

# BRING NEW ORLEANS BACK ECONOMIC DEVELOPMENT PLAN

## INPUT FROM MT. AUBURN ASSOCIATES

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### Introduction

#### Purpose

In mid January Mt. Auburn Associates was asked to review the recommendations that were made by the subcommittees of the BNOB Commission Economic Development Committee. Our involvement was based upon the belief that the firm had unusual expertise that could be helpful to the Committee as it sought to finalize its recommendations to the commission. The firm had a strong understanding of the New Orleans economy through its work on the Louisiana Cultural Economy. This work resulted in a report, *Louisiana, Where Culture Means Business*, presented in a major conference in New Orleans four days prior to Hurricane Katrina. More importantly, the firm has also spent the past year studying the economic recovery effort in the New York following 9/11. Working for the Empire State Development Corporation, Mt. Auburn was asked to complete an in-depth analysis of how New York State and New York City designed and implemented a wide range of business assistance programs following September 11<sup>th</sup>. The purpose of our World Trade Center report was to provide guidance and lessons learned to other communities that might experience a catastrophic economic disaster.

With grounding in both the New Orleans economy and economic recovery experience, we reviewed the good work completed by the various subcommittees of the BNOB Economic Development Committee. Our perspective was that while there was considerable research and analysis completed, as well as many sound recommendations, providing a clearer framework for the many recommendations would improve the overall economic development strategy. Moreover, we found that within the work of the subcommittees were many cross-cutting issues – such as the need for employee housing, the need to help rebuild critical facilities, and the need to assist both “economic base” businesses, as well as the small businesses that serve the local resident base. We also believed upon review that while implicitly some of the recommendations addressed the issue of economic disparities, it was important that this goal be made more explicit and expanded upon. Finally, given our expertise in the area of development finance, we believed that some of the recommendations were too general and needed further definition and clarification.

The following document presents what we believe to be the “value-added” elements of the Mt. Auburn work. In some cases the recommendations bring together cross cutting issues found in the subcommittee reports. In other cases, we have added recommendations based upon our experience in Louisiana and economic recovery.

## Vision

An economic development strategy must be driven by a vision of the future. The challenges that the city faces in its economic recovery are unprecedented in recent US experience. And, it would be easy to get overwhelmed with these challenges, without a vision of what can be achieved through a coordinated and comprehensive economic development strategy. Reaching consensus around a shared vision of the future is one of the first steps in economic recovery.

### In the Short Term....

- The economy is stabilized, with both large and small businesses, as well as non-profit cultural, healthcare, and educational institutions, able to continue to operate.
- Opportunities related to the rebuilding lead to increased economic benefits for local businesses and residents. Support is provided so that many who have left are able to return to take advantage of immediate job and career development opportunities.
- The workforce and economic development capacity is strengthened and able to successfully execute the recommended long term strategy

### In the Longer Term....

- The traditional economic base of New Orleans is restored.
  - The port is revived and trade and maritime related activities are strengthened
  - Health and biosciences live up to the expectations and lead to business development and job growth
  - The city cultural economy becomes a stronger component of the city's economic base. New Orleans becomes well known as Hollywood South. The music, arts, design, culinary, heritage, and literary artists return and commercial "cultural" businesses are rebuilt. Markets for Louisiana cultural products expand dramatically.
  - Tourists and conventions return to experience the real New Orleans and its unique culture. International tourism increases as a result of worldwide interest in the city. A growing number of cruise ships come to the city.
- New industries emerge that build on the technologies and capacities created in the rebuilding process
- New "center of excellence" in coastal restoration, marine technology, and the built environment will lead to business and job development
- There is a "entrepreneurial" renaissance in the city.

### And, Most Importantly....

- All residents will participate in the New New Orleans economy
- Large numbers of residents will receive the training needed to access jobs that are created
- Individuals who create value through their work in creating the city's unique culture will be fairly compensated for that work

- Community based assets will be built, neighborhoods will be stronger, and economic benefits will be more widely shared.

