



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

SEPTEMBER 14, 2009

12:30 P.M.

ADAMS AND REESE, LLP, 701 POYDRAS STREET, 45TH FLOOR

Present:

Farrell J. Chatelain, Jr.	Walter C. Flower III	Dr. Ronald J. French
Susan P. Good	Glenda Jones-Harris	John L. Koch
Helen LeBourgeois	Allison P. Randolph, III	Darrel J. Saizan, Jr
C. David Thompson		

Absent:

W. Raley Alford, III	Ronald G. Baptiste, Jr.	James Paul Johnson
Tyrone A. Wilson		

Also Present:

Sharon Martin, Administrator, IDB
Joy Matthews, Admin. Assistant, IDB
O. Ray Cornelius, Bond Counsel-Adams and Reese
David Wolf, Bond Counsel-Adams and Reese
Wayne Neveu, Bond Counsel-Foley & Judell

Guests:

Lorraine Washington, Citizen
Bill Langkopp, Greater New Orleans Hotel and Lodging Association
Cody Marshall, C3 Hands Off Iberville
Terri Franklin, Regions Bank
Mark W. Wilson, OPCMIA
A. W. Gomez, BAC Local #6
Shawn N. Rochon, D. & S Construction
Tim Johnson, Advantous Consulting
Stan McDaniel, McDaniel Group
Camille Whitworth, WDSU-TV
Andrew McAllister, WDSU-TV
Scott Murphy, Iron Worker Union No. 58
E. Gethers, City of New Orleans
Denis Milliner, Bank of New York Mellon
Cloyd Van Hook, Guarisco & Cordes
Paul D. Cordes, Jr., Guarisco & Cordes
Becky Mowbray, Times-Picayune
Carol Rocque, Securities Corp/Damon Rocque
Joseph E. Williams Beacon Street Financial Group
Damon Burns, Morgan Keegan
Jeannie Tidy, Downtown Development District

LaSwanda Green, Downtown Development District
Gionne Jourdan, Michaels Development Co.
Toni Weiss, Professor/Tulane University

The meeting was called to order by the President, Walter C. Flower, III, at 12:39PM. An introduction of all guests was conducted. A quorum was acknowledged and a roll call of the Board was had. After roll call, the President asked for a motion approving the minutes of the August 18, 2009 board meeting. By motion of Mr. C. David Thompson, and seconded by Mr. John L. Koch, the board voted unanimously to accept the minutes.

ZELIA, LLC

Cost/Benefit Analysis

Professor Toni Weiss, economist conducting the CBA, presented her analysis, advising that in order to conduct her analysis, she met with the developer, the staff of the Downtown Development District, and others. She reminded the board that the developer originally requested \$-0- as a PILOT payment and subsequently returned, requesting a PILOT based on the amount of Private Market Space of the project being rented. She stated that if a PILOT is not granted, she estimates that it could possibly be 10 years before there would be another undertaking of a project such as this at this location. Ms. Weiss, advised that conservative numbers were used as there was no idea what the Entertainment District would provide in terms of benefits; the La. Stadium Exposition District (LSED) and the applicant, Zelia, LLC, are responsible for all property taxes and any lessee in the rental space would share in property taxes if the LSED is not responsible.

At this time, the President asked for an explanation offered by the developer for taxes in the amount of \$90,000. Ms. Weiss advised that initially the developer was requesting a 15-year PILOT with the potential of a 20-year PILOT. She stated that the loss to the city, of course, is the loss of property taxes if a PILOT is not granted; that a 30-year time horizon was used in her analysis which obviously is longer than the PILOT of 15 to 20 years, but is necessary to determine costs and benefits in the long-term.

She then addressed questions from the Board concerning the employment to be gained by the Entertainment District which would include restaurants, kiosks, retail, etc and stated that these would create a unit of employment that would include new jobs and a displacement of other jobs from other areas which would not be considered new jobs. The current employment rate is estimated at 25%. With the influx of construction jobs there would be a ripple effect in the economy with a multiplier creating additional jobs. Also considered is the State taking over 2/3 of the building and the other 1/3 being occupied by private entities that may be coming from another location. She advised that the average per square foot for downtown office space is \$16-\$19 psf (gross). In answer to a question raised by Ms. Glenda Jones-Harris re square footage of the medical facility, Ms. Weiss said that the 115K square feet that the medical facility now occupies would remain in the current building until the hospital is built; that the space has not yet been dedicated and not sure how long the medical facility will remain.

Inquiries also required Ms. Weiss to explain the thought processes behind her supposition that there would not be any activity at this site for at least another ten years. She advised that she took into account the tight financial markets and that the building has not yet been renovated since Hurricane Katrina.

Mr. Flower then referred to page 26 of the CBA and asked how the developer came up with the 74% measurable as it relates to PILOT calculations and its degree of occupancy of the office building. She stated the developer estimated that its use of the total square footage of 1.8M square feet of the office building and the N. O. Center equate to about 2/3 of the medical center with LSU (medical center) and 50% of the New Orleans Center because that land is owned by the State and leased back, only 50% of the total space would not qualify.

