatly from the wisdom and expertise of members of the collaborating organizations, the Academic Advisory Committee, and the Community Advisory Committee. We are immensely grateful for the tremendous level of collegiality and assistance from many individuals and organizations. We also would like to thank our funders, whose support was critical. Last but not least, this report would not have been possible without the extraordinary commitment of the research team. Their dedication to complete the study within three months was truly above and beyond the call of duty.

Chinatown After September 11th represents the beginning of a new rebuilding effort for our community and for our city - an endeavor that we hope will enhance and extend the concerted revitalization work already under way.

Cao K. O
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EXECUTIVE SUMMARY

OVERVIEW

The aftermath of the September 11th attack on New York City devastated the economy of Chinatown, a community less than 10 blocks from Ground Zero. Traffic restrictions, telephone and electricity outages, and downturns in the garment, retail, restaurant, and tourism industries — all results of the terrorist assault — pushed Chinatown's already-fragile economy to the point of crisis.

Among the hardest hit New York communities outside the immediate vicinity of the World Trade Center, Chinatown suffered alarming business and job losses that continue to impede its recovery.

Chinatown is only now beginning to recoup its losses. Full revitalization of this community, an essential ingredient in the resurgence of New York as a whole, will require substantial, concerted private and public efforts that are directed at addressing a range of remaining long-term issues.

CONTEXT

Home to 56,000 Asian residents and nearly 4,000 businesses that are Chinese-owned and -operated, Chinatown is a lively immigrant neighborhood and a vital economic force within New York City. Supported by a vast transportation network that connects it to the larger city, Chinatown contributes to the city's economy in a number of ways. The community is:

- **An active commercial hub.**
A total of 3,855 businesses are Chinese-owned and -operated in Chinatown; this number includes 1,423 retail stores and 241 wholesale outlets. In addition, 35 bank branches operate in Chinatown, with an aggregated deposit level exceeding \$5.44 billion.
- **An apparel manufacturing center.**
There are 246 garment factories in Chinatown, representing one fifth of all garment factories in Manhattan. Employing nearly 14,000 garment workers, this sector represents the largest industry in Chinatown.
- **A major New York City tourist attraction.**
Chinatown's dining and shopping establishments are the primary draw for over 2,000 visitors daily. More than 250 restaurants and 500 specialty stores (jewelry, gift, and apparel shops) are located in the neighborhood.
- **A vibrant immigrant enclave with close links to other Chinese communities.**
Most of the neighborhood's workers live in other boroughs and commute to work in Chinatown. In addition, residents from the other boroughs, as well as from the rest of the tri-state area and Atlantic region, are regularly drawn to Chinatown by family ties, shopping and dining, and community events.

FINDINGS

Among the major findings of this first-ever neighborhood-level economic impact assessment of September 11th are the following:

- **Chinatown's infrastructure was severely affected.**
 - From September 11th to 13th, a “frozen zone” prohibiting vehicular and nonresidential pedestrian traffic was enforced upon all areas south of 14th Street. From September 14th to 18th, the northern boundary for the “frozen zone” moved south to Canal Street.
 - From September 11th to 13th, the Canal Street subway station, which services eight subway lines (6, N, R, Q, J, M, Z, and W) and has an average weekday ridership of 49,016, was closed. The N and R lines resumed service six weeks later.
 - For nearly two months, telephone service was disrupted in the general area south of East Broadway.
 - Nearly 1,000 public parking spaces were eliminated in Chinatown due to street closures and increased police presence.
- **Chinatown businesses suffered significant revenue losses.**
The garment, restaurant, retail, and tourism industries were the hardest hit sectors of the economy as a direct result of September 11th.

In the first two weeks after September 11th,

- Businesses in the garment, restaurant, retail, and tourism industries suffered revenue declines ranging from 60% to 100%.

In the three months after September 11th,

- Garment factories continued to suffer revenue losses, with the shutdown of more than 40 garment factories.
- The majority of restaurants reported that business had declined by 30% to 70%.
- The retail industry experienced a 55% drop in monthly revenues.
- Jewelry sales decreased by 50%.

