Bring New Orleans Back Commission

Post-Katrina Economic Redevelopment Plan

New Orleans, Louisiana
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Bring New Orleans Back:
Economic Redevelopment Plan

Executive Summary

New Orleans faces an unprecedented challenge in rebuilding its economy in the wake of Hurricane Katrina. Rarely, if ever, has a major American city faced such a massive disruption: more than 1,000 people died, basic services and infrastructure were disabled, businesses were obliterated, the workforce was displaced, housing stock was destroyed, tourism halted, and the consumer base was forced out and uncertain of return. Any one of these events would have constituted a great economic trauma; their confluence threatens the viability of New Orleans as we know it. This situation demands an incredible set of actions, which are outlined on an industry-by-industry basis in this report. The aftermath of Katrina undoubtedly presents a monumental challenge, but it also provides a valuable opportunity to implement a comprehensive and coordinated plan for economic development. The industries addressed in this plan represent the greatest opportunity to achieve this goal. It is a plan not only to reopen New Orleans, but to restart its economy, and to make it a model for revitalization.

OVERARCHING NEEDS

Four overarching elements are essential to economic recovery in New Orleans:

1) **Secure the Infrastructure** – Without a secure infrastructure, the city's operations will be hamstrung and the confidence of investors will be lost.
2) **Jumpstart the Economy**– Immediate action must be taken to restart the economy, so industries can get running and return to steady state business as usual.
3) **Business Friendly Environment** – Katrina imposed a significant competitive disadvantage to New Orleans – this must be considered as a part of the city's overall business climate, and adjustments to taxation and regulation must be made accordingly.
4) **Administration of Funds** – With aid dollars central to recovery, New Orleans must maintain sound fiscal management structures to maximize the impact of these funds.

Without these vital pieces in place, businesses will not return, and industries will break down.

Secure the Infrastructure

Quickly restoring the city's infrastructure is vital to any economic redevelopment agenda. Hurricane Katrina significantly damaged everything from the levees to Armstrong International Airport. These issues are beyond the scope of the Economic Redevelopment Plan, but they are central to economic recovery. The infrastructure of the city must be sound for business to flourish. These actions include:

- Repair the levee system to provide Category 3 storm protection by June 1, 2006.
- Design and implement a higher level of protection throughout Southern Louisiana, including Category 5 storm protection where appropriate.
- Consolidate flood protection into a single board with professional qualification requirements and stringent ethics/conflict of interest provisions.
- Consolidate the multiple parish levee districts into a single unified levee district.
- Improve disaster evacuation and emergency planning and procedures.

- Repair all city transportation systems, e.g., air, rail, waterways, streets, and sidewalks.
- Restore all public utilities and delivery systems.
- Restore the primary and secondary education system.
- Help higher education institutions meet critical needs to re-open by early 2006.

Jumpstart the Economy

The New Orleans economy can not run without immediate outside assistance. Once the economy is jumpstarted, it will recharge on its own. Temporary housing, government guaranteed loans and grants, and business incentives are essential to getting the economy up and running, to bridge the gap between now and business as usual. These actions include:

- Provide temporary housing for workers, including employer incentives for the provision of temporary housing.
- Develop a comprehensive employee bussing system to allow displaced workers scattered across the region to return to their jobs.
- Enact tax incentives which could include:
  - Tax-exempt bond financing for rehabilitation of business properties in the disaster zone, combining parts of the Liberty Bond and Enterprise Zone Bond programs.
  - Expand Work Opportunity Tax Credits to include Katrina-affected individuals.
  - Lease improvements – Shorten lease depreciation timeframe to five years for disaster affected region.
  - Tax credit for qualified Historic Preservation/Rehabilitation to encourage the retention of the unique character of the disaster zone properties.
  - Bonus Depreciation – Allow 50% deduction for new capital investment.
  - Increase small business expensing from $100K to $200K for new equipment.
  - Tax credits for wages paid by loyal disaster-zone employers who provided wages and health benefits while businesses were not operational.
  - Provide tax incentives, loan repayments, forgiveness of debt, and healthcare services in exchange for the will to be employed in the disaster area.
- Conduct a targeted and aggressive outreach to make displaced residents aware of the housing, training, and employment opportunities available back in New Orleans.
- Expand on existing “Open for Business” marketing campaign targeted at tourists and conventions to increase visitor traffic and spending in New Orleans.

Create Business Friendly Environment

City and state tax codes give New Orleans the reputation of being a difficult place to do business. The damage caused by Katrina, and the perceived risk that is now associated with the city, have added yet two more costs to doing business here. In this new landscape, businesses are less likely to operate in New Orleans, and displaced businesses less likely to return. With elevated costs and risks, an unfriendly business climate will only exacerbate the situation and drive business out of the city. Litigation legislation and tax codes should be reformed, with an eye toward making Louisiana and New Orleans more competitive places to do business; these factors must be significantly more favorable than comparable cities and states so businesses considering New Orleans will come to the city despite the economic disruption caused by Katrina. Moreover, city, state, and federal governments should align to minimize conflicting messages toward business.

Accountable & Credible Administration of Funds

With the massive new flow of funding and resources into the New Orleans rebuilding effort, it is of utmost importance that money into the city is administered efficiently. A lack of assurance that funds are appropriately and efficiently spent will undermine the cause. One proven approach to addressing this concern, which has worked in cities throughout the country, would be an economic development corporation with the express mission of administering funds and programs related to economic redevelopment.

NEW ORLEANS INDUSTRY BRIEFS

Small Business

Prior to Katrina, small businesses accounted for 40% of the New Orleans job market. The hurricane devastated both local businesses and the customer base, driving out an estimated 60% of the city's small businesses.

Small Business Redevelopment Action Plan:

- The creation of a venture capital style fund for small businesses.
- Immediate revival of small businesses through tax incentives, grants, and loans.
- Direct funding for programs that attract and promote small business development.

Direct federal funding request: $2,666,800,000

Hospitality Industry

Before Katrina, tourism was at the heart of the New Orleans economy, accounting for 15% of the total employment in the metro area and up to $8 billion in economic impact per year. The hurricane caused significant damage to many of New Orleans' key assets, including the Superdome, the convention center, and the historic street cars. Moreover, the image of the city was severely scarred.

Hospitality Industry Redevelopment Action Plan:

- Repair key hospitality infrastructure to pre-Katrina status.
- Repair high-traffic, high-visibility street corridors such as Canal Street.
- Launch a marketing campaign to rebuild the image of the city and attract tourism.
- Federal tax incentives for developers.

Direct federal funding request: $748,800,000

Bio-Med Industry (Healthcare and Bio-Sciences)

Prior to Katrina, the bio-medical industry was the second largest source of jobs in greater New Orleans employing 73,000 people. This regional healthcare hub was hit hard by the storm. The hospital system is operating at 40% of pre-Katrina capacity and has critical staffing shortages, including physicians, nurses, and skilled technicians. Nearly all sub-acute care facilities are inoperable, and nearly all area medical schools are closed or displaced

Bio-Med Industry Redevelopment Action Plan:

- Become a model for healthcare systems reform by focusing on quality and outcomes.
- Immediate operating shortfalls must be funded through external contributions.
- Changes to Medicare and Medicaid in-patient reimbursement rates.
- Reopen hospitals and rebuild destroyed hospitals.
- Secure funding for the Cancer Research Center and Bioinovation Center.
    - Establish biomedical enterprise zone.
- Reestablish the medical schools.
- Address critical staffing shortfall in bio-med workforce.

Direct federal funding request: $240,500,000

Maritime Industry

Prior to Katrina, New Orleans-area ports constituted the largest port in the U.S. and the fifth largest in the world by tonnage. The storm had significant impact on this industry – the Port is currently operating at 50% of pre-Katrina capacity.

Maritime Industry Redevelopment Action Plan:

- Restore port and maritime infrastructure to 100% of pre-Katrina capacity.
- Increase competitiveness through targeted regulatory changes and fee cuts.
- Become the centerpiece of CAFTA (Central American Free Trade Agreement).
- State contribution of $50 million for the Port Priority Fund.

Direct federal funding request: $629,000,000

Oil and Gas Industry

Prior to Katrina, Louisiana was the top crude oil producer in the U.S. The hurricane briefly halted production in the Gulf of Mexico, but 81% of capacity has been recovered.

Oil and Gas Industry Redevelopment Action Plan:

- Restore industry functionality to pre-Katrina levels.
- Make New Orleans and the South Louisiana Area a more attractive base for "major" oil and gas regional offices with state tax and legal reform.
- Create an independent oil and gas industry headquarters in Greater New Orleans and South Louisiana.

Direct federal funding request: $0

Aerospace and Military Industry

Naval Support Activity and NASA alone account for more than 18,700 high-paying jobs in Greater New Orleans. This industry constitutes a major growth opportunity and a major risk of loss. The industry is operating at near full capacity in the aftermath of Katrina.

Aerospace and Military Industry Redevelopment Action Plan:

- Retain existing aerospace and military employers and attract more federal-related enterprises with the Federal City project.
- Gain federal commitment to New Orleans area federal facilities.

Direct federal funding request: $0

Film and Television Industry

Prior to Katrina, Louisiana ranked third in the nation for film and television production. This burgeoning industry represents an incredible opportunity for New Orleans and the state. Nearly all production and investment projects have been halted since Katrina.

Film and Entertainment Industry Redevelopment Action Plan:

- Attract private investment via two specific tax incentives:
  - Modify IRS tax code to allow for deduction of film projects in disaster zones.
  - Allocation of Federal New Market Tax Credits for Louisiana.

Direct federal funding request: $0

Music Industry

New Orleans is the birthplace of Jazz, and the home of Fats Domino, the Meters, the Neville Brothers, the Marsalis family, Master P, Cash Money Records and the nation's greatest assortment of musical institutions, including the New Orleans Jazz and Heritage Festival, the Essence Festival, and dozen's of live music venues. Nearly all recording and production projects have been halted since Katrina and scores of local musicians have been displaced.

Music Industry Redevelopment Action Plan:

- Allocation of Federal New Market Tax Credits for Louisiana for a "Jazz District" located at the historic birthplace of Jazz adjacent to the French Quarter.
- Include housing for musicians and recording artists, an interactive Jazz museum, state-of-the-art recording studios, indoor and outdoor performance pavilions, and a "Storyville District" pavilion in the new Jazz District.
- Expand the assistance offered by the New Orleans Music Co-Op to include Hurricane Katrina relief assistance, legal and accounting services, and other industry "business" assistance.

Direct federal funding request: $600,000

Manufacturing Industry

The manufacturing industry is a key area for the revitalization of New Orleans. Several dilapidated and destroyed manufacturing and retail zones throughout the city could be rebuilt around new manufacturing hubs all without expanding into any new real estate. Manufacturing in several industries mentioned above should be encouraged.

Manufacturing Industry Redevelopment Action Plan:

- Encourage manufacturing development in blighted industrial areas of the city.
- Build a boat and ship building "Center for Excellence," a national institute for the industry specializing in job training and industry best practices.
- Continue attracting NASA and defense-related contracts at New Orleans facilities.

Direct federal funding request: $60,000,000

Food Processing Industry

The food processing industry provides 8,000 jobs to greater New Orleans. The industry has close ties to the maritime industry, and adds to the cultural fabric of the city. It offers a growth opportunity because of New Orleans' reputation for fine cuisine as well as the built-in shipping and rail infrastructure.

Food Processing Redevelopment Action Plan:

- Develop the "Greater New Orleans Food Kitchen Technology Incubator."

Direct federal funding request: $1,500,000

Information Technology Industry

The Katrina-impacted region is home to a growing IT sector and was fast becoming a center of excellence for back office technology, including the work being done at the National Finance Center, the largest payroll center in the nation; the SPAWAR Systems Center, home to the DIMHRS program, the largest PeopleSoft implementation in the world; and the Stennis Space Center, the new home of NASA's Shared Services Center. Existing federal government IT projects should be retained and new ones located here. Back-office IT, electronic medical records systems, and the digital media industry should be the focus for growth.

IT Industry Redevelopment Action Plan:

- Secure guarantee that federal government IT operations in the area will resume work at their original locations and at pre-Katrina personnel levels.
- Locate a new major federal IT program in the New Orleans area.
- Create a "Disaster-Disadvantaged" designation similar to which federal agencies would be required to provide a percentage of contracts to regional IT firms.
- Make New Orleans a national test model of an electronic medical records system.
- Fund technology support and education at New Orleans colleges & universities.
- Build a "Digital Media Campus" to attract and house video game developers.

Direct federal funding request: $0

Workforce

Hurricane Katrina displaced more than half of New Orleans' workforce, leaving a gaping hole that jeopardizes the city's ability to restart the economy. Prior to the storm, sufficiently qualified workers were already in short supply.

Workforce Redevelopment Action Plan:

- Strengthen existing initiatives, e.g., pre-employment training and placement.
- Implement targeted training in industries with critical worker shortages, e.g., healthcare and ship and boat building.

Direct federal funding request: $49,440,000

Total federal funding request for all industries: $4,896,640,000

Small Business & Entrepreneurship Redevelopment Plan

OVERVIEW (Pre-Katrina)

Small businesses (50 employees or less) are the backbone of the New Orleans economy, accounting for more than 40 percent of the metropolitan area's total employment. These establishments include everything from jazz clubs to grocery stores, from neighborhood Laundromats to famous Louisiana restaurants. They define the character of the city, and they make the city run.

Employment

Throughout the metro area, small businesses accounted for approximately 250,000 jobs, more than 40 percent of the region's total employment.

Economic Value

Before Katrina, there were more than 18,000 small businesses in the metropolitan area. These businesses constitute the fabric of the city, serving the needs of citizens and tourists alike. These entrepreneurs create jobs, wealth, and leadership in the community.

Intangible Value

Defining Culture – There is no overstating the cultural impact that small businesses have on the city of New Orleans. A good example of this is the city's cuisine. There are more than 3,000 restaurants in the city, making it a national hub for fine-dining and the nucleus of southern comfort. These small businesses are an organic outgrowth of the needs and tastes of the citizens and visitors of New Orleans.

The Basics – Small businesses include the essentials of daily life, things that make neighborhoods tick, such as barbers, corner stores, copy shops, and pharmacies. These are establishments that define communities, and that make life and business possible.

High Priority, High Risk – With proportionately less at stake, less tied to New Orleans, and a higher tolerance for change, small business entrepreneurs are the most critical piece of a long term economic recovery strategy for New Orleans. However, because they are also the most mobile, they are likely to relocate to another region where the issues are less daunting. In short, these individuals will likely go to where there are opportunities that are easier to leverage and where logistics are not an issue.

KATRINA'S IMPACT (Current State)

Small businesses were devastated by Hurricane Katrina. According to Tim Ryan, University of New Orleans Chancellor and economist, it is not a stretch to forecast that over 60% of New Orleans small businesses will go under in the near term. Unlike other disasters that create temporary disruption, many of these businesses may be closed for several months, and it is unclear when their customer base will return. As a result, many businesses will be faced with the permanent loss of customers. Rebuilding the entire customer base typically requires an upfront investment in marketing, sales personnel, new equipment and product development.

Jobs Lost

The number of jobs lost could reach as high as 150,000, according to Chancellor Ryan's forecast. The New Orleans entrepreneurial business community has been displaced and its small business people have rented or bought homes outside of the city and state. Their employees are scattered across the region. They have enrolled their children in new schools, joined new churches, and are establishing new networks and resources to support their businesses elsewhere. In short, the small business evacuee is having difficulty reestablishing roots back in New Orleans.

Intangible Impact

Small businesses often do not have significant cash reserves, they are often underinsured, and they are at significant risk of failure if they do not receive financial support. Those businesses in need must be quickly identified and provided with assistance including fast access to capital in the form of loans, equity and/or grants. Companies, foundations and individuals have donated relief dollars to National Organizations but the dollars are not reaching the individual business owners. If we don't retain these high growth entrepreneurs now, the cost to recruit new ones will be substantially more. Providing incentives to help attract and retain businesses as well as providing technical assistance are also critical to the support of small businesses.

REDEVELOPMENT ACTION PLAN AND REQUIRED ASSISTANCE

Vision

Restore and improve entrepreneurial and small business activity in New Orleans to international prominence through adopting innovative projects that deliver local business retention, encourage new business development, and entice outside area firms to locate in this great city. Ultimately, to provide livable wages to all employees and to provide tax revenue to the federal, state, and city government(s) as a return on their investment.

Goals

Short Term (less than 1 year = 2006)

- Revive the New Orleans area's small businesses with incentives, grants, loans, and other special programs.
- Harness New Orleans rebuilding dollars as an economic driver for small business.
- Promote and sponsor the development of local business capacity and capability in the planning and construction trades.

Long Term (more than 1 year = 2007+)

- Establish a $2.5 billion federal venture capital style fund to rebuild the city's small businesses.
- Use tax reform and special programs to bolster the city's entrepreneurs and small businesses.
- Establish the "Entrepreneurial Village," a business incubator to help small businesses get up and running.

Action Steps and Estimated Costs

Short Term

Project Proposals:

1. Create a small business-focused hotel facility – the "New Orleans Bed and Business" – that would house a minimum of 1,000 displaced New Orleans-based business owners. The B & B would provide all the resources to help entrepreneurs get their businesses back up and running, including free housing, capital, and support teams, all directed toward accelerating New Orleans rebuilding efforts. **Cost: $11.8 million ($10 million seed capital, $1.8 million for the hotel).**

2. Create an online business resources portal, a one-stop information gateway with comprehensive regional resources for starting and operating a business in the greater New Orleans region. (See Appendix 3 for more details.) **Cost: $5 million for web-site development and marketing.**

3. Create a neighborhood builders program to increase participation of local and smaller contractors in the rebuilding of New Orleans. This program would match small builders with veteran builders who would serve as mentors and advocates to provide high level guidance on the development process, including financing, legal issues, and marketing. Another entity (perhaps a non-profit) must also provide local neighborhood builders with technical and financial assistance. The Partnership for New York City (formerly The New York City Housing Partnership) established a successful neighborhood builders program several years ago. **Cost: $250,000 per year in city consulting fees.**

Legislation Proposals:

4. Create loan and grant funding, and adjust taxes for these types of grants and loans, for the express purpose of helping small businesses rebuild Katrina-related damage. Certain businesses will need to rebuild customer base by investing in marketing and sales personnel, which may not generate cash-flow immediately that can be used to service a loan. Therefore, more patient, equity-like capital is required to help these businesses rebuild. Loans should have long terms, low interest rates and either be unsecured or have limited collateral requirements given the uncertainty of how long it will take to rebuild a business. Many businesses will require grant funding, which could be structured as recoverable grants (zero percent interest, non-amortizing with a bullet payment in five or ten years. If a business cannot repay the recoverable grant at maturity, then it is written off).
    - Make any government grants non-taxable. Currently grants from non-profits to small businesses affected by a disaster are likely to be exempt from federal tax, whereas grants from the government are subject to federal tax – this should be changed.
    - Partial government guarantees of small business loans to private sector lenders. Additional private sector capital could be made available if the government provided partial guarantees (50 to 75 percent) on loans made to affected businesses by local banks, credit unions, etc.

