



**MINUTES OF THE BOARD MEETING
OF THE
INDUSTRIAL DEVELOPMENT BOARD
OF THE
CITY OF NEW ORLEANS, LA, INC.**

JULY 21, 2009

12:30 P.M.

1340 POYDRAS, AMOCO BUILDING, 21ST FLOOR CONFERENCE ROOM

Present:

W. Raley Alford, III
Dr. Ronald J. French
John Koch

Ronald G. Baptiste, Jr.
Susan P. Good
Darrel J. Saizan, Jr

Walter C. Flower III
James Paul Johnson
C. David Thompson

Absent:

Farrell J. Chatelain, Jr.
Allison P. Randolph, III

Glenda Jones Harris
Tyrone A. Wilson

Helen LeBourgeois

Also Present:

Sharon Martin, Administrator, IDB
O. Ray Cornelius, Bond Counsel

Guests:

Phillip L. Reed, M. D., Rampart-Ursulines, LLC
Murray Nelson, Office of Congressman Cao
David E. Berger, Renaissance Neighborhood Dev. Co.
Byron Poydras, Bank of New York-Mellon
Jack Northrop, Metro Source
Gionne Jourdan, Michaels Development Corp.
Toni Weiss
Aron Weisner, Enterprise Community Investments
Creig Brown, Metro Source
Wayne E. Woods, HANO
Matt Morrin, Enterprise Community Investments
Amber Seely, Renaissance Neighborhood Dev. Corp.
Holly Barham, Foley & Judell
Chris Kumpf, Sutterfield & Webb
Mark W. Wilson, OPCMIA
Michelle Whetten, Enterprise Community Investments
Lary Hesdorffer, Vieux Carre Commission
Steven Hattier, SJH, LLC
Tim Johnson
Elias Castellanos, HANO
Bill Langkopp, Greater N. O. Hotel & Lodging Assn.
Tom Wulff, Woodward Design-Building
Jarrett Omani, PLR Investments, LLC & Rampart-Ursulines, LLC

William Callihan, Capital One
Philip Dorsey, Dorsey & Co.,
Victor Smeltz, Renaissance Neighborhood Dev. Corp.
Scott T. Zander, Jones, Walker
Christopher M. Wuppel, Jones, Walker
Beth Zeigler, Hancock Bank
Tom Crumley, Woodward Interests
Brenda Richard-Montgomery, Providence Community Housing
Andreanecia M. Morris, Providence community Housing
Kirk Lee, Cement Masons, Local 567
Damon Burns, Morgan Keegan & Co.
Ernest Gether, City of N. O., Economic Development
Stanley McDaniel, The McDaniel Group

Prior to the opening of the meeting, the President, Walter C. Flower, III, requested an introduction of all guests until a quorum was confirmed. At 12:38 PM the President called the meeting to order. The Board roll was read and a quorum was confirmed. A motion for approval of the June 23, 2009 minutes was offered by Mr. C. David Thompson and seconded by Mr. Ronald Baptiste. Upon vote, approval of the minutes passed unanimously.

RAMPART-URSULINES, LLC

Mr. Flower opened the floor to a representative of Rampart-Ursulines, LLC. Dr. Philip Reed took the floor providing an overview of the project, advising that it seeks a principal amount of bonds not exceeding **\$18,440,000**, for the acquisition of 1100-04, 1106-08, and 1110 N. Rampart Street and 1031 (1143) Ursulines Street; that it plans to merge these properties with the use of an existing hotel license to create 100 units of preferred suites with a restaurant and parking facilities all a part of the “Preferred Suites” network; the project is located in the French Quarter. Mr. Flower asked if contact was made with the Vieux Carre Commission. Dr. Reed responded that he is the current owner of the properties and that he has not yet made contact with the Vieux Carre Commission (“VCC”).

