

Sept. 11 effects linger

Businesses still see how terrorism affected the region

By Staff Reports

Even a decade after the horrific events of Sept. 11, 2001, the effects of the devastating terrorist attacks on the U.S. are still felt by many.

While South Florida seems a long way from New York City, where the Twin Towers were decimated that day, our community and the businesses within it saw both long- and short-term changes as a result of the most stunning act of terrorism in our nation's history.

In this issue, we ask business leaders in key industries how Sept. 11 affected their companies. Bankers, lawyers, tourism, real estate and transportation officials all weigh in on what they experienced immediately after the attacks and how they continue to affect them today.

TRAVEL: SECURITY LOOMS LARGE

Ten years after Sept. 11, its lasting effects on air travel security, the passenger experience and preparation is very visible at South Florida airports.

The tourism industry considers the attacks as an event that impacted business at first, but had a greater impact on changing the way people travel, said Nicki E. Grossman, president and CEO of the Greater Fort Lauderdale Convention & Visitors Bureau.

In the week following the attacks, tourism bureaus reported hotel occupancy had fallen by about 60 percent in Miami-Dade County and by 30 percent in Broward County. In the first week of October 2001, Palm Beach County's tourism bureau reported hotel occupancy decreased 13.5 percent, year-over-year.

But then tourists returned, occupancies rebounded and, with economies such as Brazil thriving, international visitors to South Florida have surpassed pre-Sept. 11 figures.

However, the attacks created a new normal for U.S. air travel.

The largest change at U.S. airports is the presence of the Transportation Security Administration, which was created in 2001 in response to the attacks. South Florida checkpoints now feature TSA agents, full-body scanners and barefoot passengers.

The entire passenger experience has changed, as people used to have free access to gate areas and did not worry about the amount of time spent at security checkpoints, said Steve Belleme, business development manager with the Broward County Aviation Department.

Nonetheless, "the safety factor outweighs any minutes you have to spend," said Marc Henderson, a spokesman for Miami International Airport.

Visitors, although understanding of the security measures, are not happy with them, "but it's what you have to do to get to this great place," said William D. Talbert, president and CEO of the Greater Miami

Convention & Visitors Bureau.

Airports have also incurred costs for new security technology, such as the \$32 million Terminal 1 inline baggage screening system recently completed at Fort Lauderdale-Hollywood International Airport.

Palm Beach International Airport and the Fort Lauderdale airport also had to ensure concessions were located on both sides of security checkpoints.

BANKING: PATRIOT ACT CRACKS DOWN

One of the first responses to the terrorist attacks was the government ramping up anti-money laundering rules with the passage of the USA Patriot Act. Banks in South Florida have felt some of greatest regulatory impact from this shift.

Whereas the Federal Reserve previously had guidelines for identifying customers, the Patriot Act ushered in strict requirements for banks to know their customers and the source of their funds, said Alcides Avila, a founding partner with Miami-based law firm Avila Rodriguez Hernandez Mena & Ferri LLP. The biggest focus was on international transactions, he said. The Patriot Act spurred what he called a cottage industry of conferences, advisers and software companies.

It also increased bank staffing, as most banks now have anti-money laundering/Bank Secrecy Act departments, and train all employees to handle these issues, Avila said.

“Financial institutions were, to some degree, deputized by law enforcement and charged with obtaining information with regard to suspicious activity,” said Dominic Suszek, owner of Miami-based BSA Technologies, which provides software to help banks comply with these laws.

In fact, the expectations are higher at smaller banks than at larger banks because they have a lower volume of transactions, Suszek said.

Since Sept. 11, banks fined for anti-money laundering/BSA violations involving South Florida include Wachovia Bank, BankAtlantic, Ocean Bank and Pacific National Bank.

Patricia Roth, executive director of the Florida International Bankers Association, said international banks were generally more prepared to deal with these regulations than community banks in South Florida because they had been working on them with regulators for years.

“People who want to launder money are having to either avoid the banks completely, or it has been much more difficult for them to put their transactions through a bank,” Roth said. “We have made life more difficult for people who want to use a bank to launder money.”

Mario Trueba, CEO of Miami-based Sabadell United Bank, said many commercial banks had to play catch-up on enforcement efforts because of the Patriot Act. It required training staff to ask clients more questions and be more skeptical, he said.

“Compliance has become an integral part of the business unit, and it’s important that regulators feel you take it seriously, and you have policies and procedures in place, and you follow those,” Trueba said.