5. Encourage all entities disbursing public funds for rebuilding activities, or benefiting from public actions in other ways (such as site assembly), to contract with local companies and to expect companies to hire local residents. To this end, the city should conduct targeted workshops for small business owners with local professionals, Small Business Association (SBA), local banks, FEMA, primary contractors like the Shaw Group, and other Federal, State, and local agencies. This would help to narrow the communications gap between the public agencies and private sector to better position New Orleans businesses to receive the benefit of Federal contracts.
    - Promote and sponsor the development of local business capacity and capability in the planning and construction trades. Many of the small business incentives and programs discussed above will be important to achieve this result. In addition and specifically, the establishment of a program that provides access to a pool of capital generated for this purpose by issuing bonds. (City of New Orleans)
    - All contractors benefiting from government funding or other public actions should be required to pay at least "living wages." (See Appendix 10 for more details.)
    - Give priority to contracting with minority-owned and women-owned business enterprises.

Long Term
Project proposals:

1. Create a venture capital style fund fashioned after the Lower Manhattan Development Corporation, which received $3.48 billion for a similar such fund after the Sept. 11, 2001. This fund will invest specifically in local small businesses and would provide debt as well as equity. The fund should have a minimum of a five year lifespan with all proceeds of the fund going back to the federal government at the time the fund is closed. Some portion of the fund will be expressly reserved for businesses operated by women and minorities. **Direct federal funding: $2.5 billion.**
2. Create an "Entrepreneurial Village," a business incubator and new growth campus that fosters an increase in company formation. Small business owners and entrepreneurs would benefit from an entity that is focused on helping them develop a strong business plan, connect to sources of capital, and engage an experienced business mentor to provide guidance and expertise. This organization could be housed at one of the local universities, which would enhance a company's ability to access resident business expertise of faculty and students. The panel understands that at least one local university was already working on such a project prior to Katrina. An example of such an organization is Innovation Philadelphia, which was founded by the president of University of Pennsylvania and the CEO of Comcast, which works closely with the public sector. Another example is UCSD CONNECT, which helped drive the development of the biotech sector in San Diego CONNECT and is a globally recognized public benefits organization that fosters entrepreneurship in the San Diego region by catalyzing, accelerating, and supporting the growth of the most promising technology and life sciences businesses. Successful business entrepreneurs ran both organizations. **Direct federal funding: $100 million.**
3. Provide incentives to encourage development of "neighborhood retail strips" in order to drive retail development in underserved neighborhoods. Tax incentives such as tax

increment financing should be provided, as well as capital incentives, such as lowering equity requirements for developers or providing grant funding to reduce construction cost, and allowing more affordable rents. Another creative incentive to encourage retailers to locate in underserved areas would be to have tenants pay a percentage of profits for the first year of operations versus a flat fee. The national Main Street program is a proven way of increasing vitality in neighborhood retail streets and the City should consider participating. Another example was the ANCHOR/Partnership Plaza Program in New York City. **Cost would vary significantly depending on scope of the project.**

4. Set up micro-business initiatives that provide emerging entrepreneurs access to capital by meeting credit needs in a structured manner that includes incentives to ensure repayment rates of 95% or higher. In short, we will do this by providing loans to individuals who organize themselves in peer groups of approximately five low-income individuals who provide support and monitoring to each other. Loans are generally for one year or less, and groups that maintain excellent repayment histories are able to access ever-increasing amounts of credit with each successive loan cycle. **$50 million in order to reach 10% of the impoverished returning to New Orleans.**
5. The city, state, university or another organization should provide one-stop business centers that offer a host of small business services.

Legislation Proposals:

6. Create tax incentives tailored to small business owners and entrepreneurs:
    - Employee credits for businesses with less than 200 employees
    - Depreciation credit for property, including office equipment, new technology and other property (excluding tenant improvements)
    - Accelerated depreciation for leasehold improvements – accelerated to 5 years
    - Permanent elimination of the commercial rent tax
    - Sales tax exemptions/ write offs for new office furniture and equipment

Assistance Required

Private

- Local businesses, large corporations, and government agencies can also help small businesses by buying from them and expediting payment. We recommend creating a priority partnership exchange with corporate and governmental agencies in efforts to help recycle dollars with local area firms.

New Orleans

- Create a neighborhood builders program
    - o $250,000 per year in city consulting fees
- Conduct targeted workshops to encourage all entities disbursing public funds to rebuild to hire local residents and contract with local companies
- Promote and sponsor the development of local business capacity and capability in the planning and construction trades.
- Provide incentives to encourage development of “neighborhood retail strips” in order to drive retail development in underserved neighborhoods.
- Set up micro-business initiatives

State
Legislation

- Partial government guarantees of small business loans to private sector lenders. Additional private sector capital could be made available if the government provided partial guarantees (50 to 75 percent) on loans made to affected businesses by local banks, credit unions, etc.

- The city, state, university or another organization should provide one-stop business centers that provide a host of small business services.

- Create tax incentives tailored to small business owners and entrepreneurs:
    - Employee credits for businesses with less than 200 employees
    - Depreciation credit for property, including office equipment, new technology and other property (excluding tenant improvements)
    - Accelerated depreciation for leasehold improvements – accelerated to 5 years
    - Permanent elimination of the commercial rent tax
    - Sales tax exemptions/ write offs for new office furniture and equipment

Federal
Direct funding requests:

- Small Business Fund
    - $2.5 billion
- "New Orleans Bed and Business"
    - $11.8 million ($10 million seed capital, $1.8 million for the hotel)
- Online business resources portal
    - $5 million for web-site development and marketing
- Entrepreneurial Village
    - $100 million
- Micro-business initiatives
    - $50 million

Total direct federal funding request: $2,666,800,000

Legislation

- Make any government grants federally non-taxable.

SUMMARY

Small businesses are not only the primary economic driver for the city of New Orleans, they also constitute the fabric of the city's culture and community. Small businesses have been devastated by Hurricane Katrina – not only will they require immediate assistance for recovery, but extraordinary efforts should be made to expand and develop the small business community at this critical juncture in the life of the city.

Hospitality Industry Redevelopment Plan

OVERVIEW (Pre-Katrina)

The primary catalyst and driver of the New Orleans economy is the tourism industry, comprised of large and small scale association and corporate meetings and conventions, rotations of most of the major national sporting championships, a vast leisure and family destination market, large packaged tour series, a popular foreign traveler destination. In addition New Orleans is home to many of the most cherished special events in the nation such as Mardi Gras, the Essence Festival (the world's most important annual African-American culture and music festival), the New Orleans Jazz and Heritage Festival, the French Quarter Festival, Satchmo Fest, the Sugar Bowl and many, many more.

Employment

- Number of jobs: 85,000 workers in the New Orleans area.

Economic Value

The convention and visitor industry is responsible for bringing more than $5 to $8 billion dollars into the New Orleans economy annually. The New Orleans hospitality industry accounts for more than 30% of the annual tax revenue to the City of New Orleans and more than 44% of Louisiana's tourism revenue with $234 million annually contributed to the state tax coffers and an additional $76 million going to support state facilities and infrastructure. Hospitality also employs approximately 85,000 workers in the New Orleans area, nearly 70% of the employees in the hospitality industry in the state.

- Total industry revenue dollars: $5 to $8 billion dollars into the New Orleans economy annually.
- Tax revenue: 30% of the annual tax revenue to the City of New Orleans.
- $234 million annually contributed to the state tax coffers and an additional $76 million going to support state facilities and infrastructure.

KATRINA'S IMPACT

Current Operations

The industry, while once strong, has been dealt several setbacks in the months since Katrina devastated the city. Remarkably, however, much of the hotel inventory in the city was not affected by the storm and was available to house recovery and government workers. The Morial Convention Center, though damaged, is anticipating a scaled return to service in early 2006 and the Superdome is targeting late 2006 to reopen for business. Many of the restaurants, shops and venues in the city have reopened and are returning to normalcy. However, despite these positive elements, much of the infrastructure that the hospitality industry relies upon remains non-functional or in disrepair.

Damage to Infrastructure

Hurricane Katrina inflicted significant and widespread physical damage on the tourism and hospitality industry, not only to structures and property owned by private operators, but also to facilities and amenities shared by the industry as a whole, such as the Superdome, Morial Convention Center and other parks and attractions. The impact of this commonly-shared damage was compounded many times over by the fact that a single item of damage affected hundreds, if not thousands, of individual businesses. Hurricane Katrina revealed in graphic terms the interdependence and interconnectedness of the tourism industry: without the public venues, hotels could not book rooms; without functioning streets, the merchants could not attract customers.

Intangibles

Brand/image: In the first seven weeks following the hurricane the New Orleans Metropolitan Convention and Visitors Bureau tracked a media equivalency that amounted to more than five year's worth of typical media coverage for New Orleans – all of it negative. The city has been inundated by national and international broadcast media who have introduced, promulgated, embellished and reinforced some of the worst images, stories and stereotypes of New Orleans.

REDEVELOPMENT ACTION PLAN AND REQUIRED ASSISTANCE

Vision

The vision of this plan is to return the New Orleans hospitality industry to its former capacities and quality of experience which would serve as the catalyst for the virtually instant rebirth of New Orleans. This would have a stunning impact on the pace and depth of recovery for all of New Orleans and would serve as an indispensable vehicle to reduce dependence of the region on additional federal resources.

Goals

- Create positive image of New Orleans in the minds of visitors, the travel trade, travel and mainstream media, convention and meeting planners, corporate investors, and national and state political stakeholders.
- Return the New Orleans hospitality industry to its former capacities and quality of experience.
- Provide a vehicle for employment and stabilization for tens of thousands of unemployed and/or displaced citizens.
- Restore positive cash flows to city and state through hospitality generated tax revenue collections.

Action Plan and Estimated Costs

Actions

1. Launch marketing campaign to brand the city's rebirth and build positive image though print and broadcast media.
2. Target marketing to meeting and convention planners to allay concerns and emotional and technical objections to holding meetings in the city.

3. Restore 20,000 additional full-time hospitality industry jobs in New Orleans by June 2006 through job reinstatement from returning meetings and travel trade in the city's hotels and convention center.
4. Restore the French Quarter, Riverfront, Central Business District, Warehouse District, Uptown Corridor and Frenchman Corridor to their former levels of operation, through the repair of sidewalks, streets, lighting, landscaping and signage damaged in the hurricane and through use during the restoration effort.
5. Restore all essential hospitality infrastructure elements damaged in the hurricane and aftermath to their former levels of performance. These include the Morial Convention Center, New Orleans Arena, Louisiana Superdome, Armstrong International Airport, Port of New Orleans and Union Passenger Terminal Station.
6. Provide tax revenue through visitor occupancy, direct and ancillary spending which, in turn, funds city and state operating budgets for other needed infrastructure.

Cost of Actions

New Orleans Metropolitan Convention and Visitors Bureau (NOMCVB)

Much of this action plan will be executed and/or overseen primarily by the New Orleans Metropolitan Convention and Visitors Bureau (NOMCVB). The NOMCVB is the sole link of the New Orleans area hospitality industry to the international tourism markets, wholesalers, packagers, brokers, tour series operators, travel agents, national and international conventions, meetings, special events and sporting events.

The NOMCVB is funded by a hotel tax that has now been obliterated and by a member dues base that will be non-existent for at least two years.

The NOMCVB must be sustained because its sales manager base has all of the data and relationships to all of the worldwide convention and meeting planning and travel professional community. This is an industry that is primarily relationship driven, particularly on the convention and meetings side. If those employees are laid off and hired elsewhere, billions of dollars of competitive information and data would leave Louisiana, crippling the entire rebuilding process of New Orleans largest industry. It would likely be a death knell for the city's economy and the early return of its citizens if our employees were lost to competitors.

Operational Shortfalls and Needs

2005 – The NOMCVB has reserves to carry it until February 28, 2006	
2006 – Annual Operating Budget needed (anticipated hotel tax revenue - $1m)	$11,000,000
2007 – Annual Operating Budget needed (anticipating more revenue regained)	$9,000,000
2008 – Annual Operating Budget needed (final year of impairment)	$4,000,000
Total NOMCVB operating needs (over 2.5 years)	**$24,000,000**

New Orleans Hospitality Marketing and Incentives

Operation REBIRTH Marketing Fund

For the NOMCVB and its sister, the New Orleans Tourism Marketing Corporation, to re-image and remarket New Orleans leisure side tourism in light of the catastrophic events and rebuild the 10 million visitors and $5 billion of combined leisure impact:

2006	$40,000,000
2007	$25,000,000

NOMCVB Convention Marketing Fund

To rebuild the image of the convention destination, remarket and enhance the messaging and imaging of the city and its venues to multiple-hotel meeting and convention customers following the devastating events and national images:

- $5,000,000
- $5,000,000

NOMCVB Convention Incentive/Indemnification Fund

To provide incentives and guarantees to major associations
To remain in or book major conventions in New Orleans

2006	$5,000,000
2007	$5,000,000

Total Convention Marketing and Incentive **$85,000,000**

Hospitality Infrastructure Stabilization

Overview

This section inventories these damages and assigns to each an estimated cost to bring the structure, facility or amenity back to pre-Katrina operations. It is important to emphasize in this regard two basic points: First, the damages and costs listed herein are not "betterments." Our aim in this report is strictly to develop an accurate financial estimate of the cost of returning the New Orleans tourism infrastructure to its pre-Katrina condition, not to achieve upgrades, expansions or additions. Thus, improvements that were planned and even initiated prior to the storm are nevertheless not included in this assessment.

Second, repair and stabilization efforts are only included if they are part of the public infrastructure: purely private investments are not included, since they are funded through other channels, such as property and business interruption insurance, SBA assistance and collateral private funding sources. This public/private demarcation line has been maintained even when individual private investments have significant overall value to the tourism industry, such as, for example, a renowned architectural structure held in private ownership.

The following is a summary of the individual components of the damage sustained and estimated cost of repair to pre-Katrina levels of service.

Event Venues

New Orleans' three primary event venues, the Convention Center, the Superdome and the Arena, are the engines of our tourism industry. Events at these venues are the basic drivers for bringing visitors into the city. All three venues during the hurricane served as primary emergency shelter and triage point for emergency services and evacuation, and the damage sustained was both enormous and varied in character.

MORIAL CONVENTION CENTER

The Ernest N. Morial Convention Center sustained both structural and roof damage due to winds and rain during the storm itself. The bulk of the interior damage, however, occurred after the hurricane, as the result of the occupation of the facility by floodwater evacuees and the inadequacy of support systems in place to accommodate their needs. The Convention Center served as the city's primary medical triage facility/evacuation point. There was vandalism on the interior and throughout the structure heavy wear and tear on flooring and structural surfaces occurred which was compounded by hygiene and sanitation problems. Further wear was received from National Guard occupancy, transport and supply vehicles and military operations which were conducted for three months following the hurricane.

The following is required to rebuild the existing convention center (Phases I, II, and III) and continue with the construction which was in progress on the Phase IV expansion at the time of the hurricane. Figures for replacement and repair include the direct reconstruction/repair costs as well as design and engineering fees.

Phase IV Matching Capital Construction Costs	$200,000,000
Phases I, II, III Replacement and Repair Costs	$35,000,000

Phases I, II, and III Repair: (structural, roof replacement/restoration, environmental clean-up/decontamination, total carpet replacement, interior/exterior restoration, furnishings (chairs, tables, communication equipment, mobile equipment, etc.) that was destroyed.

It is anticipated that the combination for deductibles and limits in sub-policy coverage will result in a shortfall of $25-$35 million.

Funding needs for the Ernest N. Morial Convention Center fall into four broad categories: operating assistance needs, debt service assistance, building re-imaging and re-branding, and replacement and repair costs which are equally essential to the continued successful operation of the Center.

Operating Assistance for 2005	$ 10,000,000
Operating Assistance for 2006	$ 12,600,000
Re-branding and Re-imaging of Convention Center	$ 5,000,000
Operating Assistance for 2007	$ 15,500,000
Debt Service Assistance for 2006	$ 14,500,000
Debt Service Assistance for 2007	$ 25,200,000

Debt Service assistance is due to the loss of multiple tax revenues; hotel occupancy tax, occupancy and food and beverage tax and service contractor and tour tax.

Total Operating Requirements 2005, 2006, 2007	$ 82,800,000
Total Convention Center Cost (construction, repair and operating)	**$317,800,000**

SUPERDOME REPAIR COSTS

The Louisiana Superdome sustained considerable damage during Hurricane Katrina. During the storm, approximately 70% of the stadium's roof membrane failed, allowing water to penetrate the facility. Most of the damage was done to the interior spaces including, carpeting, dry wall, acoustical ceilings, furnishings, electrical systems, special stadium systems – such as scoreboards and broadcast equipment – and audio equipment. The facility served as the primary evacuation shelter for the area and housed local residents for more than five days, which also contributed to the damage to the interior spaces.

Total Superdome Damage and Repair Estimate	$150,000,000

SUPERDOME OPERATING SHORTFALL

The Superdome relies on the local hotel/motel tax for approximately 60% of its annual operating budget. The remaining 40% is comprised of self-generated funds received from events and activities held at the Superdome. Both the hotel tax and the self-generated revenues have been severely impacted by Hurricane Katrina. In October 2005, the Superdome was forced to reduce its workforce from 185 employees to 32, a reduction of 153. In addition, other spending was slashed and operating obligations deferred. The annual operating budget was cut from $23.0 million down to approximately $8.0 million, a reduction of 65%. Unfortunately, the Superdome will not be able to produce any self-generated revenue until at least November 2006, when the facility is expected to re-open. In addition, the New Orleans area hotel/motel tax has declined significantly in the past few months, causing even further impairment of the facility's budget.

Operating Shortfalls:	2005:	$5,500,000
	2006:	$7,000,000
	2007:	$8,000,000
Total Operating Shortfall		$20,500,000
Total Superdome Cost (construction, repair and operating)		**$170,500,000**

NEW ORLEANS ARENA

The Arena sustained comparatively minor damage to the building envelope and roof, but did have significant damage due to street-level flooding, vandalism and use as a medical triage center. This damage occurred primarily to mechanical systems such as fire alarm, emergency generator and lighting. Detailed inspection and cost estimates to return the facility to public use were performed in November by a team consisting of the Arena's original design and engineering firms, under contract with the Louisiana Department of Facility Planning and Control. Total cost is estimated at $12 million.

Total Arena Damage Repair Estimate	**$12,000,000**

Neighborhoods, Parks and Attractions

Repairing the damage inflicted by Hurricane Katrina to New Orleans' public spaces in these neighborhoods is central to restoring the visitor experience to pre-storm conditions. The following lists those public infrastructure repairs that are fundamental to the recovery of the hospitality industry as a whole.