Mr. Lary Hersdorffer asked to be recognized. He advised that he is the director of the VCC and that his last review of Dr. Reed’s plans showed it to be residential; that years have passed and the property has since been re-divided and subdivided; that as far as he recalls, the plans did not include Rampart Street. He further stated that zoning for the area prohibits hotels or the expansion of hotels; that a moratorium was placed on hotels in the Quarter in the late 60’s and it put a halt on creation or expansion of hotels. It is his understanding that this is a new proposal but it may not be permitted if the residents are not full-time residents; the VCC is concerned with preservation in the French Quarter.

Dr. Reed added that the Rampart property is inclusive and the planned use of these properties is to use an existing hotel license; the developer will bring this matter before

the VCC for consideration; they are not creating a new hotel but will provide housing from 30 – 60 days to its clients.

Mr. Flower then asked Mr. Ray Cornelius, bond counsel, for his input as to the VCC zoning issue. Mr. Thompson noted that if there is a problem with zoning, it would be a problem getting final approval, adding that the grant of preliminary approval, however, gives the developer time to work out these issues. Mr. Cornelius confirmed this explanation.

Dr. Reed further advised that he currently owns the buildings but the properties will be transferred into the new corporation's ownership. Mr. Flower reiterated that conditions under which preliminary approval would be granted and re-emphasized that final approval can not be granted until all conditions have been satisfied by the City and the VCC.

Mr. Cornelius then asked Dr. Reed if the \$18.44M was sufficient to satisfy the budget of this project in an effort to avoid having to come back before the board to make an amended request. Dr. Reed responded that he believes the amount is sufficient according to the contractor.

The President called for a motion for the granting of preliminary approval. Additional questions arose including one for clarification of the cost of the license in the amount of \$6.5M. Dr. Reed advised that the LLC would pay for the use of the existing license that is now under the name of an individual who is no longer a part of the project. Mr. Cornelius then stated that as bond counsel, he would have to go through federal regulations to see if bonds can be used for each purpose stated in the application.

Mr. Flower again asked for a motion for the granting of preliminary approval in the amount of \$18.44M. Same was offered by Mr. John Koch and second by Mr. Baptiste. The vote passed unanimously.

NEW SAVOY PHASE II

The President offered the floor to Mr. Stanley McDaniel of the McDaniel Group for the purpose of presenting his review of the cost/benefit analysis ("CBA"). Mr. McDaniel deferred the overview to the Michaels Development Company representative, Mrs. Gionne Jourdan. In her overview, she explained the plans for Phase II call for the construction of 160 units which will bring the total number of The New Savoy Phase I and Phase II units to 318. Phase II will also include an office, day care center and homeownership. Mr. McDaniel then advised that Mr. Jack Northrop, the Metro Source economist, was in attendance to answer any questions as relates to the cost/benefit analysis.

Mr. McDaniel began by stating the CBA lists a total project cost of Phase II at \$30.7M; that his review looks at the investment in New Orleans and analyzes the benefits and costs to the City and the foregone taxes associated with the project; that the project's PILOT is approximately \$3M over a 15 year period; that the benefit to the City is \$8.4M

an improvement of about 2.78 to 1, adding in employment and earnings taxes. The developer, he stated, is requesting a 15-year PILOT and that “but for” the PILOT, there would be an operating gap which would make the project unfeasible and would not generate a cash flow sufficient to handle the debt. In other words, this project would not support the debt if it were not for the PILOT. He reminded the board that there is a non-public component to this project; that the project would be difficult but not impossible without the PILOT; the developer is asking for the same PILOT granted by the Board in Phase I (15 years on public and 15 Years on non-public). He reminded the Board that, as in previous cases, public housing must break even as it requires subsidies; that the tax credit under Section 8 is also subsidized and not able to support the debt.

The question of whether there is a market for more housing was raised. The Board was advised by Mrs. Jourdan that there is currently a waiting list of over 500 for Phase I and Phase II.

Mr. Alford asked about proposed claw backs. Mr. McDaniel reminded the board that Phase I of the New Savoy **did not** have claw backs; he suggested that in light of this and considering the need for the PILOT, that claw backs similar to those set in the HANO “Big 4” projects be used.