Customers who conduct international transactions have also felt the impact of the Patriot Act, said Carla Barrow, a partner with Miami-based law firm Lydecker Diaz. The government has seized funds from legitimate businesses because they came from suspicious transactions and, even if the business had no knowledge of the suspicious activity, there is usually a significant financial impact, she said.

“If you know your clients and customers, there is less likelihood of having something get stopped,” Barrow said.

REAL ESTATE: BOOM, BUST

After Sept. 11, many commercial real estate investors, lenders and brokers said they were waiting to see how the dust would settle in several respects.

The newly created U.S. Department of Homeland Security and the Patriot Act triggered more scrutiny of the sources of foreign money in all activities, including real estate transactions. As a result, executing transactions took longer, but that only caused a minor blip in investment, said Jeremy Larkin, president of NAI Miami Commercial Real Estate Services Worldwide.

Lax federal banking rules and oversight spurred widespread lending and speculative investments that fueled South Florida’s commercial real estate boom. Tens of thousands of residential units were built during that time, as were millions of square feet of warehouses and offices.

The boom transformed largely uninhabited urban cores into thriving neighborhoods. Downtown Miami alone saw 17,500 new condo units and three new major office buildings totaling nearly 2 million square feet of space. None of that would have happened without the post-Sept. 11 real estate boom, said Peter Zaleski, managing partner of real estate consultancy Condo Vultures.

What lingers today of the impact of Sept. 11 is a longer lag time for refinancing of mortgages held by foreign nationals, Larkin said. So, foreign investors pay with cash and walk into bank lobbies only after purchases are completed. Interest from foreign investors continues to grow as the economies of the world continue to struggle.

But the stall in financing today is a direct result of the financial meltdown of 2008, rather than a result of Sept. 11, Larkin said.

LAW: FOCUS ON COMPLIANCE

Since Sept. 11, Miami’s role as a crossroads for international finance and legal dispute resolution has increased. That means attorneys who advise businesses have paid greater attention to compliance issues.

Rules enacted to prevent the flow of money to terrorists, mostly in the Patriot Act, have continued to gain in importance for Miami financial firms.

“Some of the largest impact of 9/11, you would see it right now in the area of cyber crime and cyber terrorism,” said Rebekah Poston, attorney at Squire Sanders in Miami. “Money-laundering provisions were a big issue in the Patriot Act. Banks were the big focus at first, but I think there’s been a diversification of the terrorist threat into areas like cybercrime and commodities. Gold and mining

industries especially have been affected more recently.”

Recently, Ocean Bank agreed to pay an \$11 million fine – one of the largest ever against a South Florida-based bank – over allegations of willfully failing to prevent money laundering for illegal narcotics sales.

In 2010, Wachovia Bank, one of the nation’s largest banks, entered into a deferred prosecution agreement with federal authorities in Miami to resolve charges that it willfully failed to establish an anti-money laundering program.

RETAIL: RECESSION WAS WORSE

In the 10 years since Sept. 11, South Florida’s retail market has struggled to regain its footing. But experts agree that, while the tragedy had an impact on retail sales, it was short lived when compared to the recession’s impact.

“While retail sales, like any consumer confidence issue, took a hit right after the terrorist attacks, it recovered fairly quickly,” said Rick McAllister, president and CEO of the Florida Retail Federation. “In the last decade, the biggest problem for retailers has been the recession.”

A December 2001 South Florida Business Journal story noted that, while retailers were crying poor, sales were actually up in the months following the terrorist attacks – but perhaps not as much as in previous years.

If there was any sign of decline, it was in the luxury retail market and in sales to international shoppers, who were opting not to travel.

In December 2001, a struggling Mayors Jewelers blamed part of its financial woes on Sept. 11, as more people forsook luxury purchases.

Now, Florida retail sales continue to lag the rest of the nation, a result of the foreclosure crisis and high unemployment, according to the 2011 International Council of Shopping Centers Florida Retail Report.

“While anecdotal evidence from many industry experts suggests the recovery is on its way, much of the statistical information points to Florida having reached the bottom of the market, but not yet seeing solid signs of recovery, the report noted.

In the months following the terrorist attacks, business brokers reported sales of small, mom-and-pop businesses had pretty much dried up, while some small service companies simply shut down. Meanwhile, the owners of larger, more established, profitable businesses were looking to sell.

“9/11 seemed to be a temporary, six-month deal, said Andrew Cagnetta, president of Transworld Business Brokers in Fort Lauderdale. “Things roared back until the real estate market crashed in 2006-2007.”