NEIGHBORHOODS AND PARKS

Neighborhoods within the Initial Hospitality Recovery Area include not only the readily identifiable and well-known French Quarter and Uptown neighborhoods, but also the Faubourg Marigny, famous for its vibrant artist community and music venues, and Algiers Point, a quiet residential community across the river which has an abundance of historic architecture and spectacular views of the city. The Warehouse District and Central Business District are also included because most visitors to the city stay in hotels located within these downtown areas:

- French Quarter
- Faubourg Marigny
- Central Business District
- Warehouse District
- Algiers Point
- Uptown Neighborhoods (extending from St. Charles to the River, and from the Warehouse District to Carrollton)

Post-Katrina repairs in these neighborhoods are needed to restore landscaping, sidewalks, signage and traffic signalization along the public rights of way. These measures will restore a visual sense of order and instill confidence to neighborhood residents and business owners, thereby encouraging the acceleration of reinvestment and recovery.

Parks are the emotional centers of the city's neighborhoods, and within the Initial Hospitality Recovery Area, they have an enormous impact on that crucial "first impression" of the visitor experience. Repairs are needed to return to pre-Katrina conditions the landscaping, lighting, signage and park accessory structures (weather shelters, trash receptacles, benches) within the following seven parks:

- Audubon Park (Uptown)
- Washington Park (Faubourg Marigny)

- Jackson Square (French Quarter)
- Lafayette Square (Central Business District)
- Woldenberg Park (French Quarter)
- Spanish Plaza (Central Business District)
- Armstrong Park (French Quarter)

While actual damage in each of these neighborhoods will vary, average damage repair costs have been calculated by applying an estimated public infrastructure repair cost per acre, adjusted by neighborhood condition and size.

• French Quarter	$ 22,000,000
• Faubourg Marigny	$8,000,000
• Central Business District	$12,000,000
• Warehouse District	$10,000,000
• Algiers Point	$4,000,000
• Uptown Neighborhoods	$9,000,000
Neighborhood and Parks infrastructure repair total	**$65,000,000**

SIGNATURE STREET CORRIDORS

Five key street corridors provide not only vital arteries within the Initial Hospitality Recovery Area but present visitors with the opportunity to experience neighborhood flavor and landscape character. Infrastructure repairs on these corridors should be accomplished as rapidly as possible to restore a sense of normalcy to the visitor experience.

Repair cost estimates include: paving/asphalt repair, street lights, traffic signals, directional signage, street cleaning (power washing), and re-landscaping of street medians. The five street corridors, together with the estimate repair costs are:

• Canal Street to Carrollton Avenue, and Carrollton Avenue to Orleans	$10,000,000
• Poydras Street to Claiborne	$ 3,000,000
• St. Charles Avenue to Carrollton, Carrollton to Claiborne	$ 4,000,000
• Magazine Street to Audubon Park	$ 5,000,000
• Esplanade Avenue to City Park	$ 2,000,000
Total Signature Street Corridor Request	**$24,000,000**

ATTRACTIONS

Audubon Nature Institute is the not-for-profit 501(c)3 that operates a family of 10 museums and parks dedicated to nature owned by the City of New Orleans. Prior to Hurricane Katrina, Audubon's facilities together represented a powerful engine for family tourism, with the Aquarium, Zoo and Entergy IMAX Theatre drawing 2.2 million annual visitors—the top 3 visitor attractions in the State of Louisiana. With an operating budget approaching $40 million and 800 employees, Audubon Nature Institute generated a total annual economic impact of $319 million and tax revenue for the city and state of $19 million. For these reasons restoring the Aquarium, Zoo and IMAX Theatre to pre-Katrina status is a critical element in restoring the New Orleans hospitality industry.

Audubon Aquarium of the Americas
Audubon Aquarium of the Americas is the top tourism destination in the State of Louisiana, drawing 1 million guests each year. Over 80% of these visitors are from outside of the metro New Orleans area, generating a total annual economic impact of $130 million. While the Aquarium sustained major wind damage to skylights and glass cladding, the greatest damage occurred when over 10,000 fish—98% of the aquarium's exhibit collection—died due to generator failure and the mandatory evacuation of essential personnel. The Aquarium served as a base of operations for police and military forces. The Aquarium is expected to remain closed until mid-2006, leaving the city without a major family attraction and venue for catered events. Even with no revenue, the Aquarium's living collection must continue to be sustained and once the facility reopens, its market will have to be rebuilt.

2006 operational shortfall	$5,000,000

Audubon Zoo
Audubon Zoo attracts over 800,000 visitors each year, with approximately 50% coming from outside of the metro New Orleans area. These visitors generate a total annual economic impact of $30 million. The Zoo sustained tremendous damage to its trees and outbuilding roofs, but animal losses totaled 3 out of a collection of 1,500 rare and endangered specimens. Located uptown in Audubon Park, the Zoo served as a base of operations for National Guard troops and related recovery teams. The Zoo reopened on a weekends-only basis beginning in late November, but its animals and grounds continue to need daily care. Hours will be added throughout the spring, with the return of a full schedule targeted to coincide with the Aquarium's reopening.

2006 operational shortfall	$4,000,000

Entergy IMAX Theater
Each year, over 400,000 visitors see a film on the gigantic film at Entergy IMAX Theatre. Typically, 80% of these visitors are from out of the metro New Orleans area. Annually, they generate a total economic impact of $75 million. Because the theatre is incorporated into the Aquarium's structure, it will be closed until mid-2006 as well.

2006 operational shortfall	$1,000,000

Audubon Nature Institute's Total Cost (aquarium, zoo and theater):	**$10,000,000.00**

Transportation and Utilities

Transportation is clearly the lifeblood of the tourism and hospitality industry. Six of the most significant components of the transportation system in New Orleans experienced significant damage during or in the immediate aftermath of the hurricane and are in need of immediate repair to return to pre-Katrina levels of service. These include transportation and utilities required for the overall operation of the city and metro area, such as Louis Armstrong International Airport, Union Passenger Terminal and busing systems. The repairs and needs of these systems have been outlined in the overall economic development plan for New Orleans. However, there are particular transportation systems and utilities that are needed specifically for the hospitality and tourism industry. These include:

Cruise Ship Terminal

The Julia Street cruise ship terminal, located at the edge of the Warehouse District, has become the hub of the expanding cruise ship business in New Orleans during the past 5 years. Handling some 735,000 passengers a year, it is estimated that the city receives $190 million in benefits from the cruise business annually, according to a 2005 Urban Land Institute report. The terminal experienced wind, as well as water damage. Estimated repair costs are $300,000.

Total Repairs for Cruise Ship Terminal **$300,000**

Streetcar System

The historic St. Charles streetcar line, the Riverfront line and now the newly opened Canal/Carrollton line are sources of great civic pride in New Orleans and serve as important icons in the national and international image of the city. Wind damage to the power lines and vehicular damage to tracks was experienced primarily along the St. Charles line, and flooding damage affected virtually all of the Riverfront and Canal Street cars that were in storage at a Canal Street facility during the storm. Repair costs have been estimated at $10 million to repair the St. Charles line and $30 million to replace the cars.

Total to Repair Streetcar System **$40,000,000**

Special Events Equipment

Portable amenities required for special events such as Mardi Gras were in large part damaged during the storm and will require replacement in order for these events to take place again. They include metal barricades, trash receptacles and portable toilets. Estimated cost for these is $ 1.5 million.

Special Events Equipment Total **$1,500,000**

Assistance Required

Private

- The expansion of a cultural ambassador program to include additional individuals who can promote and advocate on behalf of the industry must be implemented. This will spotlight the city's efforts to rebuild its cultural heritage. Well-known figures such as Wynton Marsalis, Harry Connick, Jr., the Neville Brothers or sports figures like the Manning family and others would be good candidates for these roles.[1]
- Recovery of New Orleans will come largely from business owners and their fervent desire to see their businesses return and grow. Many of these business owners are in or are allied with the hospitality industry. While various administrative and legislative initiatives have already been implemented, there is additional need for tax measures as recovery efforts move forward.

Federal

- **Tourism Promotion to the Restored Disaster Zone –** To overcome the negative images associated with the area due to extensive international media coverage of destruction, contamination and violence, we suggest:
  - Increase Business Meal Deduction 100% for expenditures in the disaster zone
  - Restoration of Spousal Travel Deduction for business travel to the disaster zone
  - Create a tax credit for advertising expenses associated with promoting travel to the disaster areas.
- **Tax Credits for Corporate Meetings Patrons –** Create tax credit zone for all corporate meetings and conventions held in New Orleans during 2006, 2007 and 2008 as an incentive for these meetings. As the decision timeframe for corporate meetings is short term compared to association conventions, it is crucial to capture this business and drive demand in the city for hospitality industry employment and related business retention. Incentives could take the form of credits for applicable expenditure or enhanced Federal tax deductions.
- **Tax Incentives/Credits for Development –** Provide up-front tax incentives for new hospitality attractions, entertainment venues and leisure activity properties, in order to stimulate added attractions and entertainment product in the city. Taxes for these developments could be suspended for a set period, scaled over time or the company could be given tax credits in dollar-for-dollar reduction of the tax.
- **Direct Federal Funding**:

NOMCVB operations	$24,000,000
Hospitality marketing and incentives	$85,000,000
Morial Convention Center	$317,000,000
Superdome	$170,000,000
New Orleans Arena	$12,000,000
Neighborhood and Parks infrastructure	$65,000,000
Signature street corridors	$24,000,000
Audubon Nature Institute (Aquarium, Zoo)	$10,000,000
Cruise ship terminal	$300,000
Streetcar system	$40,000,000
Special events equipment	$1,500,000
Total Direct Federal Funding Required	**$748,800,000**

SUMMARY

No other industry sector can return as quickly with as much impact economically, socially, or symbolically as the hospitality industry. Moderate investment in the hospitality sector will unequivocally produce the broadest, most measurable vehicle of accelerated ROI for federal, state, and private resources. The investment of federal resources as outlined in this document could serve as the catalyst for the virtually instant rebirth of New Orleans, would have a stunning impact on the pace and depth of recovery and would serve as an indispensable vehicle to reduce dependence of the region on additional federal resources.

Bio-Med Industry Redevelopment Plan

INDUSTRY OVERVIEW (Pre-Katrina)

This plan covers the broadly classified "Bio-Med" or health care industry which includes five categories under the US Census Bureau North American Industry Classification (NAICS) codes: health care services, health care insurance, life sciences R&D, medical devices and pharmaceuticals.

- Health care services are classified to include "ambulatory health care services," "hospitals," and "nursing and residential care facilities."
- Health care insurance is classified as "Medical services and health insurance."
- Life sciences R&D is classified as "research and development in the physical, engineering, and life sciences." This includes only R&D facilities that are stand-alone entities. R&D facilities that are co-located with a manufacturing facility are included in "pharmaceutical and medicine manufacturing."
- Medical devices are classified as "medical instruments and supplies."
- Pharmaceuticals are classified as "pharmaceutical and medicine manufacturing," which includes the biotechnology industry, unless they serve as distinct R&D facilities.

The health sciences district has, for years, been one of the strongest employment sectors in the City of New Orleans and has provided services both in patient care, education and innovative research. The academic medical centers in New Orleans have provided health services to the metropolitan area, starting with primary care. They also provided a Level 1 trauma facility, as well as tertiary and quaternary care for the entire state of Louisiana. The public and private hospitals in the New Orleans area have also supported the education and training of medical students and residents. In addition, they have provided a diverse patient base for clinical research. At the same time, the area's bioscience institutions have been conducting cutting-edge research in areas such as gene therapy, cancer biology, peptide pharmaceutical design, and infectious diseases. Adequate facilities and resources are required to continue the education and training of all levels of health professions. Continuation of these educational, research and clinical programs is essential to the health and safety of the Greater New Orleans population and the further development of the bioscience economy in the region.

Employment

The Bio-Med industry is the second largest employer in the Greater New Orleans area, directly supporting approximately 12% of the area's jobs. In 2004, this accounted for 72,555 employees involved in health care. (Greater New Orleans employment data includes Washington Parish, Jefferson Parish, Orleans Parish, Plaquemines Parish, St. Bernard Parish, St. Charles Parish, St. John the Baptist Parish, and St. Tammany Parish). Table 1 shows the employment within the bio-med industry in the New Orleans area.

Industry	**Establishments (#)**	**Employees (#)**	**Employees (% of Bio-Med)**
Health Care Services	2,802	68,664	94.6
Health Care Insurance	87	2,392	3.3
Life Sciences R&D	49	1,287	1.8
Medical Devices	35	211	0.3
Pharmaceuticals	0	0	0.0
Overall	**2,973**	**72,555**	**100.0**

Table 1: 2004 Bio-Med industry employment statistics in New Orleans
Source: Bureau of Labor Statistics, US Census Bureau

From Table 1, approximately 95% of Bio-Med employment is found in the Health Care Services. Health Care Services can be broken into three categories: Hospitals, Ambulatory Services, and Nursing and Residential Care Facilities. Employment in Hospitals constitutes the largest share at 53%, while Ambulatory Services and Nursing and Residential Care Facilities constitute 23% and 15%, respectively. (Source: 2004 Health Care Services employment statistics in New Orleans *Source: Bureau of Labor Statistics, US Census Bureau)*

Economic Value

As the second largest employing industry in New Orleans, the Bio-Med industry has a large effect on the economic welfare of the area. In 2004, it directly generated $8.7 billion of revenue, and provided $2.7 billion of payroll expense, eclipsing all other industries in the area.[1]

Federal and private grant funding in New Orleans for biosciences institutions exceeded $180 million in 2003 and was growing substantially as New Orleans-based institutions capitalized upon their core strengths.[2] In FY 2005, the New Orleans area accounted for $129.8 million in awards from the National Institutes of Health, representing 74% of the total amount awarded within the entire state of Louisiana.

Intangible Impact

The Bio-Med industry is commonly thought to have a synergistic effect, causing the value of the combined industries to be more than the value of each individual component. Pre-Katrina, New Orleans had in place a bio-med district – a physical corridor where hospitals, medical schools and research facilities were concentrated. The concept of a bio-med corridor or "district" is vital to the future of a health sciences industry in New Orleans because the success, recognition and growth of hospitals, medical schools, research facilities and emerging biotech companies are strongly interdependent.

For example, Charity, University, Tulane University Hospital and Clinic and VA hospitals in New Orleans are important components of the LSU and Tulane teaching system. Having hospitals at which to train students and residents is a key component to any medical school.

[1] US Census Bureau 2002 Census and The Bureau of Labor Statistics New Orleans wage and employment data
[2] NSF Survey of R&D Expenditures at Universities and Colleges, 2003.

Likewise, the research conducted at medical schools forms the basis of new innovations and the growth of commercial ventures.

In addition, if New Orleans were not to rebuild a suite of Bioscience institutions -- including medical schools, hospitals and research facilities -- New Orleans would lose the regional prestige it has held as a quality medical mecca. Perhaps even more importantly, it is unlikely that a regional hub would be built anywhere else in the state, and thus Louisiana would lose its position as a regional center of medicine. This loss would inhibit the ability to win federal funding for research and projects, decrease the attractiveness of the area for private investment, and impede the opportunity to build Bio-Med as a growth industry in Greater New Orleans and the state.

KATRINA'S IMPACT

Current Operations

The devastation caused by Hurricane Katrina has damaged infrastructure and/or displaced employees at most of the hospitals, medical schools, research centers, and life sciences companies in the New Orleans region.

Medical Schools
LSUHSC
Currently all facilities are closed, but some are slated to reopen in January 2006. Students will return in phases, with the dental school students not returning until summer. Researchers will return in January and the medical schools will move back by next summer. Finding sites where students can train is the largest challenge, as Charity and University Hospitals, the school's principal clinical teaching centers, remain closed and are unlikely to reopen.

FACILITY	STATUS	REOPEN DATE
Clinical Sciences Research Building	Closed	January 2006
Lion's Eye Center	Closed	January 2006
Medical Education Building	Closed	March 2006
Resource Center	Closed	January 2006
Dental School Buildings	Closed	Uncertain
Clinical Education Building	Closed	Uncertain

Table 2: Status of LSUHSC-New Orleans facilities.

Tulane University School of Medicine
The School of Medicine building was most heavily damaged and will not be fully operational until mid-March 2006. The school has been temporarily transferred to Baylor University Medical Center in Houston, TX. Students will not return to the New Orleans site until the end of this academic year, according to Dr. Paul Whelton, Tulane's Senior Vice President for health sciences. Other Downtown buildings (J. Bennett Johnston Bioenvironmental Sciences Building, Tidewater Building, and 1700 Perdido Street) suffered water damage, but have returned to service and planned to be fully operational by the end of 2005. It is anticipated that vivarium

capabilities at the J. Bennett Johnston Building should be restored in 2006. Other vivarium facilities at Belle Chasse were operational in mid-November and the Tulane Primate Research Center in Mandeville has been fully operational post Katrina.

Xavier University
The university's two major research and teaching bioscience facilities are projected to be back in service mid-January 2006, with instrumentation cores back running by Summer 2006 if sufficient funding is identified to replace damaged equipment. The College of Pharmacy's seven clinics in low income areas have all suffered damage and it is unknown when the services can be restored.

University of New Orleans
UNO anticipates being fully operational by January 30, 2006 when the spring semester opens, however, certain labs in science buildings will not be operational until April 2006. The University did continue operating during the fall. Over 7,000 were enrolled at satellite campuses and on-line. Budget shortfalls from a decrease in student revenue resulted in layoffs or furloughs of part-time and adjunct faculty and non-essential staff of 700. UNO is enrolling for the spring semester, and it anticipates a student body of 12,000 students, approximately two-thirds its normal student enrollment.

Hospitals
The Region 1 hospital system is operating at 40% capacity with 1,700 beds available currently out of 4,200 beds available before Katrina. About 200 additional beds would be available if the staffing were available. There is most need for nurses, technicians, therapists, dietary and housekeeping workers. Staff utilization (those who are employed) is 100% and bed capacity utilization is about 85%.

In addition, the hospitals that are running are experiencing severe financial distress. The economic model for hospitals has changed for two main reasons: 1) the percentage of free care given has risen from 2-3% to 10-12%; and 2) the majority of revenue generating services, such as outpatient services, diagnostic services and elective surgery, are now gone.

Specific hospitals that are closed are:
1. Tulane Hospital remains closed but plans to reopen soon, probably early-mid February.
2. Charity Hospital is closed and is unlikely to ever reopen.
3. University Hospital is closed and has an uncertain future.
4. Veterans Affairs Medical Center is closed and is unlikely to reopen.
5. Mercy Hospital is close and is unlikely to reopen.
6. Memorial (Baptist) Medical Center is closed and is unlikely to reopen.
7. Lindy Boggs Medical Center is closed and is unlikely to reopen.
8. Methodist Hospital is closed, and it's uncertain when/if it will reopen.
9. St. Bernard Hospital is closed, and it's uncertain when/if it will reopen.
10. Chalmette Hospital is closed and is unlikely to reopen.

Sub-acute Care Facilities

Almost no sub-acute care facilities (include nursing homes, rehabilitation centers, etc.) are open in the New Orleans area. As of late 2005, only 4 of 38 nursing homes were running. Each facility contains an average of 180 beds, leaving a shortfall of over 6,000 beds.