Other issues were raised, i.e., expenses and “re-imbursables”; lack of impact fee; and costs of security for the development. It was reiterated that rent restrictions on this type of project are set by the IRS.

Mr. Flower then asked about the commitment to be expected from the developer as relates to the use of local businesses and employment of locals. Mrs. Jourdan advised that Michaels fully understands the need that a 30% allocation of the budget is to be spent locally with contactors, vendors, etc. and the hiring of locals. While 30% was the target, New Savoy, she stated, has reached 39% for a total of \$1.6M with Orleans Parish businesses. She was then asked the total cost of the New Savoy II project budget. Mr. Flower reminded the Board that it was not pleased with a 30% cap. Mrs. Jourdan also advised that she attended a job fair in connection with this project and had the opportunity to meet with locals even though the project won’t break ground until October or November of this year. Mr. Flower informed the Board that he attended a meeting recently and found the City is backing projects that will employ the youth of the city. He hoped this would be a situation that would help strengthen the employment base, by putting together a match of qualified youth who wish and are willing to work; he hoped this project would work as a catalyst to hire as many youth as possible. Mr. Alford then asked if the developer was aware of the other claw backs listed in the HANO developments and suggested that similar language be included in the claw backs for this project.

Mr. Cornelius informed the developer representative, Mrs. Jourdan, that specific claw back language is usually placed on the table for consideration when seeking final approval; putting in the same language may be difficult as the circumstances are different; he suggested that the Board could grant final approval with the PILOT/claw back language forthcoming and suggested that such approval on the language be granted at the next meeting.

Mr. Wayne Woods and Mr. Elias Costellanos, both representatives of HANO, agreed that some language may be different and that unfortunately 30% is the highest HANO can go. Mr. Flower asked that all parties work together and stated the IDB will cooperate to the extent possible but that reports will be required. When the language comes in, the IDB will be glad to approve if in order. Mr. Cornelius informed the board that the resolution for the granting of final approval was obviously not ready. The President then asked for a motion granting the approval of the CBA; the PILOT request of 30 years for the public housing units and 15 years for the Section 8 and 9% LIHTC after which the non-public housing portion would be assessed at the then market tax rate; that the PILOT language be submitted in advance of the meeting for review by the Board; and finally for the approval of the issuance of bonds in the amount of \$3.25.

The motion was offered by Mr. Darrel Saizan and second by Mrs. Good. Upon vote, the approval passed unanimously.

CHATEAU CARRE

Mr. Flower asked Mr. McDaniel to present his review of the cost/benefit analysis in this matter. He deferred the overview to Mr. Victor Smeltz, Executive Director of Renaissance Neighborhood Development Corporation who advised there is a 15-year PILOT request being made in connection with this project; that market and tax credit units are involved; that an offer has been placed before the board to cover PILOT payments on a 5-year incremental increase and if able, the developer does not object to paying more; there is a modest investment in the project; outreach has been made to Orleans Parish locals, WBE and DBE subcontractors at 40% of the project cost; the project site is within the target recovery zones; the project would serve as a catalyst for other neighborhood projects in the area; the project is supported by Councilmember Cynthia Hedge-Morrell, Dillard University and Sugar Hill Association; that the PILOT is essential to the project; the developer is investing in green technology to create additional jobs; and that a hard closing date has been issued by the LHFA, July 30, 2009.

He then advised that RNDC has worked hard on this project; that rents are depressed with units at tax credit rates, although current and future rates could increase but as represented this is where the comfort level currently stands.

Mrs. Good asked what would be the proposed annual administrative fee to the IDB. The response was \$5800 per year.