## The Context

New Orleans faced significant economic challenges prior to Hurricane Katrina:

- City had been steadily losing population – between 1970 and 2000 the city lost 109,000 residents – 18% of population
- In 2000 18% of the population lived below the poverty level and the region had one of the lowest median household incomes in the US
- The city “had grown extremely segregated by both race and income” Brookings
- The regional economy was sluggish and low wage jobs were growing, while higher wage jobs were shrinking
- Some key sectors were threatened: oil and gas, maritime and manufacturing were facing challenges

However, there were also a number of positive trends that the city was on a path leading to more sustainable and equitable economic development:

- The city had a very strong higher education sector
- The city was becoming known as Hollywood South and considerable new investments planned in film production
- Tourism was strong and new areas, most notably cruise ships, were being developed
- The cultural economy was an increasing focus of state and local attention
- There was a strong commitment to building the city’s bio-med industry
- Efforts were underway to build on other technology strengths

Katrina dealt a devastating blow on the entire New Orleans economy.

- Core building blocks and assets threatened
- Key knowledge base and technological resource institutions – hospitals and higher education seriously challenged
- Cultural resources damaged
- Workforce displaced and talent Lost
- Businesses destroyed and jobs lost
- Small business community devastated – estimates that 60% of small business in the city will close. 12,000 businesses were operating in the flood zone.
- Number of employed people in New Orleans region drops from 617,000 in July of 2005 to 413,000 in November of 2005

## Markets lost

- Reduced resident base means reduced customer base for many small businesses
- Reduced tourism means less visitors and fewer customers

- Suppliers to key industries lost market

## Framework

In many ways, the prerequisite for the economic recovery of New Orleans rests upon implementing the recommendations of each of the BNOB Commission Committees.

- **INFRASTRUCTURE:** There is wide consensus that quickly restoring key infrastructure is vital to economic development. Businesses will not invest in the city unless there is a deep commitment to repairing the levee system and designing and implementing an improved system for protecting the city.
- **EDUCATION:** The availability and quality of strong k-12 public education system is a fundamental building block of economic development. In the past the K-12 system was a major barrier to economic development in the city. A rebuilt public education system with a commitment to providing quality education to all citizens is critical.
- **CULTURE:** Culture is important in almost all cities. In New Orleans, culture defines what the city is. It is important not only for its own sake, but more so than in almost any other city, the culture defines the economy. You can not rebuild the tourism industry without rebuilding what was “authentic” in the culture of New Orleans. Cultural industries are also one of the most important economic base industries, creating goods and services that are exported throughout the world.
- **HEALTHCARE:** Restoring the healthcare services within the city is a critical element to restoring the quality of life and ensuring that the city can once again meet the basic needs of its residents. However, healthcare is also one of the most important sources of quality jobs for New Orleans residents.
- **PLANNING:** Rebuilding the city’s economic base and its neighborhood business base must be done in a manner that is consistent with the longer term planning and land use strategy. In short, rebuilding the economy must be aligned with broader planning objectives
- **GOVERNANCE:** Even before Katrina, there was widespread concern in the Louisiana business community with the overall climate for business investment. In the post Katrina environment, ensuring a predictable and consistent regulatory environment and sound government administration is required for continued investment by the business community.

In addition to addressing all of the above issues, achieving the economic vision for the New Orleans economy requires a set of strategic initiatives focused on the following four goals:

✦ ***Goal One: Support Short-term Recovery***

- Stabilize local businesses and non-profit institutions
- Help returning residents benefit from rebuilding opportunities

✦ ***Goal Two: Restore the Economic Base***

- Strengthen core sectors of the pre-Katrina economy

✦ ***Goal Three: Reduce Economic Disparities***

- Support economic opportunities to residents and small businesses
- ✦ **Goal Four: Reposition and Strengthen Competitiveness**
  - Invest in the critical economic building blocks
  - Support new areas of competitive strength

## Goal One: Immediate Economic Stabilization

Rebuilding and diversifying New Orleans’ economic base and creating a more equitable and sustainable economy is clearly a long-term enterprise. The first step in this process and the foundation for long-term success is stabilization of the city’s existing businesses and economic assets. The short-term stabilization plan will stem any further economic losses and position New Orleans for future growth. It also advances a critical goal—ensuring the existing businesses and residents benefit from reconstruction investments and the city’s rebirth.