Life Sciences Companies
The devastation caused by Hurricane Katrina has affected most of the life sciences companies in the New Orleans region as many of the medical research researchers were also operating at Tulane, LSU or Xavier and are currently displaced. Officials from Greater New Orleans, Inc attempted to contact approximately half of the approximately twenty-four life sciences companies in early November 2005 and were able to contact officials from five companies. Of the five companies contacted, all outside Orleans Parish (Pam Lab, Reliagene, and Cimex) were up and operating at existing levels while one in Orleans was displaced (Autoimmune) and operating out of the CEO’s home. The other was looking for new office space (IntelliFuse) and was located in Canal Place, sharing space with Greater New Orleans, Inc.

Damage to infrastructure

Medical Schools
As a result of Hurricane Katrina, all New Orleans universities suffered significant infrastructural damage and loss of operating revenue affecting their clinical, research and educational bioscience activities. These losses are particularly significant when viewed from the perspective of their ramifications on faculty and staff retention as well as the institutions’ ability to respond to the region’s new medical needs. Given these realities, it will be increasingly difficult to maintain all institutions’ quality of bioscience research, education, and community medical support. As the academic and clinical base retrenches due to post-Katrina realities, the effects on new intellectual property generation will be diminished. This unfortunately occurs at a time when the region’s entrepreneurial and business development climate was gaining momentum, thereby negatively impacting the ability of all universities to commercialize their current and future intellectual property in a manner that enhances the regional economy.

LSUHSC
The Louisiana State University Health Sciences Center facilities were severely impacted as a result of the hurricane – 19 of the 21 LSUHSC structures in New Orleans were damaged. The Dental School Buildings and Clinical Education Building were extensively damaged and their ability to re-open is questionable in the near term. It will require $45 million to recover the dental school infrastructure and another $70 million to rehab the downtown research and clinical campus. In addition, ongoing renovations to the Clinical Sciences Research Building, the Medical Education Building, and the Human Development Center were interrupted and are now doubtful as a result of increased construction costs post Katrina.

Tulane University
While the full extent of Katrina’s damage to Tulane University’s bioscience research capacity at its Health Sciences Center is not fully evident as of yet, its physical infrastructure continues to improve. All facilities at Tulane’s Downtown Medical District were impacted by the storm. The School of Medicine Building was most heavily damaged. Other Downtown buildings (J. Bennett Johnston Bioenvironmental Sciences Building, Tidewater Building, and 1700 Perdido Street)

suffered water damage to first floor and basement areas. It is estimated that the total infrastructure hurricane recovery costs will exceed $200 million for the entire university, a very significant portion of which is associated with recovery efforts centered on recovery of the health science and clinical infrastructure. Further, the University and Health Science Center continue to provide salaries to their faculty and staff, representing some $25 million per month in additional recovery costs. Taking these figures into account, Tulane University projects a significant budget shortfall for the 2006 fiscal year.

Xavier University

Xavier University suffered significant damage to its campus, which is adjacent to the downtown New Orleans medical district. The university has two major research and teaching bioscience facilities, the College of Pharmacy and the NCF Complex, which were flooded and have required approximately $10 million to make operational. Instrumentation cores within those facilities could be back in service by Summer 2006 if sufficient funding is identified to replace damaged equipment. Xavier's College of Pharmacy has 7 clinics in low income areas throughout the city that provide health care services and carry out clinical research. All have suffered damage and it is unknown when these services can be restored.

University of New Orleans

The University of New Orleans (UNO) suffered significant damage as a result of Hurricane Katrina. Located on the southeastern shore of Lake Ponchartrain, UNO sustained wind and rain damage to most of the campus buildings. After the hurricane, the London Avenue canal walls breached, and UNO was flooded on the southwest corner of its campus. The low-lying neighborhoods surrounding UNO experienced significant flooding, and the campus was inaccessible for many weeks. The flooding drowned the electrical feeds to the campus and several first floors of buildings. In addition, over three thousand evacuees were deposited on the UNO campus without food and water and caused additional damage by breaking into various buildings to survive. As a result of the wind, rain, flooding, and inaccessibility, all buildings on campus were closed, including the bioscience facilities. The hurricane also interrupted construction of the new Biotechnology Laboratory in the Center Environmental Research Management. It is estimated that the total infrastructure costs to repair the UNO campus will exceed $100,000,000.

Hospitals

As detailed in the above Current Operations section, many of the hospitals sustained severe infrastructure damage and are unlikely to be repaired for use. Additionally, University Hospital has received more than 50% damage and is seeking federal money to build a replacement hospital.

Supporting Bio-Med Related Organizations

New Orleans BioInnovation Center (NOBIC): Although it appears there is no damage to the build site for the new BioInnovation Center, delays in construction and increased costs, by 10%-40%, are expected for the $30 million structure originally planned to be complete by mid-2007. These delays and costs impact the Louisiana Gene Therapy Research Consortium (LGTRC), which has been planning to create a Good Manufacturing Practices compliant facility to manufacture gene and cell therapeutics for use in Phase I and Phase II clinical trials within the NOBIC.

Jobs Lost

Medical Schools/Universities
Losses to universities due to Katrina include layoffs to 1,860 faculty and staff, $223 million in revenue, and $367 million of faculty and staff salaries and benefits.

Many schools have also had to furlough employees. LSUHSC has already furloughed 320 employees including 127 faculty members. If money is not found, these furloughs will become permanent. The University of New Orleans has laid-off or furloughed 700 part-time, adjunct faculty and non essential staff members.

Closed Institutions	12
Loss of Revenue, including tuition and refunds	$223,022,000
Loss of Faculty and Staff salaries and benefits over 5 months (Aug. '05. – Jan. '06)	$367,100,930
Other Categories, including transportation for evacuees, mental health assistance, etc.	$102,500,000
Research Losses, including data, labs and instrumentation	$255,000,000
Layoffs: Five Institutions have implemented layoffs thus far:	
Tulane University	500 faculty and staff
Dillard University	88 faculty (50%) and 109 staff (2/3)
Xavier University of Louisiana	350 staff (50%), 50 laid off, 34 other leaves
University of New Orleans	700 faculty and staff
Loyola University	29 staff (5%)
LSU Health Sciences Center	2,600 faculty and staff

Table 3: Katrina impact on university faculty and staff.

Hospitals

The Charity Hospital System is under LSU's umbrella but operates separately from the medical school. Charity and University Hospitals furloughed 2,600 workers. The Charity Hospital System needs "bridge funding" of $15 million a month to retain 1,000 employees who would be needed to run a temporary facility.

REDEVELOPMENT ACTION PLAN AND REQUIRED ASSISTANCE

Vision

First, it is imperative to solve the current crisis of providing enough quality, basic health care services to serve the current and returning population and return metropolitan New Orleans to preeminence as a location for health care services. The short term aim is to reestablish key infrastructure and personnel. Rebuilding & retaining LSUHSC, Tulane Health Science, and the hospitals in the medical district act as anchor tenants which are needed to grow the New Orleans Medical District and is an opportunity to create world-class teaching hospitals. Regaining employment in the medical sector and reestablishing the medical schools and research facilities will be integral to the plan.

Second, New Orleans must create a plan and lay the foundation for a future state of the art health care system. For years, Louisiana has suffered from poor health outcomes. In some studies, the state has ranked 49 of 50 of US states in health care quality. Following Hurricane Katrina, New Orleans has a unique opportunity to dramatically transform the state's health care outcomes by emphasizing the dimensions of quality defined by the Institute of Medicine:

Safety: Patients ought to be as safe in health care facilities as they are in their own homes. Over the past several years, there has been an increasing recognition of errors in care that result in injury to patients. New Orleans can lead the nation by instituting city-wide implementation of computerized physician order entry and electronic medical records, two information technology solutions that have been demonstrated to reduce injuries and save lives, but have not yet been implemented anywhere on a city-wide basis.

Effectiveness: The health care system should match care to science, avoiding both overuse of ineffective care and underuse of effective care. By applying rigorous, unprecedented attention to clinical evidence, New Orleans health care professionals can create a dynamic academic environment that offers patients care that is grounded in the best medical science—and a unique learning environment in which residents and medical students are trained in the use and generation of clinical evidence.

Patient-centeredness: Health care should honor the individual patient, respecting the patient's choices, culture, social context, and specific needs. New Orleans is among the most diverse cities in the country. Design of a new healthcare system should be cognizant of and responsive to this diversity. Design of primary, secondary, and tertiary health care facilities should be based carefully on a thorough continuous assessment of patients' needs.

Timeliness: Care should continually reduce waiting times and delays for both patients and those who give care. System-wide implementation of best practices in scheduling, such as group visits and open-access can dramatically improve quality of care city-wide by making sure that patients get the care that they need when they need it.

Efficiency: The reduction of waste and, thereby, the reduction of the total cost of care should be never-ending, including, for example, waste of supplies, equipment, space, capital, ideas, and human spirit.

Equity: The system should seek to close racial and ethnic gaps in health status. New Orleans has well-documented gaps in outcomes across racial groups. The new system should define equity as a core priority and work to monitor care to ensure that individuals do not receive different care on the basis of the racial groups to which patients belong. If properly conceived, New Orleans could be a national model for health care systems change and experimentation, where the best knowledge about health care systems design is tested in a practical setting and, if successful, disseminated to other regions.

In order to create a "center of excellence", a Working Group on bioscience initiatives identified six key success factors:

1. Maintenance of a strong academic and clinical capability;
2. Promotion of the growth of industry clusters, like the biosciences, where the region has a competitive advantage;
3. Use a balanced approach of targeted recruitment, global branding, business creation and existing business retention;
4. Integration of higher education into economic development efforts;
5. Development of creative, inclusive approaches to economic prosperity;
6. Creation of agile leadership networks to respond to market challenges, changes and opportunities.

Goals

Short Term (less than 1 year = 2006)

1. Immediate Hospital and Physician Financial Relief. To ensure access to emergency and acute care services at the local and regional level, and access to physician primary care and specialty services, provide inpatient and outpatient healthcare and associated clinical facilities for the population of New Orleans at a level that supports the academic missions of the universities. This includes ensuring immediate gap funding for continuing the operations of reopened hospitals and for repairs in order to open others.
2. Workforce. Support strategies to attract and retain critically needed nursing, allied health and other staff to provide healthcare services. The lack of staff is currently the primary factor impeding the provision of adequate services to those in need. This lack of available workforce is due in large part to the lack of housing.

3. Re-establish New Orleans medical education. One of the most pressing needs in post-Katrina New Orleans is retaining the medical services "hub," including the medical schools and hospitals, research centers, and other biosciences related firms. The goal of keeping these venerable institutions in New Orleans is threefold: (1) These institutions provide critical primary, secondary, and tertiary health care services to the residences of the city and surrounding regions. In their absence, residents of metropolitan New Orleans will not have ready access to needed care. (2) Major academic medical centers

are complex organizations that provide satisfying, high-quality employment to large numbers of individuals. Health care providers and researchers require large staffs of assistants and technologists. These high quality jobs will be necessary to sustain current and future New Orleans residents. And, (3) These institutions are vitally important to the development of any health care research-based industry. As major academic medical centers, both LSUHSC and Tulane can potentially provide a hub for biomedical research and a foundation for biotechnology and biopharmaceutical industry. A well-conceived campaign to refocus these institutions around this purpose could result in the development of New Orleans as a leading center for biomedical entrepreneurship.

4. Restore affected universities to pre-Katrina levels of quality, especially focused on retaining extramurally funded faculty and educating the bioscience workforce. Doing so will provide the necessary infrastructure to support the New Orleans bioscience industry at every level. A successful plan to rebuild/redevelop New Orleans' academic medical centers will be cognizant of the fact that recruiting human capital is the basis for institutional strength.

5. Continue development of the New Orleans BioInnovation Center, Louisiana Gene Therapy Research Center's GMP facility, and the Louisiana Cancer Research Center. Work with the Louisiana legislature and third party fund providers to support the state's commitment to these initiatives and provide the additional funding needed as a result of post-Katrina increases in construction costs.

6. Develop a Bioscience Strategic Plan. Define a scientific and commercial roadmap toward the creation of a complete bioscience economy for the New Orleans area by bringing together leaders in the field.

Long Term (more than 1 year = 2007+)

1. National Model for Healthcare Systems Change. Become a national model for health care systems change and experimentation, where the best knowledge about health care systems design is tested in a practical setting and, if successful, disseminated to other regions.

2. Primary/Preventive Care. Build a network of community based primary care centers to:
    - Provide local involvement in the provision of care and the education of the population in healthcare matters.
    - Explore public/private partnerships utilizing local and regional provider networks (hospitals, public health units, FQHCs, etc.) to ensure patient access to primary care services.
    - Expedite the process for the development of such centers and for the training of the personnel to manage the centers.

3. State Hospital/Long-term Planning.
    - Support the use of long-term, reliable demographic and financial projections in determining the need for any rebuilding of state-owned, inpatient acute care hospital capacity.
    - Ensure that any significant public investment has a sustainable and forward-looking healthcare delivery system model, including reliable funding streams.

4. Link industry academia and government. Using the roadmap developed as part of the Bioscience Strategic Plan, establish an environment that links industry, academia and government to:
    - Assist in faculty development and recruitment initiatives by collaboratively working with other affected universities to petition local, state and federal officials to allocate funding for faculty retention and attraction;
    - Assist in creation of specialized academic infrastructure (facilities, equipment, and faculty) by securing support from legislative and executive government leaders to stabilize state and federal bioscience funding levels allocated to bioscience researchers through the Board of Regents, NIH, NSF and other key agencies, and to ensure flexibility in the funding to meet the transitional needs of bioscience faculty and institutions;
    - Create a program to increase public awareness and to promote local and regional bioscience strengths, capabilities and opportunities at all levels;
    - Develop a streamlined process to assist in the identification and development of promising and commercializable intellectual property;
    - Address specific issues associated with the commercialization of biosciences by creating expert workgroups and organizing symposia. Examples include SBIR/STTR funding, continued efforts by the New Orleans Biotech Networking Group seed and venture capital, and entrepreneurship;
    - Provide access to academic and industrial data and information resources by creating and maintaining a shared data repository;
    - Maintain existing, and support creation of new collaborative externally funded clinical and basic research centers, such as the General Clinical Research Center (GCRC).

5. Attract public and private funding sources for biotech companies/investments. Looking at both the public and private funding of small technology companies in Louisiana, it is clear the State has under-developed funding sources for creating a thriving biosciences economy. In terms of SBIR/STTR grants, Louisiana wins only a fraction of one percent of total dollars available.

Action Steps and Estimated Costs

Short Term (2006 Calendar Year)

1. Expedite the release of appropriated funds for Medicare, Medicaid and Uncompensated Care, and provide administrative relief from currently unrealistic formulary assumptions. This should create minor or no budgetary impact for the New Orleans area because: 1)

Uncompensated care will be funded by an interagency transfer of federal funds; 2) Even though unit costs will be higher, these will be offset by a reduction in the services rendered. Requests for specific changes are:

- Medicare:
    - Cost-based outpatient reimbursement for hospitals operating in the immediate disaster areas.
    - Modifications to the inpatient reimbursement system to reflect the abnormal circumstances of the disaster areas. To include:
        - Adjustments to wage index calculation to reflect labor rate increases across the state. (The reimbursement system adjusts payments according to the comparative cost of normal labor markets. Any relation between the New Orleans labor market and a normal one is purely coincidental.)
        - Adjustments to outlier methodology to reflect the lack of post-acute care capacity. (The reimbursement system assumes a hospital's ability to discharge patients expeditiously and to the appropriate level of care. The metropolitan New Orleans area no longer has that ability due to the absence of a vast majority of long term care facilities, home care and homes.)
        - Re-base reimbursement rates in sub-provider units and other freestanding post-acute care facilities that demonstrate a change in acuity and/or operating costs
        - Reimburse Medicare bad-debt expenses at 100 percent.
        - Increase Medicare physician fee schedule to reflect current operating environment emphasis on primary and preventive care.
- Medicaid:
    - Cost-based inpatient and outpatient reimbursement for hospitals operating in the immediate disaster areas.
    - Re-base reimbursement rates in hospitals and units that demonstrate a change in acuity and/or operating costs.
    - Immediately implement a certified public expenditure (CPE) process allowing local public hospitals to access additional federal funding for Medicaid and uncompensated care.
    - Increase Medicaid physician fee schedule to reflect current operating environment emphasis on primary and preventive care.

- Uncompensated: Expedite immediate funding mechanism (a federal inter-agency transfer from FEMA to CMS) for the approved Section 1115 waiver which permits all Medicaid providers to recover uncompensated care costs incurred for providing care to those affected by the hurricane from the date of the hurricane, August 29th, 2005, to January 31st, 2006. The transfer should be for a minimum of $150 million.

- Federal inter-agency transfer of at least $150 million from FEMA to CMS to pay the cost of the approved Section 1115 waiver for the provision of care from the date of the hurricane, August 29th, to January 31st, 2006.

  - Immediately re-allocate existing uncompensated care funding for Charity and University hospitals to hospitals in the disaster regions currently providing uncompensated inpatient and outpatient care.
  - Establish a permanent uncompensated care funding mechanism for hospitals and physicians that allows the "dollars to follow the patient" thereby enhancing access to patient care at the local level.

2. <u>Accelerate any and all programs to provide housing, giving priority to those individuals that are needed for the rebuilding of New Orleans.</u>
   - Provide tax incentives, loan repayments and forgiveness of debt in exchange for the will to be employed in the disaster area providing healthcare services for those in the area.
   - Identify and use any federal programs that could provide healthcare staff for a multi-month period.

3. <u>Provide gap funding to restore affected universities and academic medical centers to pre-Katrina levels of quality, especially focused on retaining extramurally funded faculty and educating the bioscience workforce.</u> This will be accomplished by working with New Orleans area universities and the Louisiana congressional delegation to provide Katrina emergency supplemental funding. Other specific steps include:
   - Provide regulatory relief to the Graduate Medical Education cap (3 year average concept) since it is no longer relevant to the current situation and will have adverse consequences to graduate medical education without that relief.
     - Availability of funding. Young investigators typically struggle with the problem of access to funding. Time that ideally would be spent working on research productivity is instead spent applying for research grants. Investigators could be lured to New Orleans with the promise of a large research budgets to undertake their own projects.
     - Financial compensation is frequently a necessary incentive for an established/promising researcher to leave a comfortable academic setting in which he/she has built a reputation. One junior faculty member reported requiring a salary of 1.5-2.0x their existing salary, $100,000 salary, to move from Harvard Medical School to a theoretic research center in New Orleans. The ability to profit from the development of intellectual property developed was also cited as a necessary feature.
     - Physical Plant. Individuals at major research centers are used to competing for research space. The promise of newly constructed, customizable research space is an attractive enticement for many investigators.
   - Obtain a guarantee from LSU to bring back LSUHSC and the specialties. This guarantee is needed for planning, investment, and securing federal funding, NIH & NSF grants, etc.
   - Secure funding to rebuild LSUHSC and keep it running.
   - Ensure that all federally funded research projects that lost research due to hurricanes Katrina and Rita receive a sufficient reallocation of money to restart and complete research in the Medical District.

- Rebuild, refurbish and reopen area hospitals because they are important components of the LSUHSC and Tulane medical teaching system as medical training centers.