Mr. Flower stated to the Board that one issue to consider is if the PILOT is granted is the PILOT appropriate for the period requested or should a shorter period be considered. Mr. Cornelius then interjected that the Board bases the annual fee now on the appraised value of the project and if based on low taxes would be a low annual fee; that projects will be monitored to see if they are working and may come back before the board to determine ad valorem taxes. Mr. Alford added that the CBA shows the prediction of the tax burden as difficult. Discussions were then held concerning the annual fee. Mrs. Toni Weiss, the economist having performed the CBA stated that she looked at fundamentals to determine the costs and benefits and determined that someone else could, in three (3)

years, do market rate apartments or tear down the existing facility to do something else; then estimated what the property taxes would be on each if taken past the PILOT period.

Mr. McDaniel advised that the CBA was clear but is a departure of what is to be viewed and did not find it too credible. As a for instance, he cited that the 15-year window is added back in years 16 thru 30 in taxes and eventually balances out. The problem is that the CBA makes a great assumption; it ignores a lot of principals and a host of analyses with no objectivity. Mr. Alford expressed that he thought the criticism was unfair as the board has worked hard to get to this point in a CBA and the objectivity is a very welcomed part of the CBA; that the “but for” is not a departure. Mr. Flower concurred, adding that the process also reduced the cost to the developer.

Mr. McDaniel continued, advising the Board his professional opinion is based on the cost of the project without assumption; the real estate transaction; it takes in what the “but for” doesn’t cover; in takes in the water fall of cash down through expenses to support the debt. In this instance, he stated, he had trouble with the market rate rents, which was a change from what was presented in the application and the market study; that the 15-year cash flow was also different. It was the opinion of the developer and the lender, however that the market was declining - the absorption rate of rents on apartment units was slowing down raising a flag of caution resulting in their opinion of a market rate decline. In the Chateau Carre project there is all “potential” – there are no rent restrictions as in other apartment unit projects reviewed or approved by the IDB. However, given the pro forma, one would need a PILOT in the amount suggested to service the debt. Based on a sensitivity analysis, it is his opinion that any amount earned over and above that which is projected by the developer should go to taxes and strongly urged the proposal of claw backs in this instance starting at the top not the bottom line; he also suggested that the Board look at the length of the PILOT being requested and adjust it if so desired.

Mrs. Good interposed that in the CBA, the pro forma provides “Expenses” – all expenses (outside property taxes) are \$670K. An explanation was provided by Mr. Smeltz including one which emphasized that there are layers of debt. Mr. Alford stated that Mr. McDaniel’s presentation was well done and helpful. He asked how Mr. McDaniel would recommend assuring the viewing of the developer’s expenses.

Mr. Flower suggested that there be claw backs included that would stipulate that excess revenues generated be captured for the City. Mr. Cornelius reminded the board that the PILOT is a “prime” debt and gets paid first; all other expenses are subordinate.

Mr. Flower asked if the Board was comfortable with the 15-year PILOT request or if the Board desired a shorter period and placed the matter up for discussion.

Discussions were then underway as to the meaning and use of “excess” revenue. It was suggested that if revenue streams are greater than that being proposed, those funds should go towards ad valorem taxes. Mrs. Good stated that all operating expenses were already listed. Examples of what the Board wanted were expressed. Example: The developer indicated \$100K in revenues but realized \$120K; the additional \$20K would be available for an additional PILOT payment; all debt obligations stayed as they are; any additional revenue realized by the developer would go to the City. Mr. Smeltz informed the board

that there are other soft debt payments for which surplus cash would be needed and used. In the final analysis, it was determined by the Board that adequate claw back language would be crafted to cover the issue in accordance with the language desired by the Board. It was understood by the board that the bottom line showed that such surplus cash would come from the top – not the bottom - as such surplus can be manipulated if allowed to flow through any subsequent or additional expenses.