Mr. Paul Cordes asked to be recognized. He explained that the mall space is a profit sharing vehicle of the LSED and the Entertainment District.

Mr. Flower invoked and reiterated the sentiments of several board members that the important issues of concern by the Board as relates to Zelia's request for a PILOT are:

1. Employment of locals during construction and thereafter;
2. The contracting of local businesses including WDBE and DBE
3. The claw backs that would be imposed by the IDB to ensure the hiring of locals; and that if the developer made more than what is projected the necessity of the City recovering that revenue over and above that projected as an additional PILOT payment not to exceed those taxes which would otherwise be due as ad valorem taxes

Mr. Paul Cordes, assured the Board that Mr. Benson is for New Orleans and the surrounding area; that Woodward-Design Building is the lead contractor on the rehabilitation of the Office Tower; that compliance of State regulations require similar provisions; 90% of employees in the office building and in the Entertainment District would be Orleans Parish resident. Ms. Weiss, however, contended that based on her experience, statistics indicates a decrease in such employment stats as a result of the hurricanes and that her scales are much lower.

Mr. Allison Randolph emphasized that he would like to see specific plans identified by the developer for use of local contractors and sub-contractors as well as the use of other small businesses; in other words, show how minority and small business will participate. It was also emphasized that many of these projects currently underway are inundated with out-of-state contractors doing work locals can do. There was concurrence by Mr. Farrell Chatelain. Ms. Weiss remarked that the IDB should be assured by the developer they will not seek a TIF or rebate on material purchases.

Mr. Koch asked if the PILOT was critical in this undertaking and whether the \$20 psf for the State-rented portion of the building was fair market or above market rate. Ms. Weiss interjected that this is a point of difference. Mr. Cordes then explained that \$20 psf is for 320,000 SF of actual space to be rented; there is no common area factor cost so this is

clearly within the market rate; he provided a set of formulas and explained same to the board. Mr. Koch then asked if this is what the State is paying for as the State's incentive for this package and that the IDB has not heard from the State on what it wishes for this package. Input has been heard from the City and the City Council.

Mr. Randolph echoed that everyone wants to see this project developed but it appears that the request for a \$90,000 per year PILOT payment request seems to be extremely low considering the amount of money being circulated and further stated that he felt the City is not being treated fairly with this request. Mr. Cordes stressed that this helps to achieve the "A" rating they need to make the project work; that there are no guarantees in the project; all is based on cash flow paid from the State office lease and LSU occupancy; that a fixed PILOT is needed in this project.

Mr. Cornelius interjected that the goal of today's request is subject to the claw backs voted upon by the Board; that the project is based on a PILOT; that claw backs would include a percentage of the construction costs including minority and local participation with emphasis on local hiring; that a public hearing would be held on the matter and that notice and invitations to the public hearing will include local taxing bodies; that the urgency of knowing there is a PILOT today is necessary for the acquisition closing schedule for the next day. He stated the developers will come back to the next board meeting at which time protection of the board and its claw backs can be discussed.

Ms. Weiss stated, in answer to Mr. Thompson's question, that without the PILOT all benefits might become a huge fiscal loss to the City. Mr. Thompson then stated that traditionally the IDB does not lower taxes as currently being asked and added as an inquiry whether the Downtown Development District was in support of the PILOT for this project to which Ms. Weiss said, "yes".

At this point, Mr. Flower offered the floor to Mr. McDaniel for presentation of the "but for" analysis. He advised that the lease between Zelia and the State is set at \$20 psf and that this amount includes an \$8 expense to cover a wide range of rental expenses including property taxes. He explained that property taxes are imbedded in lease payments. He advised that LSU has a 5-year lease which goes silent after the 5th year, that is it is not sure if they will renew their lease in year 6; that the rating agency does not consider private space in their rating process; the Developer is seeking to achieve a class "A" rating to secure financing and the debt coverage governs whether or not it receives a class "A" rating. He stated that it was his opinion that even if the finance unraveled, it does not mean the project won't move forward but that there will be a "gap". His review showed that income for the Entertainment District as well as the parking could not be verified or determined. However, when looking at ninety thousand square feet of space, you can tell what the market is currently paying. Because of the lack of verified information, he found that he could not make an informed recommendation consistent with his previous practices of informing the board. Mr. Randolph asked if there was enough information to set claw backs. Mr. Cornelius then interjected that some information being requested by Mr. McDaniel was simply not available. Mr. Randolph stated that there has to be some reasonable, realistic idea of what revenues will be generated so there can be an educated projection based on information provided by the developer.

Dr. French expressed the opinion that with the current request for a \$90K per year PILOT payment, the IDB was being put in the position as a deal breaker; that the IDB must protect the City; that the IDB with valid speculations decides to allow PILOT arrangements and that the IDB has generally stuck with the precedent of freezing taxes at their current level; that clearly, the IDB has an obligation to the citizens of the city.