Estimated University Funding Needs ($M)

	Infrastructure	**Operating**	**Total**
LSUHSC	$115	$124	$239
Tulane	$200	$100	$300
Xavier	$10+	$90	~$100
UNO	$100	$50	~$150
Totals	$325+	$224+	~$789

4. <u>Continue construction on new Biosciences buildings including the BioInnovation Center and the Cancer Center.</u> Total funding required: $90 million.
   - New Orleans BioInnovation Center was fully funded. However, due to rising construction costs because of Hurricane Katrina, an additional $20 million is needed to complete the center. For example, preliminary estimates place standard construction costs to be inflated by 10% to 40% due to the strain on the supply of labor and materials. It is not yet known at this time how dramatically the construction timeline will be affected by this storm.
   - Louisiana Cancer Research Consortium needs $70 million dollars to move forward with planning and construction. Because of Hurricane Katrina's impact, the bond market for the state of Louisiana is still inactive. As a result, construction of the Cancer Center cannot move forward. In order to retain critical consortium researchers, it was necessary to reallocate existing tax receipt revenue that would have been used to pay the dept service on those bonds.

5. <u>Convene a panel of experts and national leaders in healthcare system design, local medical community leaders, and biotech industry experts to create an overall Biosciences Strategic Plan, including a plan for redesigning and building the health care system.</u> The panel will specify the actions necessary to create a world-class medical system that leverages all assets of the City of New Orleans medical community, including the LSU and Tulane Health Sciences Centers, VA Medical Center, Louisiana Cancer Research and Gene Therapy Consortia, the New Orleans BioInnovation Center, Xavier and UNO to create a unified environment where research, medicine and industry all co-exist and complement each other's growth. This will be accomplished by supporting active and sustainable collaboration and coordination among key decision makers in the biosciences community. Actions may include:
   - Establishment of state-of-the-art networking and collaboration facilities that compete on an international level.
   - Expand outreach initiatives to corporate and governmental entities and bioscience related partnerships, nationally and internationally.
   - Create a Level I Trauma Center in the downtown Medical District.
   - Move forward with the Bio-Innovation Center and the Cancer Research Center

    - Need to secure an additional $20 million in funding from NIH to complete the Bio-Innovation Center because of increased construction costs.
  - Work to create NIH, NSF & DARPA granting processes that expedites and prioritized funding for New Orleans.

Long Term (Year 2007+)

1. <u>Create neighborhood based medical centers to serve the primary care and preventative care needs of those populations.</u>
    - Work with city-wide hospital system and neighborhoods to develop high quality health care service centers.
    - Look to the Federally Qualified Health Center (FQHC) program for grant funding for qualified areas.

2. <u>Place public hospital re-investment decisions on a factual, rational basis.</u> Specifically:
    - Request the U.S. Bureau of the Census to provide professional estimates and measurements of the demographic changes of the disaster areas, thus providing a data base of the returning population on which rational decisions can be made.
    - Require use of the above data base on which to request federal aid.
    - Require any federal capital investment assistance to be based:
        - On reliable future income streams for on-going operations.
        - Is focused on increasing access to community based primary care and mental health services.
        - Involves regional public/private partnerships.

3. <u>Create sources of funding for Biosciences entrepreneurial ventures in the New Orleans</u>
    - Allocate priority funds for New Orleans from the Louisiana Business & Technology Center (LBTC). Louisiana had already funded the (LBTC) to assist small businesses in growing their companies and getting small business grants.
    - Create a federal Disaster Area Bioscience Support Program to fund academic and small business bioscience grants in the region impacted by Hurricane Katrina.
    - Convene workgroups to discuss attracting private funding for Biosciences entrepreneurial ventures in the New Orleans area including SBIR/STTR funding strategies, angel investments and venture capital funding.
    - Stimulate venture capital funding:
        - Like SBIR funding, Louisiana receives only a fraction of one percent in venture capital investments. This lack of venture funding may soon change as three new venture funds – Louisiana Fund I, Louisiana Ventures, and Louisiana Technology Fund – were established in the state. A fourth venture fund was recently proposed by Delta Capital Management out of Memphis.
        - To further stimulate venture capital investing, the Idea Village and Greater New Orleans Inc., with the help of the Louisiana Department of Economic Development, have created what they call the Capital Village. The concept

behind the Capital Village is to create an entity to attract out of state venture capitalists to look at deals within the state and to help entrepreneurs connect with them.
  - Secure a major grant from the Gates Foundation, Berkshire Hathaway, or other private foundation for venture capital funding of cutting edge bio-tech research.

Assistance Required

State
Assistance needed includes:

- Continued state support for Public/Private partnerships, including construction of wet lab incubators, the New Orleans BioInnovation Center, Louisiana Gene Therapy Research Consortium, Louisiana Cancer Research Center, and other partnerships that enhance the bioscience infrastructure in the New Orleans area.

Federal
Assistance needed includes:

1. Federal inter-agency transfer of at least $150 million from FEMA to CMS to pay the cost of the approved Section 1115 waiver for the provision of care from the date of the hurricane, August 29th, to January 31st, 2006.
2. Changes to Medicare and Medicaid in-patient reimbursement rates
3. The creation of a federal Disaster Area Bioscience Support Program to fund academic and small business bioscience grants in the region impacted by Hurricane Katrina.
4. $500,000 to develop a Biosciences Strategic Plan to guide the future development of a comprehensive bioscience economy based on an academic, government, and industry partnership in the New Orleans area.
5. An additional $20 million for completion of the New Orleans BioInnovation Center project due to increased construction cost estimates due to Hurricane Katrina.
6. $70 million to move forward the construction of the Louisiana Cancer Research Consortium. (Because of Hurricane Katrina's impact, the bond market for the state of Louisiana is still inactive. As a result, construction of the Cancer Center cannot move forward. In order to retain critical consortium researchers, it was necessary to reallocate existing tax receipt revenue that would have been used to pay the dept service on those bonds.)

Total Direct Federal Funding Needed: $240.5million

SUMMARY

Katrina's devastation of the Bio-med base in the New Orleans metro area threatens to kill the goose that lays the golden egg. One of the critical paths to economic recovery will be to restore the area's universities and medical facilities to their pre-Katrina levels so they can continue to generate bioscience-related economic development.

The academic medical centers in New Orleans have provided health services to the metropolitan area, starting with primary care. They also provided a Level 1 trauma facility, as well as tertiary and quarternary care for the entire state of Louisiana. The public and private hospitals in the New Orleans area have also supported the education and training of medical students and residents. In addition, they have provided a diverse patient base for clinical research. Adequate facilities and resources are required to continue the education and training of all levels of health professions. Continuation of these educational, research and clinical programs is essential to the further development of the bioscience economy in the region.

New Orleans needs to maintain a critical mass of the health services industry to remain a regional center of care and research. This includes hospitals, medical schools, and workforce. Health care research industries will represent a significant source of economic growth over the next several decades. As such, a priority in post-Katrina New Orleans should be creating an environment that is attractive to these industries. Recruiting top scientific talent remains the most important factor in growing these centers into incubators for the biotechnology industry.

Even more importantly, restoring adequate (in terms of quality and capacity) health care services is a prerequisite for restarting all economic redevelopment in New Orleans. Without a solid health care system, residents and workers may not return and/or the city will not be able to sufficiently service the returning population.

Maritime Industry Redevelopment Plan

OVERVIEW (Pre-Katrina)

Before Hurricane Katrina struck, the Port of New Orleans (and four other Louisiana-based ports along the lower Mississippi River, the "Port") constituted the largest port, by tonnage handled, in the U.S. and the fifth largest in the world. The gateway to the Midwest, the Port of New Orleans handles much of the nation's agricultural commodities, petroleum and petrochemical products, steel and steel-related products, and other bulk commodities. The Mississippi River System and the entire U.S. Inland Waterway System handle 16% of the nation's goods for only 2% of the overall cost, saving consumers over $7 billion in annual costs when compared to alternative means of transportation, and consuming 26% less fuel per ton mile than rail and 89% less fuel per ton mile than trucks. Even during Katrina and Rita, the river system proved itself to be a robust transportation artery for the shippers who rely on it most. This system is dependent upon federal investment for building and maintaining a series of locks and dams, up to 50% of which is paid for directly by fuel taxes on shallow draft propulsion fuel. Restoring the Port and other maritime related industries to pre-Katrina status is vital to our local, state, and national economy.

Employment

- Number of jobs – The ports and related activities support in part or in whole 270,000 jobs in the state.
- The ports and related activities generate $5.66 billion in total income for LA residents.

Economic Value

New Orleans is a national leader in handling rubber, coffee, chicken, steel, timber products and copper. The river system attracts industries that move large volumes of cargo, and has virtually unlimited capacity for growth. The river system can also serve as a great solution to the problem of increasing highway congestion. This capability creates some of the Port's natural strengths in the movement of bulk commodities, break-bulk, over-dimensional project cargos and, increasingly, containers by barge.

- Market size/ Total revenue dollars – The total economic impact of the Louisiana ports was $32.9 billion per year.
- Tax revenue – The ports and related activities generate $467 million in annual tax revenue.

Intangible Impact

Links to other industries – The maritime industry in Louisiana is comprised of and/or directly integrated with trucking, railroad, shipbuilding and repair, ship supply, ship agents, stevedores, customs agents, U.S. Coast Guard, U.S. Army Corps of Engineers and other governmental agencies, cargo packing, freight forwarders, customs house brokers, marine surveyors, barge lines, pilots, ship fueling, docking and other navigation services, steamship lines, port related management services, admiralty and other legal services and related justice systems, etc. Shippers using these services rely on them as a vital part of the supply chain of their businesses.

Growing Cruise Ship Industry – Because of New Orleans' attractiveness as a tourist destination, the Port of New Orleans has been one of the fastest growing cruise ports in the U.S. Since 1993 the cruise ship industry has grown from 80,000 passengers to over 750,000 in 2004. This industry sector clearly has numerous benefits as it brings visitors from around the world to patronize our many tourist attractions, restaurants, museums, and music venues that are so key to our unique heritage and our city's international brand.

Unmatched Rail Access – Six Class 1 railroads serve the Port of New Orleans, more than any other port, creating significant opportunities for intermodal connections between ships and rails.

Huge Potential – New Orleans only has value added facilities for coffee. More should be done to leverage existing commodity strengths and logistical advantages to create additional industry in the region – e.g. tire manufacturing, steel fabrication facilities, etc. (especially the construction of machinery and components for the domestic and international refining, petrochemical, exploration, and production and power generation sectors). Links to local universities should be established to create curriculum and research, provide training and create centers of excellence in support of this concept.

Community Expertise – The New Orleans community has several strengths that are germane to the maritime industry. These range from a rich maritime history that has fostered significant local expertise in the field, to a strong and vibrant Central American community that ties to our healthy maritime relationship with Central America. Likewise, New Orleans has a robust academic community. All of these elements make the city a uniquely blessed maritime center, and each should be leveraged to its fullest.

KATRINA'S IMPACT

Current Operations

The Port is currently operating at 50% of pre-Katrina levels, bringing the total number of ship calls per week down from about 40 ship calls to about 20 per week. The goal for April is to reach 70% of pre-Katrina levels.

Damage to Infrastructure

Katrina caused approximately $100 million damage to the Port itself, and up to $300 million more in damage to port-related businesses and infrastructure. This includes the nearly complete destruction of the area of the Port closest to the Industrial Canal.

Jobs Lost

220 of the regular 460 longshoremen have returned to work. Reported shortages of truck drivers for hauling cargo.

Intangibles

Losing ground to competitor ports in Houston, Mobile, and Gulfport could threaten the return of shipments.

REDEVELOPMENT ACTION PLAN AND REQUIRED ASSISTANCE

Vision

Restore the maritime industry in the Greater New Orleans area to international prominence, delivering economic value, jobs and ultimately tax revenue to the federal, state and city governments. Fundamental to this approach is a belief that investment should be made to leverage the Port's many assets, create new ones, and eliminate barriers to success.

Goals

Short Term (less than 1 year = 2006)

- Restore Port and related maritime industry infrastructure and facilities to pre-Katrina condition and functionality, including restoration of utilities.
- Immediately implement a plan to match the Port's cost competitiveness with all other Gulf of Mexico ports, especially Houston, by implementing cost savings measures and creating incentives, such as targeted tax incentives.

Long Term (more than 1 year = 2007+)

- Reestablish the Port of New Orleans as a premier international origin and destination point for bulk, break-bulk, container, project and passenger cargoes.
- Collaborate with the Louisiana-based Port(s) to increase the overall competitiveness of the Port(s) by increasing investment and targeting industries and commodities for growth.
- Streamline regulatory agencies in order to improve efficiency and safety.
- Complete the Inner Harbor Navigational Canal lock replacement project.

Action Steps and Estimated Costs (in prioritized sequence)

Short Term

1. Provide appropriate relief for port authorities until recovery is complete and revenue has returned to allow them to meet their obligations.
2. Provide interim housing in lieu of dockside cruise ships for emergency and other workers and their families to allow the cruise ship industry to offer services to New Orleans visitors and promote commerce in the New Orleans area.
3. Immediately work with the applicable Pilots Association(s) to improve the cost competitiveness of pilot fees and governance structure to bring the costs of these services to the Port's customers in line with regional and national competition and, specifically, reduce the total cost of entering and exiting the Port to equal to or less than the Port of Houston. Use these cost savings to target shippers whose cargos are most cost sensitive and whose activities create the most jobs for the Port.
4. Close Mississippi River Gulf Outlet (MR-GO) to deep-draft navigation, while maintaining it at a reduced draft of 28-feet to serve offshore exploration/production activity, commercial fishing and other purposes until such time as the Inner Harbor

Navigational Canal lock is completed. Consider construction of a weir or other flood control structures on the MR-GO that will allow for navigation while providing protection from storm surges. If MR-GO is not maintained as a commercial waterway, provide funds (estimated to be as much as $360 million) to relocate businesses dependent on MR-GO. Cost: $25 million to dredge to 28-feet. (FEDERAL)

5. Seek designation for New Orleans as the secretariat for CAFTA as well as headquarters of the Central American Trade Capacity Institute and the leading port for CAFTA trade to maximize the benefits of CAFTA to the region. (N.O.)
6. The State must increase funding to the Port Priority Fund to $50 million in order to improve the competitive position of the Port to catch up to investments made by the neighboring states (Houston: $387 million, Alabama: $100 million Port Revitalization Plan, and Mississippi: $500 million). Cost: $50 million.
7. Remove the $3 million annual limit per port for Port Priority Fund allocations and allocate funds between ports based on job creation.
8. Ensure that building materials and machinery used in recovery and rebuilding efforts contracted by the Federal Government and shipped to Louisiana utilize Louisiana ports directly as opposed to competing ports in other states with an inter-modal transfer to deliver the goods to their ultimate Louisiana destination.
9. Grow break-bulk, project and container tonnages by providing economically viable port services coupled with strengths inherent to the region. Mississippi's tax incentive for companies within their state using state ports is one model worth considering. (STATE)
10. The State should pass legislation to ensure that Louisiana based shipyards, suppliers and repair facilities are competitive with other states with regards to taxation issues, particularly sales tax (e.g. Mallard Bay Drilling case).

Long Term

1. Expedite the previously authorized replacement of the 82 year old Inner Harbor Navigational Canal lock with a modern, more efficient deep draft waterway lock. Note that this project is one of the Waterways Users Board's national priority projects, and a significant portion (as much as 50%) of the funding is provided by the Inland Waterways Trust Fund. Cost: $614 million
2. Designate New Orleans as the headquarters of and provide appropriate funding for the Central American Trade Capacity Institute to maximize the benefits of CAFTA. The Institute will consist of a private/public partnership among government, business and academic institutions focused on the development of high potential companies thereby building trade capacity within the region. (FEDERAL)
3. Continue Incumbent Worker Training Grants and tax initiatives to pre-Katrina levels to hire and train new and existing employees within the State. (STATE)
4. Regulatory reform (STATE):
    - Consolidate multiple parish levee districts into a single unified levee district to ensure proper coordination with USACE for flood control matters.
    - Increase cooperation between local port authorities and consolidate the multiple authorities where practical in order to improve efficiency and the competitiveness of Louisiana ports with those in other U.S. states.

5. Expand New Orleans Public Belt Railroad into neighboring parishes to create efficiencies and attract more commerce from the Port and the 6 Class I railroads calling on New Orleans.

Assistance Required

Private

- Lobby New York Board of Trade to remove the coffee differential for the Port of New Orleans.

New Orleans

- Seek designation as CAFTA secretariat and headquarters for the Central American Trade Capacity Institute
- Regionalize New Orleans Public Belt Railroad

State

- Pilot fee reform
- Regulatory structure reform
- Continue Incumbent Worker Training Grants and tax initiatives
- Increase State contribution to $50 million per year for Port Priority fund – $50 million
- Remove $3 million spending cap for Port Priority fund
- Promote break-bulk, project, and container tonnages
- Mallard Bay Drilling legal reform
- Regulatory reform
- Consolidate levee districts
- Consolidate port authorities where practical

Federal

- Inner Harbor replacement – $614 million
- Immediate relief for port authorities
- Interim housing in lieu of dockside cruise ships
- Close MR-GO, Dredge to 28-ft – $25 million

Total Direct Federal Funding: $629 million

SUMMARY

The complete revival and further growth of the New Orleans maritime industry is a vital goal for the city's economic development. The maritime industry is a natural strength for New Orleans and it is linked to dozens of the city's other major industries. Moreover, the city's location makes it a preferred gateway for trade from all over the world to reach the heart of the U.S. Additional strengths that could be capitalized on further include the city's unique positioning with respect to Central America. This industry is of the highest priority to the health of the city's economy, and the above actions must be taken to ensure its continued success.

Oil & Gas Industry Redevelopment Plan

OVERVIEW (Pre-Katrina)

Prior to Hurricane Katrina, and even in the aftermath of the storm, coastal Louisiana has been the backbone of the energy sector in the United States. Including outer continental shelf (OCS) production Louisiana ranks first in crude oil production and second in natural gas production. Moreover, the proximity of raw energy production to ports, transportation infrastructure, and pipeline capacity have made coastal Louisiana the home of nineteen refineries and a petrochemical processing economic base that adds significant value above and beyond the mere raw product components. Louisiana has an existing storage, pipeline, gas plant, processing, and downstream infrastructure which can be used for future growth. The Port of New Orleans is also a significant asset providing transport to the Midwestern United States for petroleum and petroleum products.

Employment

Although we had seen significant declines in oil, gas, and processing employment in Louisiana prior to Katrina, there were still over 55,000 jobs related to the oil and gas sector with at least 10,000 positions being directly involved in production. Moreover, these jobs were of a type and quality that contributed to a better standard of living, generating health care and retirement benefits and greater discretionary income, thus leading to a higher “multiplier” economic effect in Louisiana. The average industry salary is $85,000, nearly three times local average

Intangible Value

Oil and gas enterprises tend to gravitate toward areas where other key players in the business live and work. Louisiana universities train and educate geologists, geophysicists, and petroleum engineers. They have done so for over a generation. A workforce of geotechnical professionals within the State still exists. Moreover, there are geotechnical professionals living within close proximity of New Orleans or Louisiana that could be attracted back to the State given the right mix of opportunities.