Mr. Thompson asked if the length of the PILOT were 5 years rather than 15 years where would the unravel take place. Mr. McDaniel advised the “unravel” would take place in year 6. Mr. Flower then stated that the Board wished the project to succeed without impairment but it is very important that the city share in the revenue stream where there is a surplus, including an independent audit which cost would be borne by the developer in the monitoring process. Mr. Cornelius assured the Board that language with which it would be comfortable could be crafted. Mr. Flower acknowledged the developer’s need for a closing by the end of August. Ms. Seely interjected that process of creating the PILOT proposal, the developer looked at what the City has been getting as an average in taxes for the past 10 years and therefore drafted their proposal for incremental increases in the PILOT payments every 5 years over the next 15-year period.

Mrs. Good thanked both Stan McDaniel and Toni Weiss for their reports, which were very helpful, adding that the process now taken moves the CBA process forward.

Mr. Flower then requested a motion to grant final approval of the bond issuance; for approval of the CBA; and approval of the PILOT request subject to claw back language that would include additional PILOT payments from any surplus revenue earned by the developer from the top. The amount would not exceed what would have been paid in ad valorem taxes had there been no PILOT.

By motion of Dr. French and seconded by Mr. Saizan, the board voted on the motion as proposed. By unanimous vote the motion passed.

HANO – LAFITTE

Matt Morrin with Enterprise Community Partners distributed a map to each board member, advising the Lafitte was given final approval on the project months ago; that the project will have 376 rental units for which a 15-year PILOT is requested (100% tax abatement for the public housing component of the Project is being requested and a 15-year 100% abatement for the non-public housing or tax credit and senior housing units. The 15-year tax abatement would be almost co-terminus with the equity investors’ tax credit compliance period less six (6) months); that there will be an additional 141 homes for sale on which there will be no PILOT; that the project is being developed in three stages/phases; their proposal for annual fees is \$5,000 a year on each phases as each phase is closed for a total of \$15K on all three phases when completed; that it is critical to close this matter within the next month. He stated the developer is hoping to complete the project by the end of year 2010 with the first phase beginning very soon. The Board was advised that the \$15K per annum is commensurate with other projects of this type.

Mr. Thompson stated that Councilmember Shelley Midura asked him to extend to the Board her strong support of this project; that she wished all leaders to work with protocol dealing with all the attendant specifics of this particular project.

The Board stated that it wanted to see reports delineating the use of local businesses (WBE and DBE included); employment of locals; percentages and amounts of contracts included on this project.

After all discussions, Mr. Flower then requested a motion to accept the PILOT proposal offered by the developer which included a \$5K per year annual fee to the IDB after the closing on each phase for a total of \$15K on the entire development, including the Board's request for monthly reports on the progress of the development as relates to employment and use of locals.

By motion for Mr. Saizan and seconded by Mr. Baptiste, the board vote passed unanimously.

521 TCHOUPITOULAS

Mr. Cornelius presented this matter, informing the Board that it had approved a \$16K issuance/reimbursement/credit to the developer in this matter at the time of the review of the CBA; that the developer is now seeking to have this credit applied to its ad valorem tax bill for year 2008 after which payment the ownership of the property will roll back into the name of the developer. After discussions, the President requested a motion to credit the PILOT payment due the developer in the amount of \$16K for the ad valorem tax year 2008.

By motion of Mr. Saizan and seconded by Mr. Alford, by board vote, the matter passed unanimously.

FINANCIALS

Mrs. Good presented the June financials further advising that the \$112,584 for the servitude at Six Flags was placed into an account with Iberia Bank until such time that the City renders an opinion as to its ownership. She further advised the IDB received an invoice from Adams and Reese in the amount of \$9K for services provided to the IDB, adding that it does not cover all time but certainly that time rendered by Mrs. Jade Russell for a period January 2009 to June 2009. In light of the fact that the Board lost its quorum, this matter was tabled until next month.

Mrs. Good, as an aside, asked that the File Status Report include a GO Zone bond allocation category to reflect those projects that have been allocated GO Zone bonds. She also asked that for the August meeting the Audit/Accounting RFP be made available.

INSURANCE

Tabled

ADMINISTRATOR'S REPORT

Reports and attachments distributed.

The meeting adjourned at 3:05 PM.

Susan P. Good, Secretary Treasurer