Mr. McDaniel added that based on his review of the Cushman Wakefield appraisal, the average rate per square foot of office space which is being paid by the State is in excess of market rate for other downtown space.

The Board was in agreement that it wished the project success and would do what it thought reasonable to protect the city and get the project up and running. Concern was expressed at the \$90,000 request and discussed a range between \$90,000 - \$352,000. After discussion, the President requested a motion on the amount of the PILOT subject to claw back creation before the next board meeting.

By motion of Mrs. Susan Good to approve a PILOT in the range of \$90,000 to the current taxes of \$352,000 until additional information is acquired, subject to claw backs that would protect the City was seconded by Mr. Randolph. Before a vote was taken the matter was placed for discussion. At this time, Mr. Cornelius advised that the negotiation of the PILOT and its claw backs could be anything pursuant to the Board's desires. He said that his thought would be to place same at the low end range with contractual certifications and claw backs based on performance. Mr. Cordes concurred that the developer could live with this recommendation so that financing could be pursued. At this time Mr. Chatelain suggested taxes in the amount of \$176,000 subject to claw backs. Mr. Flower interjected that substantiation for a PILOT of \$193,000 is reflected in the CBA, adding if the project does enormously better then the taxes would be above the \$352,000 benchmark with the claw backs being formalized by the next board meeting.

The former motion was with drawn. A new, amended motion was placed by Mrs. Good and seconded by Mr. Darrel Saizan as follows: A 15-year PILOT in the amount of \$176,000 to be granted with the option of adding an additional 5 years based on the State exercising its option for an additional 5 year lease, subject to claw backs for the protection of the city which matter will be reviewed at a later date. By unanimous vote of the board, the matter passed without objection.

POYDRAS PROPERTIES HOTEL HOLDINGS, LLC

The Board was advised that the State allocation for this project will expire in October. Since the State will not extend the deadline, approval by the IDB for a draw down of \$22.5M of the \$225M already allocated to the project is being requested. The \$22.5M will be purchased by the Company and two banks. The Board was also informed that the developer may come back before the Board seeking a PILOT as assistance in the matter as the market is still difficult. This partial purchase could assist in keeping the project alive and moving forward. Mr. Cornelius added that the Poydras Properties Hotel Holdings project and the Zelia project could help to fuel each other. The Hyatt would be essential to retail and the Entertainment District. Each developer is taking a leap of faith.

Mr. Saizan added that the Hyatt should be a part of the concept of revitalizing that area of downtown. Mr. Cornelius stated that a resolution has been prepared authorizing the issuance of \$225 with a 10% current issuance with changes of interest at 5%. The President requested discussion of the Board. No additional discussions were held and a motion to accept the resolution was requested.

By motion of Ms. Jones-Harris, seconded by Mr. Saizan, a vote was taken to accept the motion and same passed unanimously.

NEW SAVOY PHASE II

Mr. Wayne Neveu, bond counsel in this matter, presented. He reminded the Board that a PILOT was previously approved subject to language of the claw backs; that the “as completed appraisal value” was not in yet but would be included in the language ensuring that the City would get its foregone taxes. The amount of the \$5,000 per year would be the minimum if the “as built” figure came in too low. Ms. Gionne Jourdan was introduced who provided that New Savoy Phase II will comply with the requests of the IDB.

The President requested a motion for the acceptance of the PILOT language to adopted. By motion of Ms. Jones-Harris, seconded by Mrs. Helen LeBourgeois, the Board voted unanimously to accept the PILOT language as proposed.

UNION ISSUES OF HIRING PRACTICES AND CONTRACTING OF LOCAL BUSINESSES

Upon presentation of the document of the Union, the President requested that a two-page letter be sent to the Board covering the issues they would like addressed. He added that it is incumbent upon the IDB to get back to HANO for proof of obligation and that it appeared to be a good time to start monitoring these projects allowing HANO to provide a clear-cut analysis of the practices of the developers in each HANO project approved by the Board. It was suggested by Dr. French that it might be possible to get the assistance of the new Inspector General to assist in overseeing the bid processes of these developers and to determine whether or not they are in compliance. Mr. Flower advised that the IDB will have to initiate a monitoring audit.

OLD BUSINESS

Bond counsel, David Wolf, informed the board that the issuance of bonds to Edwards Avenue Partnership was closed at \$7.514M with new market tax credits of \$2.6M.

INSURANCE

The Board voted unanimously to approve the insurance quotes for General Liability and Non-Hired Auto, Worker’s Comp in the amount of \$2915.00

FINANCIALS

Mrs. Good informed the board that copies of the financials were not ready at this time. She also requested the submittal of names of accountants and auditors who could be sent copies of the RFP. She reminded the board that each contract, when signed, would cover a 3-year period.

ADMINISTRATOR'S REPORT

Ms. Martin presented her report.

The meeting adjourned at 2:30 PM.

Susan P. Good, Secretary Treasurer