KATRINA’S IMPACT

Current Operations

As of January 5, 2006, daily oil production in the Gulf of Mexico is at 73% of capacity (27% shut-in), while daily natural gas production is 81% of capacity (19% shut-in). (data from U.S. Department of Interior’s Minerals Management Service) These operations represent dramatic improvements over Katrina’s immediate aftermath, when 90-95% of oil production and 88-90% of natural gas production were shut.

Damage to Infrastructure

Although several individual pieces of infrastructure remain severely damaged (most notably Port Fourchon and other terminals), most gas and oil infrastructure remains intact.

Jobs Lost

Most oil and gas companies have returned to New Orleans with few lay-offs. However, 12% of manned platforms in the Gulf remain evacuated. In addition, several companies, including Shell, Chevron, and Tidewater, have not returned their administrative and executive personnel. In most cases, these companies have temporarily relocated to the surrounding area (e.g., Texas, Baton Rouge) and are awaiting commitments on levee repairs and the area's economic development.

Intangibles

Oil and gas investments, as well as corporate headquarters, generally locate in areas where political, legal, and regulatory risks are predictable and stable. However, the uncertainties of flood and housing risks have now added an entirely new dimension to the stability equation, increasing New Orleans' risk profile.

REDEVELOPMENT ACTION PLAN AND REQUIRED ASSISTANCE

Vision

Create an independent oil and gas headquarters industry in both Greater New Orleans and South Louisiana. In the process, make New Orleans and the South Louisiana Area a more attractive base for "major" oil and gas regional offices.

Goals

Short Term (less than 1 year = 2006)

- Restore industry functionality to pre-Katrina levels

Long Term (more than 1 year = 2007+)

- Bring environmental stability to the region
- Attract and retain industry talent
- Make New Orleans and Louisiana more attractive locations for oil and gas investments relative to other national and international options
- Explore growth opportunities that leverage Louisiana's refinery base and transportation infrastructure (e.g., refining and liquid natural gas)

Action Steps and Estimated Costs

Short Term

1. Reduce timelines required at the Federal level for the building of flood control infrastructure, especially in regards to EPA mandates, limiting the scope and appeal time for lawsuits that would attempt to block recovery efforts.
2. Create a Federal "brownfields" tax incentive program within the flooded and storm-damaged areas such that any environmental cleanup within these zones would be provided with immediate tax relief for cleanup costs, no matter the level of ownership changes, and with liberal definitions for eligible expenses.
3. Create an Oil and Gas Headquarters Commission, with the express intention of encouraging Louisiana content in operating oil and gas businesses and achieving Louisiana coastal zone drilling.

Long Term

1. Undertake every effort to encourage Louisiana-based drilling and to create jobs by making New Orleans and South Louisiana a headquarters for independent and regional major oil exploration. Continue drilling exploration wells to create jobs and provide raw materials for the ancillary petroleum businesses.
2. Enact comprehensive legal reform, including:
   - Reform "legacy" lawsuit issues to end the uncertainty of legacy lawsuits in the oil and gas industry. All judgments should be required to go directly into land remediation, and be limited to a reasonable multiple of the land's actual fair market value.
   - Streamline permitting layers and EPA approvals required for LNG facilities and refining projects.
3. Enact comprehensive fiscal reform so that the Louisiana oil and gas fiscal regime has approximately the same after-tax, after royalty/fees economic rate of return as the Federal OCS fiscal model. Proposed reforms include:
   - Limit State royalty on new wells to 10% until payout, and then to the federally imposed rate of 16.67%.
   - Reduce the State severance tax rate to half of the existing rate on new and deeper wells, so that the initial combination of severance, royalty, and property taxes on new venture wells is roughly equivalent to the Federal royalty rate.
   - Create a combination investment/R&D State tax credit for new oil and gas investment and seismic acquisition and analysis. A 5% target rate should be set. Alternatively, oil and gas investment should receive sales tax exemptions similar to manufacturers.
   - Continue Federal royalty relief provisions encouraging the leasing and drilling of OCS lands. Provide, in addition to the incentives included in the Federal Gulf Opportunity Zone, accelerated depreciation incentives, and the extension of the research and development tax credit to seismic acquisition and interpretation, where such intellectual property is developed using labor content within such Opportunity Zone.
4. Enact comprehensive property tax reform, coupled with state budgetary and tax rate reform. Make local property taxes on oil and gas investment creditable against State taxes (including severance) similar to the inventory tax credit now done for manufacturers.
5. Make most of the above revenue reliefs contingent on formulas that encourage Louisiana-based labor content in the geosciences or R&D support arenas. This can be modeled similar to the film industry incentives, with an Oil and Gas Headquarters commission administering such a program.

Assistance Required

Private

- Industry players are bearing the majority of the expenses (e.g., repairs, temporary housing) required to return infrastructure and employment to previous levels. Therefore, no direct monetary assistance from government entities is required.

New Orleans

- Work with the state and surrounding parishes to promote efforts to encourage headquarters initiatives. Investigate the possibility of consolidating services across a metropolitan region, with the hope that such cooperation could ultimately foster a more streamlined and efficient regional government.

State

- Coordinate tax and legal reforms with the Federal government to ensure consistency and minimize time delays.
- Provide requested fiscal/tax and legal reforms.

Federal

- Coordinate tax and legal reforms with the State government to ensure consistency and minimize time delays.
- Provide requested fiscal/tax and legal reforms.

SUMMARY

The oil and gas industry is an essential component of the New Orleans and Louisiana economies. While Hurricane Katrina caused initial energy shortages, reducing output almost entirely, the industry overall has restored its operations to 75-80% of capacity, largely without government assistance. However, the conditions brought about by Katrina present a critical opportunity to improve the region's overall business environment and position this industry for future growth. Without significant reforms, New Orleans and Louisiana will likely continue to see high-paying job losses as companies seek more attractive locations.

Aerospace & Military Industry Redevelopment Plan

OVERVIEW (Pre-Katrina)

Significant federal, military, and aerospace activity currently exists in the New Orleans Metropolitan Area, providing a sizeable and stable contribution to the area economy. Some of the industry's largest employers are the Department of Agriculture's National Finance Center, Northup Grumman's Avondale Shipyard, the Naval Air Station/Joint Reserve Base New Orleans, the Space and Naval Warfare Command's Systems Center New Orleans, the Naval Support Activity (NSA) New Orleans, the national headquarters for the Marine Corps and Navy reserves, and NASA's Michoud Assembly Facility (operated by Lockheed Martin Space Systems). These agencies are at critical junctures in their operations. The NSA is in the process of being redesigned to include a "federal city" that will enable it to retain current tenant agencies and potentially attract new agencies. The Michoud facility produces external tanks for the NASA space shuttle program, which is scheduled to be terminated in 2010. While NASA administration has recently expressed commitment to the Michoud facility, new manufacturing opportunities should be identified for the Michoud facility.

Employment

- Number of jobs: 18,700+ (12,000 military, 4,600 NSA; 2,100 NASA Michoud)
- Average salary: High paying, well above-average

Economic Value

- Total revenue dollars: $7.7 billion total federal ($4.3 billion Department of Defense component)

Intangible Value

- **Local/regional partnerships:** The National Center for Advanced Manufacturing is a partnership between the state of Louisiana, the University of New Orleans, NASA, and Lockheed. The Louisiana Partnership for Aerospace is a partnership between GNO, Inc., New Orleans Chamber of Commerce, City of New Orleans (Dept. of Economic Development) and the State of Louisiana (Dept. of Economic Development).
- **Subcontracting:** Existing agencies have a multiplier effect on the local economy, providing an influx of capital to local subcontractors and vendors and the potential for spin-off technology that spawns other business. For example, the Michoud facility alone spends $23 million with 600 Louisiana subcontractors each year.
- **Military installments** in the area played a key role in enabling federal response and recovery operations in the region in the aftermath of Hurricane Katrina. .

KATRINA'S IMPACT

Current Operations

The Michoud facility is operating at full capacity and is currently in the process of retrofitting two space shuttle external tanks returned to Michoud from Kennedy Space Center. All military units in the area are operational, either from their home facilities or alternate facilities in the area.

Damage to Infrastructure

Both the NSA and Michoud facilities sustained little damage due to Katrina. Michoud's ride-out crew pumped more than one billion gallons of water out of the facility, which minimized damage and downtime. Several military installations in the area suffered some damage, but the damage has been repaired or is in the process of being repaired by the Department of Defense.

REDEVELOPMENT ACTION PLAN AND REQUIRED ASSISTANCE

Vision

The New Orleans Metropolitan area will become a significant hub of military and federal agency activities and aerospace business. This will be accomplished by developing partnerships with government and commercial enterprises engaged in research and production of large transport systems (both military and commercial craft) for use on this planet and beyond. It will also be accomplished by providing a world class Federal City that will attract military, homeland security, and other related federal activities.

Goals

Short Term

- Retain existing federal agency presence and workforce in the New Orleans Metro Area.
- Reinforce NASA's presence at Michoud with an ecosystem of private enterprise focused on aerospace and related functions, making the facility a viable economic engine for the region.
- Secure continued state support and funding for the Federal City project.
- Perform complete industry assessments to formulate a long-term strategy.

Long Term

- Complete Federal City construction by the end of CY 2008, making NSA a modern and efficient facility that will be very competitive in future DOD BRAC rounds.
- Leverage federal agencies, especially Michoud, as catalysts for growing the New Orleans-based aerospace and transportation manufacturing industry, thereby facilitating the redevelopment of eastern New Orleans.
- Produce spin-off technologies and manufacturing that support aerospace, commercial aircraft and the *Vision for Space Exploration.*

Action Steps and Estimated Costs

Short Term

1. Develop a strategy to assist federal agencies with their short- and long-term needs to allow for the full reconstitution of these agencies as industry anchors to build upon. In particular:
   - Set a state legislative mandate calling for the earliest possible full reconstitution of federal agencies that were evacuated from the Greater New Orleans and Southern Mississippi regions due to Hurricane Katrina (at pre-Katrina employment levels).
   - Perform a complete assessment of the presence and economic impact of federal agency activities in the Metro New Orleans area pre-Katrina and post-Katrina.
   - In light of the overall assessment, assess the short and long-term needs of these agencies to fully reconstitute activities in the metropolitan area.
2. Develop a strategy for retaining the Michoud Assembly Facility
   - Heighten support and community awareness of the Michoud Assembly Facility by ramping up the visibility of the facility, the service it performs in relation to human space exploration, and the significant economic impact created by NASA activities in Metro New Orleans.
   - Develop incentive packages/sharing agreements for NASA contractors to ensure NASA business lines are profitable for contractors to locate at Michoud. Target and specifically market the Michoud Assembly Facility to aerospace and transportation manufacturing entities to encourage location of business lines at the facility.
   - Formally confirm NASA's commitment to producing the Shuttle Derived Vehicle tanks and component parts of the second stage of the Crew Exploration Vehicle at Michoud.
   - Secure appropriate federal funding for NASA to accelerate the development and manufacture of both the Shuttle Derived Vehicle and the Crew Exploration Vehicle to alleviate the gap in workforce as NASA retires the Shuttle.
   - Create a task force of aerospace CEOs to investigate the use of the Michoud facility for alternative products in aerospace and commercial aircraft.
3. Develop a state funding/bond strategy for the Federal City project and meet with state leaders to finalize Louisiana's commitment to the project by gaining approval of bond and consulting commitments. . Select a Master Developer for the project before the end of CY 2006.

Long Term

1. Develop a strategic plan for identifying federal agencies that may be able to locate in the New Orleans Metro Area:
   - Perform a capacity study to determine the overall need for agency activity in the region. **Estimated cost: $50,000.**
   - Create a strategic plan for the long-term growth of federal agency activity in New Orleans, factoring in the competing interests of Michoud, NSA, Stennis Space Center (Mississippi) and other targeted growth facilities in the area to ensure regional cooperation for growth. **Estimated costs to engage appropriate consultants for a 12-month timeframe: $50,000.**

- Identify federal agencies that are planning relocation, searching for more cost-effective locations to perform activities, or expanding current activities that may be able to locate in the New Orleans Metro Area. Emphasis should be placed on those opportunities that will act as catalysts for further private sector investment/ opportunities. **Estimated costs to engage appropriate consultants for a 12-month timeframe: $200,000.**
- Aggressively target the Department of Homeland Security and its potential regional operations location. In conjunction with Federal City, this could create a model for DOD/DHS cooperation and interaction on homeland defense and homeland security challenges.

2. Target the identified federal agencies, using creative incentive/financing strategies that make the location or relocation of these entities financially attractive and create monetary savings for the Federal government.
3. Negotiate with all proposed Federal City tenants and gain terms and commitments for them to occupy the Federal City when it is completed. Recruit additional Federal/DHS agencies to become tenants.
4. Identify and target related private/commercial enterprises to co-locate on site with federal agencies
    - Perform a capacity/land use study/strategic plan on the best uses of Michoud's assets. **Estimated cost: $50,000**
    - Dedicate the real estate surrounding Michoud as an area of expansion of the Michoud public/private sector enterprises co-locating at the facility.
    - Identify complimentary public and private entities as targets of opportunity to co-locate at Michoud. Closely monitor related NASA activities, identify potential NASA opportunities and identify potential cooperative endeavors between Michoud and Stennis Space Center. Emphasize opportunities in the commercialization of space activities that are complementary to Michoud's core competencies, capitalizing on synergies with NSA and Stennis Space Center and the close proximity to these facilities. **Estimated costs to engage appropriate consultants for a 12-month timeframe: $200,000**.
    - Obtain Federal "Enhanced Use Leasing" authority for the Federal City project and Michoud Assembly Facility to allow for more rapid growth of these facilities.
    - Create targeted State and local tax incentives to entice private enterprises to co-locate at Michoud and Federal City.
    - Transfer the East Bank portion of NSA into the City tax base before the end of 2010
5. Create strategic alliances in the community to support these activities
    - Seek connections with businesses, non-profits and educational institutes central to success.
    - Identify potential opportunities in commercialization of space activities and work with local universities supporting the new "medical district" in New Orleans in relation to development of expertise in "Space Medicine" to support the *Vision for Space Exploration*.
    - Identify opportunities to more closely connect Michoud Assembly Facility with educational programming at UNO and other local universities. Develop a formal

process to facilitate technology transfer opportunities through these educational institutions.

Assistance Required

Private

- Secure private investments in Federal City project to minimize state contribution

New Orleans

- Take lead role in performing strategic assessments and developing overall strategy for growth.
- Ensure coordination between federal agencies and local universities.

State

- Coordinate activities between Michoud, NSA, and Stennis Space Center.
- Provide tax incentives to attract new commercial enterprises.
- Follow through on bond and consultant commitments for the Federal City project.
- Provide $550,000 funding to support strategic assessments.

Federal

- Secure full support and cooperation from NASA and DON, particularly for "Enhanced Use Leasing".
- Assist in regional cooperation by continued interaction and cross support for the Michoud Assembly Facility, Naval Support Activity, and Stennis Space Center by the Louisiana and Mississippi Congressional Delegations.

Film and Television Industry Redevelopment Plan

OVERVIEW (Pre-Katrina)

Prior to Hurricane Katrina, the city of New Orleans was a significant element of the Nation's film and television industries. In 2004, Louisiana ranked third in gross film and television production revenue in the United States, behind only California and New York. In 2004, Louisiana hosted over forty (40) major film and television productions with total expenditures exceeding $550 million, and more than $67 million in payroll expended on Louisiana residents. More than 80% of the 2004 expenditures occurred in the New Orleans metropolitan area, and over 75% of the payroll expended in Louisiana was paid to New Orleans area residents.

In 2005, prior to Hurricane Katrina, Louisiana was tracking to exceed the impressive 2004 production figures. Local and national media continually reported on the impressive rise of the Louisiana film industry and the dominance of New Orleans as a film and television production destination.

These aspects of the New Orleans film industry have made it one of the brightest spots in the New Orleans economy in terms of attracting growth.

Employment

The film and television industries were responsible for the creation of over 1,000 new jobs in the State of Louisiana, with approximately six hundred (600) permanent well-paying jobs. $67,000,000 in film and television industry payroll was expended on Louisiana residents.

Economic Value

Total revenue dollars: 2004 total expenditures exceeding $550 million.

KATRINA'S IMPACT

The economic impact of Hurricane Katrina was unprecedented. The New Orleans film and television industries have been decimated. As a direct result of the storm, substantial infrastructure projects (including major film studio developments), several major feature film projects, and the continuing stream of low budget film and television projects (the lifeblood of industry) cancelled production and relocated across the United States, taking New Orleans area workers with them.

Hurricane Katrina uprooted the industry, displaced film and television industry workers, destroyed local suppliers and vendors, and crippled the nascent film industry infrastructure. The film and television industries, like all of New Orleans, must be completely rebuilt.

The New Orleans film and television industries suffered losses similar to other industries in the New Orleans area:

- Workers cannot find housing within the region.
- Many of the highly trained, skilled workers have relocated.
- Local and regional service providers/vendors have been affected by Hurricane Katrina, and are no longer available or able to service the industry.
- Investment base has been disrupted and/or displaced.
- Lack of training institutions or facilities that are capable of providing new entrants with industry skills and/or job training.

Current Operations

Nearly all operations have been halted.

Damage to infrastructure

Virtually no infrastructure remains.

Jobs lost

Nearly all film industry employees have been displaced to other locations, as their projects have continued work in other areas of the nation.

REDEVELOPMENT ACTION PLAN AND REQUIRED ASSISTANCE

Vision

While the need for the film industry is great, much of the redevelopment of this industry can take place through private investment, if government actions are used to create an attractive business environment. This attractive business environment can be created with modest amendments to existing federal legislation.

The State of Louisiana has existing legislation tailored to reward investment in Louisiana film production, employment of Louisiana residents, and investment in Louisiana film and television infrastructure.

The goal of this proposal is to provide focused federal incentives, utilizing existing federal legislation, that will enhance existing state legislation and encourage the film and television industries to return to the New Orleans metropolitan area.

The rebuilding of the film and television industries can and will be accomplished over time, and this proposal envisions limited, focused federal efforts to achieve a stable, energized foundation needed to fully revive the film and television industries.

Action Steps and Estimated Costs

Actions

This proposal envisions use of two (2) existing federal programs to spur private investment in Louisiana's film and television industries, and to enhance the existing Louisiana film and television industry incentives.

- IRS Section 181 can be modified to enhance existing state incentives and rebuild New Orleans
- Federal New Markets tax credits can be utilized to enhance existing state incentives and to rebuild New Orleans

IRS Section 181

Existing Federal Film and Television Legislation

The US JOBS Act of 2004 created highly favorable federal tax provisions related to the film and television industries. The centerpiece of the JOBS Act is Internal Revenue Code Section 181, which provides producers of qualifying film and television programs an immediate deduction of production costs that were previously required to be capitalized. This provision represents a substantial tax benefit for producers of qualifying film and television programs.

For the purposes of the Section 181 deduction, a film or television program will be considered "qualified" if: (a) its total production costs are less than $15,000,000, (b) seventy-five percent of the total compensation of the production is paid for services performed in the United States, (c) production activities commence between October 22, 2004 and December 31, 2008, and (d) the production does not contain sexually explicit content.