In the first three months of 2002,

- Restaurants anticipate a decline in revenue for the first quarter of 2002 as compared to the same time period in 2001.
- Garment factories expect a drop in business for the first quarter of 2002 as compared to the same time period in 2001.
- Major travel agencies are operating at 20% to 60% of normal business levels.

- **Chinatown workers experienced an unprecedented level of unemployment and underemployment.**

Based on the Federation's estimates,

- There are 33,658 workers in Chinatown. Out of this total, 24,500 workers were temporarily dislocated in the two weeks following September 11th; 13,000 of these workers represented the garment industry, and 2,000 represented the restaurant industry.
- 7,685 people, or 23% of the worker population in Chinatown, were laid-off in the three months after September 11th.
- Total wage losses are estimated at \$114 million.

Based on the data provided by Safe Horizon, a major relief agency that provided temporary cash assistance to affected workers south of Canal Street,

- Garment workers suffered a 46% reduction in their average weekly wages after September 11th.
- Restaurant workers experienced a 61% decline in their average weekly wages after September 11th.
- Jewelry store workers experienced an 80% decrease in their average weekly wages after September 11th.

In two industry-specific surveys conducted by the Federation with

- 1) Union of Needletrades, Industrial, and Textile Employees (UNITE) and
- 2) the Chinese American Restaurant Association,

- Over 70% of all garment workers and 35% of all restaurant workers were still working reduced hours five months after September 11.

- **These financial setbacks have had a particularly weighty impact on Chinatown's businesses, workers, and residents, who were especially hard-hit as a result of the following community-specific factors:**

- Most Chinatown businesses operate on thin profit margins, which increase the effect of even short-term losses.
- The majority of Chinatown's businesses are cash-based, making it difficult for owners to secure affordably priced loans.
- Most Chinatown workers have relatively low skill and education levels and face language barriers, which limit their employability and wage potential even in good times.

- Chinatown employees typically support large, extended families, thus amplifying the effects of individual job and wage losses.
- Many Chinatown residents pay a higher-than-average percentage of household income on housing, thus increasing their dependence on employment.
- **Initial aid had a limited impact on Chinatown.**
 - Despite extensive outreach, only 237 Chinatown businesses received Small Business Administration loans totaling \$14 million.
 - Short-term assistance from various sources, generally in the form of cash grants, helped many individuals and businesses in Chinatown make ends meet temporarily. However, long-term needs remain.

CONCLUDING REMARKS

When Chinatown hurts, New York City suffers.

Chinatown is an integral part of the larger New York City economy; the blows to its business community have reverberated throughout the city.

- Chinatown is a vital commercial hub, an apparel manufacturing center, a major tourist attraction, and an immigrant enclave that is linked inextricably to the rest of the city.
- Ripple effects have hit the apparel, retail, and tourism sectors particularly hard, striking those areas that underpin Chinatown's economy. The future health of the garment industry, which was already in decline before September 11th, is uncertain.
- Over half of Chinatown's workers live in New York's other boroughs, especially in Queens and Brooklyn, thus extending the impact of job and wage losses into these areas.

NEXT STEPS

Based on the findings of this study, the Asian American Federation offers the following recommendations:

- The Lower Manhattan Development Corporation should include Chinatown in its planning and development efforts.
- Chinatown as an economically impacted community should be defined by geographic boundaries that are consistent with the residential and commercial patterns of the community.
- State and city agencies should establish a targeted business assistance program that can respond effectively to the needs of businesses in Chinatown. Such a program could be piloted in partnership with both private funders and appropriate community organizations.
- Resources are needed to increase the availability of classes that offer English as a Second Language as well as job training programs targeting dislocated workers who are handicapped by language proficiencies and low job skill levels.
- Long-term rebuilding of Chinatown also requires comprehensive planning and investment for community economic and workforce development.
- A special task force should be convened to examine those long-term development issues, to identify both common ground and possibly conflicting priorities among the various interests, to cultivate community consensus on development needs, to propose recommendations to the Mayor and the Governor, and to explore the feasibility of public-private partnerships for the planning of Chinatown as a special economic development zone.