The Section 181 deductions are subject to IRS regulations regarding "passive loss" rules and "at risk" rules for individuals, limited liability companies and closely held c-corporations. Non-closely held corporations are not subject to the passive loss rules or the at risk rules.

Existing State Incentives For Film And Television Production

In 2002, the State of Louisiana created the most ambitious motion picture tax incentive program in the United States, the Louisiana Motion Picture Incentive Act, LSA RS 47:6007 *et seq* (the "Act"). The Act, amended in 2005, provides attractive incentives (in the form of transferable income tax credits) for investment in Louisiana film and television production and employment of Louisiana residents. These incentives will be the cornerstone of the rebuilding of the New Orleans film and television industry. However, because of the impediments listed above, the Act's incentives are not sufficient, by themselves, to restart the industry.

Proposed Action

Eliminate the "passive loss" requirement for "qualified" Section 181 film and television productions. Add the requirement that the qualified films (1) qualify under the Louisiana Film Incentive Act (LSA RS 47:6007 *et seq*) and (2) film at least seventy-five (75%)

percent of the project in Parishes within the State of Louisiana declared a disaster area due to Hurricane Katrina.

This request places the responsibility of rebuilding this vital component of the New Orleans economy squarely on the private sector. The elimination of the passive loss requirement for qualified Louisiana-based Section 181 productions will allow private investors (individuals, limited liability companies, and closely held c-corporations) to take advantage of the tax benefits associated with investing in the New Orleans film and television industries, while at the same time attract new film and television projects to the area, create employment and economic opportunity for the New Orleans metropolitan area.

The estimated cost of the proposed Section 181 deductions is $27 million

Federal New Markets Tax Credits

Existing Federal Infrastructure Legislation

In 2000, Congress enacted the New Markets Tax Credit (NMTC) as part of the Community Renewal Tax Relief Act of 2000. The intent of the NMTC legislation was to promote economic development in rural and urban low-income communities. The NMTC is targeted to low-income communities, and provides a thirty-nine (39%) percent tax credit, spread over seven years.

Based on the 2000 US Census, several sections of New Orleans qualify for NMTC investments, including areas within the city of New Orleans contemplated as film and television production studio locations. Accordingly, the NMTC program can be amended to promote private investment in New Orleans and to enhance the existing State infrastructure incentives.

Existing State Incentives for Infrastructure

The Louisiana Motion Picture Incentive Act was amended in 2005 to provide incentives for investment in, and development of, infrastructure for Louisiana's film and television industries. The stated purpose of the 2005 amendment was to promote long-term industry growth by providing investment incentives for certified Louisiana infrastructure and facility development projects.

On August 12, 2005, as a direct result of the 2005 amendment, Sunset Gower Studios (formerly Columbia Studios) of Los Angeles, California, announced that it would invest approximately $40 million to construct a full service film and television studio in New Orleans, Louisiana.

Also as a direct result of the new infrastructure incentives, Louisiana Institute of Film and Television, LLC, a New Orleans based film and television production company, announced that it would invest approximately $10 million to construct a full service film and television studio in downtown New Orleans, Louisiana.

Additionally, Independent Studios of New Orleans, locally owned and operated in New Orleans' Ninth Ward for 35 years, announced that it would undergo a $1 million renovation, and host job training and workforce development programs for students and apprentice workers in the film and television industries. Finally, The Film Source, a Louisiana based film production services company, announced that it had partnered with the State of Louisiana to open a full service film and television production studio in New Orleans East.

Hurricane Katrina abruptly ended discussion of these projects. Nonetheless, the announced projects establish that the State's infrastructure incentives work, and that they can and will be the cornerstone of rebuilding of the New Orleans film and television industries. However, because of the significant impediments listed above, the Act's infrastructure incentives are not sufficient, by themselves, to re-start the industry.

<u>Proposed Actions</u>

- Dedicate $25 million in New Market Tax Credits for Louisiana Film and Television Industry Infrastructure Investment
- Increase the New Market Tax Credit from 39% to 60% for any qualified New Market Tax Credit investment that is (a) dedicated to a certified Louisiana infrastructure project (as per the Louisiana Motion Picture Incentive Act) and (b) within any Parish declared a disaster area due to Hurricane Katrina.

This request also places the responsibility of rebuilding this vital component of the economy squarely on the private sector. The expansion of the NMTC program for qualified Louisiana-based infrastructure investment will allow private investors to take advantage of the tax benefits associated with investing in the New Orleans film and television industry, while also attracting infrastructure investment to the area, creating employment and economic opportunity for the New Orleans metropolitan area.

Assistance Required

Federal

- No direct federal funding is requested.
- Eliminate the "passive loss" requirement for "qualified" Section 181 film and television productions. Add the requirement that the qualified films (1) qualify under the Louisiana Film Incentive Act (LSA RS 47:6007 *et seq*) and (2) film at least seventy-five (75%) percent of the project in Parishes within the State of Louisiana declared a disaster area due to Hurricane Katrina.
- Dedicate $25,000,000 in New Market Tax Credits for Louisiana Film and Television Industry Infrastructure Investment
- Increase the New Market Tax Credit from 39% to 60% for any qualified New Market Tax Credit investment that is (a) dedicated to a certified Louisiana infrastructure project (as per the Louisiana Motion Picture Incentive Act and (b) within any Parish declared a disaster area due to Hurricane Katrina.

Music Industry Redevelopment Plan

OVERVIEW (Pre-Katrina)

New Orleans is the birthplace of Jazz, and home to world renown musicians and legendary musical institutions including Louis Armstrong, Fats Domino, the Neville Brothers, the Meters, the Marsalis family, Harry Connick, Jr. Master P, Cash Money Records, the New Orleans Jazz and Heritage Festival, the French Quarter Festival, Essence Festival, Tipitina's and dozens of live music venues, and many others. Music is part of the fabric of the City of New Orleans and a foundation of the City's rich cultural history. The music industry is also a critical component of the region's economy.

Employment

The New Orleans music industry was responsible for thousands of jobs in the New Orleans metropolitan area, with musical professionals working daily in the city's vibrant tourism and hospitality industries.

Economic Value

Total economic impact of the music industry on the city of New Orleans is nearly $2 billion. The New Orleans Jazz and Heritage festival alone attracts over 400,000 visitors and had an economic impact of $300 million in 2004. The Essence Festival attracts 225,000 visitors and has contributed over $1 billion to the local economy in the past 11 years. The French Quarter Fest attracted 450,000 visitors and had an economic impact of $75.5 million in 2004.

Intangible Value

The culture of New Orleans revolves around its music, its food and its architecture. It is a crucial element of the convention and tourism industry, as New Orleans has a reputation of being one of the leading US Cultural Destinations. The heritage of New Orleans' music is also an essential element to the unique way of life of the residents.

KATRINA'S IMPACT

The blow delivered by Hurricane Katrina was devastating. The storm uprooted the entire industry, took the lives of famed New Orleans musicians, displaced musicians, recording artists, industry professionals and their families, destroyed performance venues and concert halls, and disturbed the base of the industry's suppliers, vendors and capital investors. As a result, the music industry must be completely rebuilt.

Additionally, numerous local and regional non-profit corporations (including the New Orleans Musicians Clinic, the New Orleans Music Office Co-Op, the New Orleans Jazz and Heritage Foundation) and city and state agencies (including the Mayor's Music Commission and the Louisiana Music Commission) that provided direct benefit to the New Orleans music industry suffered tremendous losses due to Hurricane Katrina and require critical assistance to continue their worthy mission.

The New Orleans music industry suffered the losses similar to other industries in the New Orleans area: loss and/or displacement of industry professionals; lack of permanent housing; lack of temporary accommodations for local and out-of-state work force; loss of performance venues, production and recording studios, local, regional and national service providers; and most critically, loss of investment/capital base.

- Musicians cannot find housing and rehearsal space within the city.
- Many of the musicians have relocated.
- The tourist base and local population that constituted the audience for live music performances have yet to return, creating a situation where the revenue generated by the music industry unable to support the pre-Katrina talent pool of musicians.
- Investment base has been disrupted and/or displaced.
- NOCCA, Loyola and other schools for training musicians have been closed.

Current Operations

Nearly all recording-studio operations have been halted. Music festivals, concerts, and live music venues were closed for 4 months. While many have reopened, the number of days of operation per week are limited. Concert and festival promoters are cash strapped and are scaling-down concerts and festivals to meet lower tourist and local population audience sizes.

Damage to infrastructure

Many concert halls and venues were damaged and remain closed. Those that did not suffer damage are only partially open.

Jobs lost

Nearly all musicians and music industry employees have been displaced to other locations. Many have continued to work in other areas of the nation (especially those of national fame), but still others have found it difficult to find work in other cities. Most musicians struggle to make a living in the best of times, but without paying bookings, survival in New Orleans is nearly impossible.

REDEVELOPMENT ACTION PLAN AND REQUIRED ASSISTANCE

Vision

The future of the New Orleans music industry depends on the city's ability to capitalize on the rich cultural and economic contributions the New Orleans music industry has made to the United States.

A "Jazz District" should be developed within the City of New Orleans. The Jazz District would include housing for musicians and industry professionals, an interactive Jazz museum, state-of-the-art sound recording facilities, student training and work force development centers, indoor and outdoor performance pavilions and support facilities, including music industry retail locations.

The Jazz District would be located at or near the birthplace of Jazz, in the Storyville District, adjacent to the New Orleans French Quarter, in order to maximize visibility and visitor access to the Jazz District. The development of the Jazz District in the Storyville District would provide a significant economic benefit to the existing residents of the neighborhood, and significant economic development to the Canal Street/Basin Street corridor.

The Jazz District would include offices and facilities for the area's music industry related non-profit corporations, including the New Orleans Music Office Co-Op, the New Orleans Musicians' Clinic, the New Orleans Jazz and Heritage Foundation, and the New Orleans Music Commission and Louisiana Music Commission, among others.

Action Steps and Estimated Costs

Actions
The State of Louisiana has existing legislation tailored to reward investment in Louisiana music production, recording, employment of Louisiana musicians and music industry professionals, and investment in Louisiana music industry infrastructure.

- In 2005, the State of Louisiana created an ambitious tax incentive (LSA RS 47:6020) designed to develop tax and capital infrastructure to encourage private investments within state-certified musical recording productions and infrastructure projects. The credits are applicable to Louisiana personal income and corporate income tax, and range from ten to twenty percent of a certified projects budget.

These state incentives can provide a foundation for rebuilding the New Orleans music industry. However, the state music industry incentives alone will not complete the task. Federal assistance is required, and existing federal legislation can be utilized to achieve the vision.

Federal New Markets Tax Credits
Existing Federal Infrastructure Legislation

In 2000, Congress enacted the New Markets Tax Credit (NMTC) as part of the Community Renewal Tax Relief Act of 2000. The intent of the NMTC legislation was to promote economic development in rural and urban low-income communities. The NMTC is targeted to low-income communities, and provides a thirty-nine (39%) percent tax credit, spread over seven years.

Based on the 2000 US Census, several sections of New Orleans qualify for NMTC investments, including the proposed Jazz District location. Accordingly, the NMTC program can amended promote private investment in New Orleans and to enhance the existing State infrastructure incentives to achieve the proposed development.

Proposed Actions:

- Dedicate $75,000,000 in New Market Tax Credits for New Orleans Music Industry

Infrastructure Investment

- Increase the New Market Tax Credit from 39% to 60% for any qualified New Market Tax Credit investment that is (a) dedicated to a certified Louisiana infrastructure project (as per the Louisiana Sound Recording Incentive Act and (b) within located within Orleans Parish.

This request places the responsibility of rebuilding this vital component of the economy squarely on the private sector. The expansion of the NMTC program for qualified Louisiana-based music industry infrastructure investment will allow private investors to take advantage of the tax benefits associated with investing in the New Orleans music industry, while also attracting infrastructure investment to the area, creating employment and economic opportunity for the New Orleans metropolitan area.

Relief for Music Industry Non-Profit Corporations.

Direct federal assistance grants should be provided to New Orleans area non-profit corporations serving the New Orleans music industry, including the Habitat For Humanity (New Orleans "Musicians' Village Project"), the New Orleans Musicians' Clinic, the New Orleans Music Office Co-Op, the New Orleans Jazz and Heritage Foundation, the New Orleans Arts Council, and the Louisiana Cultural Economy Foundation among others.

These grants would be for staff assistance for two years to allow these groups to hire grant writers to seek private non-governmental funds. The two-year window results from a realistic assessment for non-profits to seek support for the community while the other tax incentives take effect. This federal funds request would cover 15 non-profits at $20,000 per year for two years.

This direct federal assistance would be administered by a public-private non-profit corporation (such as an economic development corporation or the New Orleans Arts Council) and would be restricted to non-profit corporations that, prior to Hurricane Katrina, had an established pattern of direct assistance to New Orleans area music professionals. This grant assistance would be provided to assist non-profit organizations in more efficiently seeking private and corporate contributions. It is recommended that these organizations band together to pool these grant funds and each partially fund some top-quality national grant writers to tap into national foundation and corporate funding sources.

Assistance Required

Federal

- $600,000 for staff assistance grants for music non-profit groups for two years.
- Dedicate $75,000,000 in New Market Tax Credits for New Orleans Music Industry Infrastructure Investment.
- Increase the New Market Tax Credit from 39% to 60% for any qualified New Market Tax Credit investment that is (a) dedicated to a certified Louisiana infrastructure project (as per the Louisiana Sound Recording Incentive Act and (b) within Orleans Parish.

Manufacturing Industry Redevelopment Plan

OVERVIEW (Pre-Katrina)

Manufacturing in New Orleans is a diverse industry full of growth potential. The city's manufacturing ranges from one-dollar trinkets to billion-dollar naval vessels. There are a wide variety of new opportunities for the industry as well. First and foremost, attracting contracts from NASA's new CEV program to the Michoud Assembly Facility (and other federal contracts) could bring billions of dollars into the economy. The boat and ship building industry must also be fostered as it is a natural strength for the city. Finally, the manufacturing industry can be developed while revitalizing already existing blighted retail and industrial areas of the city, adding to the overall redevelopment goals of the community.

Employment Overview

New Orleans' manufacturing value chain employs 48,000 people in a wide range of practices, including designing buildings, assembling the space shuttle tank, roasting coffee, shipping goods, and building ships and boats.

- Number of Jobs: 48,000
- Average salary: $51,000

Intangible value

- **Extensive Value Chain –** The manufacturing "value chain" is the entire process of creating a product out of raw materials – from the design of a product, to the acquisition of raw materials, to the transformation of the raw material through modification, assembly, finishing, etc. This process creates high-skill jobs at every level, therefore, one major manufacturing plant can have a tremendous ripple effect through the economy.
- **Geography –** New Orleans limited geography has led to a trade-off between industrial and residential property development. For this reason, the majority of New Orleans' manufacturing base has redeveloped in the regions outside the city. Specifically, the major manufacturing companies have located in two major corridors: Jefferson Parish to the west, and the River parishes to the north. Companies such as Northrop Grumman, Oreck, Laitram, and Pellerin Milnor in Jefferson parish (collectively employing over 10,000), and the major Petrochemical Manufacturers, such as Dow and Shell, provide anchors to the industrial cluster to the north.
- **Supporting Industries –** One of the most significant features of the manufacturing industry has been the creation of the support functions and educational system for these industries. High value jobs in the legal, accounting, finance, logistics, and research and development fields have clustered within the city as a result of the manufacturing base. Ultimately, there are tens of thousands of jobs that support the overall value chain of the region's manufacturing industry.
- **Ship and Boat Building –** Louisiana is currently home to the nation's largest concentration of ship and boat building, construction, and repair. The region is home to more than 150 such companies. While the ship and boat building industry shrank nearly 50% nationwide in the 1970's and 1980's, it has grown, and it will continue to grow, by thousands in the New Orleans area.

KATRINA'S IMPACT

Most major manufacturers around New Orleans have returned to approximately 75% capacity, but long-term viability is in question. The total extent of job loss is unknown, but it is in the thousands, due largely to worker displacement.

Intangibles

The negative effect of Katrina on the manufacturing industry could be significant for sectors in larger industrial goods because the ability to attract the large capital investments required to develop these facilities will be hurt by the perceived level of risk of doing business in New Orleans. At the same time, the renewed focus on economic redevelopment will highlight areas of the city that are ripe for revitalization, including hundreds of properties that could be easily redeveloped into thriving manufacturing businesses.

REDEVELOPMENT ACTION PLAN AND REQUIRED ASSISTANCE

Vision

The New Orleans manufacturing industry should be grown with particular attention to developing new manufacturing business in existing pockets of industrial and retail corridors and along the industrial canal. Efforts should be focused on manufacturing value chains that present the greatest opportunity to develop and sustain competitive advantage in the global manufacturing environment.

Goals

Short Term (less than 1 year = 2006)

- Support continued investment and business growth in the New Orleans Regional Business Park (NORBP) and other existing retail and industrial corridors rather than seeking new development zones.
- Focus efforts on workforce development for the manufacturing industry, particularly with respect to ship and boat building.

Long Term (more than 1 year = 2007+)

- Make New Orleans a national hub for ship and boat building.
- Support diversification of manufacturing uses at NORPB.
- Integrate small manufacturing throughout New Orleans where appropriate.

Action Steps and Estimated Costs

Short Term

1. Continue to support the use of the Michoud Assembly Facility (MAF) for future aerospace contracting, particularly with an eye for contracts stemming from NASA's new crew exploration vehicle (CEV). The contract will be given to major defense contractors, but it will also entail opportunities to work with system integrators. This will require a concerted effort between local, state, and federal educators and officials in support of the Louisiana Partnership for Aerospace. (See the Aerospace and Military Industry section of this report for more detail.)

2. Continue support for Textron Marine and Land Systems, also in New Orleans East, which has recently been awarded a contract for the Armored Support Vehicle for the U.S. armed forces. This contract is initially valued at $500 million, and has potential to grow in the future. Over the next several months, Textron will grow from several hundred employees to more than 1,000 employees.
3. Continue support for workforce development in local industries such as ship and boat building. The Regional Shipbuilding Consortium was developed in 2005 to support the workforce needs of this industry. Workforce development programs at the University of New Orleans, Delgado Community College, and Louisiana Technical and Community College are strong, but should be supported even more extensively to help fill the demand for manufacturing labor in New Orleans.
4. Work with surrounding parishes that are investing in industrial parks, such as Jefferson Parish, to provide the functions and education necessary to support manufacturing operations that will continue to grow in those areas.
5. Ensure that manufacturing receives its historic portion (25%-35%) of the State's Incumbent Worker Training Fund.

Long Term

1. Build a "Center for Excellence" for the design and construction of ships, an institute envisioned to be a national hub for ship and boat building. The center would require a large real estate purchase and initial funding for staff and programs, but would be a self-sustaining operation thereafter. It would eventually house training programs and industry initiatives and run the entire gamut of engineering, design, operation, construction, and logistics. It would serve as a center for workforce training as well as an institute for best practices. **Cost: $60,000,000**
2. Build new industries at NORPB, industries that create synergies with existing manufacturing companies and with the needs of the region. Logical areas for diversification: 1) Value chain manufacturing for major products that come through the Port; 2) Products related to the existing petrochemical corridor; 3) Things that New Orleans is known for: spices, beverages, food, musical instruments, digital media, movie studios and recording studios, creative class items such as arts and crafts.
3. Revitalize historically industrial corridors within the city for manufacturing that capitalizes on the 21st Century economy.

Assistance Required

New Orleans

A concerted effort with dedicated full-time local economic development resources to support manufacturing in the city.

State

Ensure that manufacturing receives its historic portion of the Incumbent Worker Training fund.

Federal

Construction and development of "Boat and Ship Building Center for Excellence" – $60 million

SUMMARY

The redevelopment of blighted warehouses and neighborhoods can be accomplished with creative and entrepreneurial manufacturing projects throughout existing industrial and retail corridors in New Orleans. Working toward this end will grow the manufacturing industry, increase the number of high paying jobs in the city, and revitalize currently dilapidated neighborhoods. Further, New Orleans should increase the focus on manufacturing that supports its strengths, particularly in ship and boat building, where the city can become a national hub for the industry. The Ship and Boat Building Center for Excellence would make New Orleans the center of maritime manufacturing at a significant benefit to the city.

Food Processing Industry Redevelopment Plan

OVERVIEW (Pre-Katrina)

The food industry is an important economic sector for New Orleans. The city's unique culinary history presents a continuing opportunity for exporting food products and infusing necessary new revenue from around the world into the local economy. New Orleans is home to many large and small food-processing companies in three related value chains: (1) packaged food products, (2) canned and bottled beverages, and (3) food oil mills. While a wide variety of food processing occurs in New Orleans, several sectors are highly locally concentrated relative to the national average; these include cane sugar refining, raw cane sugar, roasted coffee, fresh or frozen prepared fish, phosphatic fertilizers, and animal and marine fat and oils.

Employment

Overall employment in the food industry has remained flat over the last 10 years.

- Number of jobs: 7,951 (6,977 packaged food, 723 canned/bottled beverage, 251 food oil).
- Average salary: comparable to average New Orleans income of $26,100.

Intangible Value

Culture

New Orleans has a strong national food reputation; the city is synonymous with fine foods, outstanding restaurants and chefs and fine cuisine.

Connections

There are at least four local organizations that are interconnected with the industry:

- Greater New Orleans Inc: Runs a well-established technical assistance and support program to advance the competitiveness of the region's food and beverage processors.
- Delgado Community College: Offers training programs specifically tailored to the area's food processing industry.
- Louisiana State University Agricultural Center: Located in Baton Rouge, the AgCenter conducts research and develops technology in the areas of agriculture, aquaculture, food technology, and sugar technology.
- The U.S. Department of Agriculture, Southern Regional Research Center (SRRC): Focuses on the processing, quality, safety, and use of agricultural products. SRRC has ongoing research programs focused on rice, fruit, peanuts, catfish, sugarcane, cotton, and Formosan Termites.

KATRINA'S IMPACT

Many food companies, both small and large, have been displaced due to the damage associated with Hurricane Katrina.

REDEVELOPMENT ACTION PLAN AND REQUIRED ASSISTANCE

Vision

Create a competitive food industry that leverages existing supply chain and cluster core strengths, supports entrepreneurial activity, and exports Louisiana's unique culinary creations to the rest of the world.

Goals

Short Term

- Retain food companies in the region whose facilities were damaged by Hurricane Katrina.

Long Term

- Create more jobs and businesses in food and consumer products, increasing local production to reduce purchases from companies outside the area.
- Support and encourage entrepreneurship in the food industry.

Action Steps and Estimated Costs

1. Build support and secure funding for the Greater New Orleans Food Kitchen Technology Incubator, which will provide space, shared equipment and services, and technical assistance (e.g., consulting services) to entrepreneurs.
2. Develop the Greater New Orleans Food Kitchen Technology Incubator:
    - Structure: Public/private partnership, organized as a non-profit organization that promotes research, business development and workforce training while ensuring compliance with all applicable regulations (e.g., FDA, Dept. of Agriculture).
    - Staffing: Executive director, kitchen manager, maintenance manager, and clerical.
    - Layout: Six work areas for specific functions, including receiving/shipping, storage (dry & refrigerated), preparation, cooking, packaging, and warehousing.
    - Location: To be determined; must be centrally located, secure/safe, approximately 10,000-20,000 square feet.
    - **Cost: $1.5 million**

Assistance Required

New Orleans

- Assist with site location selection
- Provide local leadership on Board of Directors

State

- Ensure alignment with LSU AgCenter
- Requested support: $25,000 (through the Delta Regional Authority)

Federal

- Provide expedited regulatory approval of the facility
- Ensure alignment with Dept. of Agriculture SRRC
- Direct federal funding requested: $1.5 million

SUMMARY

The proposed New Orleans Food Kitchen Technology Incubator will capitalize on the city's strong national food reputation and position Louisiana companies to take advantage of major markets for unique value-added food products and services. This initiative would enable the local food industry to retain existing food companies in business and create new ones. The project has received great support and attention from the political, business and community leaders in the area.

Information Technology Industry Redevelopment Plan

OVERVIEW (Pre-Katrina)

Prior to the Hurricanes Rita and Katrina, the Katrina-impacted region was home to a diverse and growing information technology sector. The region was quickly becoming a center of excellence for back office technologies as evidenced through the IT work being done at the National Finance Center, the largest payroll center in the nation; the SPAWAR Systems Center, home to the DIMHRS program, the largest PeopleSoft implementation in the world; and Stennis Space Center, the new home of NASA's Shared Services Center. After the recent state legislative session when business, university and government leaders worked together to pass legislation to attract the high growth digital media industry to the state, the region was poised to become a hub for emerging technologies from video games, to educational software, to simulations with an array of uses from medical to homeland security. Cooperation and shared vision were allowing this sector of the economy to create an environment in which businesses could thrive.

Employment

Prior to Katrina, the IT industry directly employed approximately 8,000 people in the New Orleans area.

Economic Value

The IT industry had a gross impact of approximately $1.2 billion annually.

KATRINA’S IMPACT

The IT industry in New Orleans suffered from the disruption to business, loss of facilities, and displacement of the workforce.

Information Technology firms require a highly educated and trained workforce in order to thrive. Experience in other high-tech centers show that education at the K-12 levels is critical to creating the skilled workforce required to build a high-tech industry. Support of higher education in the areas of technology is also vital to creating the 21st century workforce needed to grow this industry. Education and the creation of a large highly trained IT workforce was a challenge facing the information technology industry in New Orleans prior to Katrina. But the displacement of the skilled workforce and the devastation to the education system has exacerbated this problem.

- Katrina Brain Drain – skilled workers are the first to find jobs in other cities and relocate.
- Higher education system disrupted (training ground for IT firms).
- Budgets to higher education being cut in the wake of Katrina (critical to IT industry).
- IT is a project oriented industry where Katrina-disrupted projects can be lost to competitors elsewhere.

Jobs lost

The losses (we hope temporary) have been about 5,000 of the 8,000 jobs. Due to loss of buildings, these jobs (at the Navy Information Technology Center, at the National Finance Center, and at the FBI facility) have been relocated to other cities.

REDEVELOPMENT ACTION PLAN AND REQUIRED ASSISTANCE

Vision

The Gulf Coast region from Destin, Florida to Baton Rouge, LA, including New Orleans, will be a leader in federal government related information technology development and processing, second only to the Washington, D.C.-Baltimore-Northern Virginia region. The Government-related IT industry will serve as a catalyst for the development of other private sector IT industries that utilize the expertise in the region. Other industries, such as the digital media industry, will be developed to world-class proportions.

Action Steps and Estimated Costs

Actions

1. Retain the existing federal government related IT operations in the area, such as the Navy Information Technology Center, the National Finance Center, and the varied IT operations at Stennis.
   - In order to maintain the work that we had in the region prior to the hurricanes, as well as our growing reputation as a hub of excellence for back office technologies, we ask that language be inserted into legislation such that federal facilities that were evacuated from the Greater New Orleans and Southern Mississippi regions due to the hurricanes resume work at their original locations as soon as possible and at the same personnel levels. This is the only way that the region can guarantee a stabilized IT economy to bring back the core IT community, including contractors, sub-contractors and the talented Louisianians and Mississippians displaced by the hurricane.
   - In order to retain the IT community and give them some incentive to stay and a reasonable expectation of future growth, we would ask the delegation to look for a major federal IT program that is going to be executed but has not been geographically located for sure yet. We would ask the delegation to press to get such a program located in the area. In this way the local IT community would be supported but this would not cost the Federal government any new money since the IT program was going to be executed anyway and the only issue is the location of the program.

2. Develop support for the support of existing, and the creation of new, local, especially small IT businesses in the hurricane affected region.
   - In order to help the devastated business community in the hurricane disaster region, we ask that the delegation create a “Disaster-Disadvantaged" Designation, similar to 8A, to which federal agencies would be required to provide a percentage of contracts. The designation would be applicable to hurricane disaster areas and would last for a period of five years. Such a designation would provide the severely hit IT companies from Louisiana, Mississippi and Alabama to compete nationally with a small

handicap. This designation would provide local businesses an incentive to return to work and to hire in Louisiana in the form of potential new growth opportunities at a time when local opportunities are extremely limited.
- Support efforts already underway to designate hurricane disaster areas as HUB zones.
- Support efforts such that federal disaster relief contracts will include a minimum 49% Louisiana and Mississippi businesses set aside for local companies. Insure that pass-thru level is capped at a fair level such that local business sub-contractors receive fair compensation for their work.
- Support efforts entitled "KEEP" aimed at providing immediate cash assistance to businesses through banks in the form of low-interest loans with requirements which, when fulfilled, will be forgiven.

3. Attract additional federal government related IT contracts to the Katrina affected region.
   - Create a regional vehicle, lead by the Universities and a Gulf Coast Chamber organization, to work with the existing government contractors to locate and pursue IT opportunities within the federal government to act as a catalyst for further private sector opportunities. The initial area of focus will be on back-office operations.

4. Develop an electronic medical records management industry in New Orleans.
   - Work with our medical institutions and our Congressional delegation to develop an initiative in electronic medical records management.
   - Obtain grant funding to develop a national test-model for a city-wide electronic medical records system.

5. Area universities will serve as a catalyst for the development of future IT initiatives.
   - As the key to any successful IT region is its talent and its workforce, we ask that the federal delegation support the efforts of our local universities, Tulane, The University of New Orleans, the University of Mississippi, Southern Mississippi University, Dillard, Xavier and Loyola to rebuild and to grow.
   - Create targeted higher education initiatives such as the “IT Initiative” that was funded under the Foster administration. The IT initiative put $25 million annually into four universities in Louisiana to fund faculty and staff positions in the tech area. This could be done for the movie industry, the digital media industry, the bio-tech industry, and a few other targeted industries.

6. The digital media industry will be developed as a major source of new jobs and new business opportunities for local businesses.
   - Build a digital media campus to house video game companies moving into the area.
     - The Louisiana Digital Media Act tax credits are a materially attractive financial incentive for development teams to be located in Louisiana generally (and New Orleans specifically)
     - A campus with a fibre optic connection to the internet backbone, fully built animation, software development, and project development pipelines and the work space to house approximately 50 employees per team x 5-10 teams (250-500 bodies)

    - Finance Mechanism: New Market Tax Credit-based investment from CAPCO's and/or other private investors
  - Develop game/digital media curricula consortium -- a unified, standardized academic program among the five major universities in New Orleans to educate and produce the work force required to sustain the industry in the near, medium and long term.

Assistance Required

State

- Create targeted higher education initiatives such as the "IT Initiative" would put $25 million annually into universities in New Orleans to fund faculty and staff positions in the tech area.
- To make the industry fully competitive, $100,000,000 of the CDBG dollars already allocated by the federal government to the state, should be put toward rebuilding infrastructure, supporting University initiatives in the area (build a new IT incubator in a University Research Park), and attracting a major IT company to the area.

Federal

- The strategy is to get the federal government to put IT related projects in the MS/LA/NO area. These are projects that are going to happen somewhere, so the cost is in effect zero.
- No direct federal funding other than what is available through GO Zone legislation

Workforce Redevelopment Plan

OVERVIEW (Pre-Katrina)

Hurricane Katrina magnified an existing workforce dilemma in the New Orleans area. Nearly 70% of employers in the region and state had a difficult time finding qualified workers, according to a 2004 Council for Better Louisiana survey. In New Orleans, about 40% of adults had severe educational deficits. This situation significantly reduced the economic productivity and output of the region, forcing employers to hire less qualified workers or leave positions unfilled and creating thousands of job vacancies in the region.

KATRINA'S IMPACT (current state)

The economic impact of this disaster is unprecedented. The number of businesses in the ten parishes damaged by hurricane Katrina is nearly 70,000, approximately 35% of the state's almost 200,000 businesses. The regional labor market has also been decimated in the wake of the hurricane. A sudden and massive out-migration of skilled and unskilled workers presents many challenges to reestablishing a viable workforce, including the fact that workers cannot find housing within the region and many highly trained, skilled workers have relocated.

REDEVELOPMENT ACTION PLAN AND REQUIRED ASSISTANCE

Vision

The vision of this plan is to increase the quality and quantity of the New Orleans area workforce in order to create a competitive advantage for job growth and investment by employers, as well as career and economic opportunities for citizens.

To achieve this vision, organizations in the New Orleans area will have to step up to bring together key partners and critical resources to ensure that: 1)businesses have access to skilled workers and 2)motivated unemployed and underemployed workers develop their skills and have the quickest possible access to good career paths. These partnerships are characterized by a "dual-customer" approach; in order to succeed, the partnership must develop a track record of getting employers good workers and workers good jobs. Partnerships also play a key role in continually realigning regional workforce strategy and policies based on national best practices and research.

Goals

- Strengthen and support the New Orleans Workforce Investment Board.
- Expand and strengthen regional workforce development collaboration.
- Expand flexible literacy, pre-employment, placement and retention initiatives in the community.
- Implement targeted industry training for those industries with a critical shortage of workers.

- Design and implement an employee recruitment and marketing campaign.
- Attract higher wage employers and entrepreneurs.
- Develop a plan for on-going program evaluation and long-term financial sustainability.

Action Steps and Estimated Costs

Actions

- Strengthen and support the New Orleans Workforce Investment Board to create an effective workforce policy-making entity. This entity should have responsibility for: (1) articulating a vision and strategic workforce plan aligned with the city's economic development priorities; (2) establishing clear outcomes and metrics for success; (3) holding departments and agencies accountable for achieving results and system goals; and (4) allocating federal, state and local resources effectively to advance the city's job- creation agenda.
    - Identify appropriate leadership for New Orleans workforce investment board.
    - Create workforce services that integrate New Orleans One-Stop Centers and the city's business attraction programs.
    - Create a partnership among the four workforce development boards in the region
    - Recruit top workforce development professional staff.
    - Implement a professional development program for the Workforce Investment Board and One-Stop Centers.
    - Organize a workforce development best practices forum.
    - Create a real-time regional labor market information system.
- Create a regional workforce development collaborative. This collaborative should ensure continuous realignment in response to changing labor market demands and opportunities. This collaborative would involve key local and regional partner organizations, including industry leaders, Greater New Orleans Inc., Boggs Literacy Center at Loyola University, the region's community and technical college system, universities, and the four workforce investment boards. The collaborative would align workforce resources to transform the regional economy and encourage innovation and entrepreneurship.
    - Create a regional network of sector based one-stop career centers.
    - Create an employable skill development model that is customized to rapidly meet the needs of individual sectors.
    - Establish a new framework for training delivery that is driven by industry needs.
- Expand flexible literacy, pre-employment, placement and retention initiatives in the community.
    - Investigate and adopt best practices in literacy and rudimentary skills development, such as the Bridge Project Collaborative.
    - Develop a plan to match the capacity of existing literacy providers with the future demand from the workforce.
    - Assess employer demands for literacy/work readiness graduates though regional labor-market projections and interviews with employer partners.
- Implement targeted industry sector training through new training centers of excellence. This targeted training should be focused on three areas: (1) industries with critical worker shortages, such as healthcare and hospitality, (2) emerging industries,

such as advanced manufacturing, biotechnology and creative industries, and (3) government and education sectors in the community. This targeted industry training should include:
  - Creation of training centers of excellence in manufacturing, film and video, maritime, customer service, nursing and allied health in coordination with the Louisiana Community and Technical College System and universities;
  - On-the-job training of employees hired by public and private institutions in targeted sectors;
  - Training and employment of people in public and private organizations to assist in restoration efforts.
- <u>Undertake an employee recruitment marketing campaign</u> in coordination with city's branding and public relations strategy and in partnership with industry and other workforce and economic development entities in the region and state. This marketing campaign should:
  - Attract workers and entrepreneurs to New Orleans;
  - Include a website that will help identify employment, investment and career opportunities in the region;
  - Attract displaced workers in coordination with city's housing expansion strategies through direct mail and in-state and out-of-state job fairs.
- <u>Use training programs to attract higher wage employers.</u>
  - Create tax credits for companies that reimburse for higher education tuition at accredited colleges and universities.
  - Establish a higher education training consortium to provide:
    - Increased opportunities for small companies to receive training they would not usually be able to afford;
    - Region-wide supplier training for companies that seek to develop the skills and quality standards to qualify as suppliers.
  - Develop career transition training programs.
  - Develop a statewide industry licensure clearinghouse that standardizes and provides quality control to numerous boards governing industry licensure.
  - Support entrepreneurial training and networking.
- <u>Develop plan for on-going program evaluation as well as long-term financial sustainability.</u>

Cost of Actions

Action	Period	Cost
Redefine role of One-Stop	2006 – 2007	$500,000
WIB staff development	2006 – 2010	$150,000
Labor market information system	2006 – 2008	$500,000
Stipend funding for pre-employment training	2006 – 2010	$1,500,000
Literacy provider capabilities	2006 – 2010	$1,250,000
On-the-job training of 1,000 employees	2006 – 2010	$7,140,000
Train and employee people for	2006	$12,000,000

restoration efforts		
Workforce integration initiative	2006 – 2008	$900,000
Training centers of excellence	2006 – 2010	$15,000,000
Recruitment marketing campaign	2006 – 2007	$1,500,000
Higher education training consortium	2006 – 2010	$1,750,000
Careers in transition training	2006 – 2010	$1,750,000
Statewide licensure clearinghouse	2006 – 2007	$600,000
Entrepreneurial training/incentives	2006 – 2008	$500,000
Ongoing program evaluation	2006 – 2010	$300,000
Total Cost		**$45,340,000**

Assistance Required

Direct federal funding request: $45,340,000

Conclusion

New Orleans is at a crossroads. The city can allow the devastation of Hurricane Katrina to weigh down its economy and stifle its livelihood, or we can take this opportunity to spark a renaissance. To achieve this latter goal, the Bring New Orleans Back Commission recommends a bold and broad set of actions which address the challenges and opportunities presented within each of the city's key industries. The measures proposed in this report represent an ambitious plan to restore and revitalize one of America's most cherished cities.