The Commission’s short term stabilization plan focuses on five objectives:

- **Objective 1:** Link current and displaced residents to jobs related to rebuilding
- **Objective 2:** Maximize reconstruction business opportunities for local firms and entrepreneurs
- **Objective 3:** Support continued operations of viable businesses
- **Objective 4:** Ensure continued operation and rebuilding of key institutions
- **Objective 5:** Increase capacity to address short-term stabilization needs

### Link Residents to Rebuilding Jobs

#### ✦ **Get Back to Work Program:**

The most pressing immediate economic issue in New Orleans is to fill current job vacancies that are limiting the economic recovery of many employers. Many businesses are reported that their inability to fill available jobs is one of their most pressing immediate needs. Industries reporting serious shortages of labor include hospitals, construction, restaurants, hotels, and the port. There are thousands of New Orleans residents living throughout the country who could fill these jobs. However, there are serious barriers affecting their ability to return. In some cases, the issue is purely “information”. People don’t know that there are employers in the city desperately looking for workers. But, the most pressing issue is that those interested in returning to work have no place to live, or if they have a place to live, they are limited in their ability to get to where the jobs are.

There have been some initial efforts to address these barriers. These include the development of temporary employee housing through FEMA and the LA Swift bus service that was developed to provide free buss service for displaced residents between Baton Rouge and New Orleans.

However, current efforts are not sufficient to meet the needs. A more strategic initiative is needed to coordinate existing efforts to help residents of New Orleans return to work and assist businesses in meeting their immediate workforce needs. Such an effort needs to have the following elements:

- One stop web site for returning and displaced residents to place resumes or to register for work
- Weekly outreach effort listing job availability within the city
- Expansion of the LA Swift bus service and extension of its timeframe
- Incentives for businesses to develop temporary housing solutions for their workers.

#### ◆ *New Skills for New Orleans*

Many residents of New Orleans also lack the skills needed to take advantage of some of the jobs that are currently available. Quick turnaround training needs to be developed to support skill development in occupations that are currently in greatest demand. This training needs to be made available to those who have returned, as well as to displaced residents wishing to return and take advantage of new opportunities for increasing their employment opportunities. Delgado Community College has already begun to play a role in this area – having trained about 170 students in construction trades.

To address immediate needs a quick turnaround training initiative is required that would have the following components:

- Develop a Construction Trades Skill Training Partnership that involves a consortium of community stakeholders in the development of specialized training program in construction, historic preservation, and other trades related to rebuilding.
- Provide continued support to ensure that Delgado Community College as the resources needed to play a critical role in meeting immediate training needs of residents.
- Provide temporary dormitories at Delgado Community College, and at other training sites to encourage displaced residents interested in new skill development to return for training.

#### ◆ *Human Capital Recovery*

In addition to the many displaced residents who could benefit from new training programs, there are significant numbers of displaced professionals who would like to return to the city. This group includes healthcare workers, educators, finance professionals, and those involved in the cultural industries (musicians, visual artists, writers, etc). If these individuals do not return, the city's long term economic rebuilding would be seriously jeopardized.

A program needs to be developed which specifically tagets displaced professionals interested in returing. This effort could include:

- A Return to New Orleans Incentive Program that includes signing bonuses and housing subsidies
- College and professional school loan payment moratoriums, and
- Job linkage and retooling effort

Given the current housing situation, a Temporary Public Service Employment Support Program should be developed that provides displaced professionals with income for temporary work while they continue to reside outside of New Orleans, with an agreement that they will return. A WPA type program has been recommended by the BNOB Cultural Committee to support musicians. This should be a more generalized program that provides support for a wider range of cultural workers, as well as other professionals. To receive income support through the program their work would have to be linked to efforts focusing on rebuilding New Orleans.

### **Objective Two: Maximize reconstruction opportunities for local firms.**

The rebuilding of New Orleans will infuse tens of billions of dollars into the local economy; this spending provides an engine to expand local businesses and job opportunities for current and displaced residents. Moreover, the scale of the rebuilding effort and its potential to foster new technologies and methods provide an invaluable long-term opportunity for New Orleans to use the reconstruction project to build innovative nationally competitive clusters in environmental restoration and remediation, infrastructure and building technology, and urban design and planning. Without a strong commitment and plan to maximize community benefits from reconstruction investments, however, the bulk of these contracts and jobs are likely to accrue to outside contractors and imported workers. Policies and programs to ensure that local firms gain a significant share of local rebuilding work, therefore, are a key part of the short-term business stabilization strategy for New Orleans. This local contracting initiative must encompass demand side policies that establish ambitious goals for local contracting and supply side programs that build the capacity of local firms to capitalize on these contracting opportunities. The Commission endorses the following the following initiatives to achieve this critical local contracting objective:

- Establish a local contractor policy for all contracts awarded by city entities and all construction and development projects funded, awarded or assisted by city agencies (i.e., site assembly or land disposition). This policy should set a goal of having at least 50% of the value awarded to local firms and at least 25% of the value awarded to minority and women-owned enterprises (MWE). Major city agencies that are awarding contracts and development projects, such as the proposed Crescent City Rebuilding Corporation, should be required to establish a local/MWE contracting office to oversee this policy and assist contractors in meeting these goals. Staff in these offices would meet regularly with prime contractors and developers to monitor their local/MWE contracting and help them fulfill contracting goals.
- The Mayor should appoint a senior level advisor charged to work with federal and state agencies that are awarding reconstruction contracts to set goals for local and MWE contracting and to expand their information and outreach efforts.

- Create a web-based registry of local and MWE firms by business/trade to help prime contractors incorporate these firms into their bids and projects.
- Create a Neighborhood Business Builders program to increase the capacity of local and smaller contractors and their participation in the rebuilding of New Orleans. This program would have several components: (1) matching small builders with veteran builders who would serve as mentors and advocates to provide high level guidance on technical, financing, legal and other issues; (2) business audits and technical assistance to help firms improve their operations, and the business and financial management systems—a key goal of this assistance is to help businesses meet bonding, insurance and other standards needed to secure contracts; (3) a bonding and loan guarantee program to help contractors secure performance bonds necessary to bid on public contractors and the working capital and equipment loans often needed to fulfill new contracts. This program will partner with LED’s Small Business Bonding Assistance Program that provides collateral to help small firms secure bid, performance and payment bonds from surety companies at reasonable rates. The Partnership for New York City (formerly The New York City Housing Partnership) established a successful neighborhood builders program several years ago.
- Continue and expand current workshops currently office by Louisiana Economic Development (LED) to help firms understand contract procedures and required and prepare for contracting opportunities. These workshops should include local professional contracting experts, officials from federal, state and local contracting agencies, the SBA, local banks and bonding firms that can address financing issues, and primary contractors like the Shaw Group to explain their sub-contracting process.
- All reconstruction contractors award by city agencies or benefiting from government funding, site assembly or disposition to pay at least “living wages.”

### **Objective Three: Bring Back and Support Operations of Viable Businesses.**

Many businesses continue to operate in New Orleans and are working hard to rebuild their facilities, retain their workforce and regain their sales and profitability. Numerous displaced firms seek to return and have the potential to successfully rebuild. Despite New Orleans’s population loss and physical devastation, many businesses are economically viable and need support to ensure that they return and/or remain in business. Viable businesses include:

- Enterprises that primarily serve markets outside the city and region
- Planning, design, engineering, environmental and construction firms that are critical to rebuilding and will gain market support by rebuilding investments
- Hospitality, cultural and tourism-related business in the less impacted tourism destinations
- Firms that provide essential services to current residents, firms, institutions and governments
- Retail and service firms in less damaged neighborhoods where a critical mass of residents have returned.

Despite their continued operations, many firms are at risk of closure or relocation due a range of challenges, including financial losses, delays in receiving insurance proceeds, difficulties securing employees, complex and costly rebuilding needs, and decline/loss of their customer base. Other viable businesses have been displaced but would return to New Orleans with the appropriate assistance. A focused effort is needed over the next two years to identify, reach and aid these businesses to ensure that they survive and contribute to bringing back New Orleans.

A five-part stabilization program is needed to stabilize existing businesses:

1. Build a database of currently operating business in New Orleans and viable displaced enterprises
2. Implement a case management system to contact businesses, identify critical needs for continued operations and work to address these needs
3. Expand technical assistance to help businesses adjust their plans to new market and economic conditions, utilize disaster assistance programs and Gulf Opportunity Zone tax benefits, and prepare any financing applications.
4. Provide short-term financial assistance to retain firms and help them rebuild through flexible loans, grants and incentives
5. Create temporary incubator facilities in vacant building to help firms remain in New Orleans until permanent facilities are in place.

*Business Database.* A business database is critical to identify businesses that need assistance and track their status in resolving problems and securing assistance. The economic recovery effort must quickly build a database of existing New Orleans businesses and displaced enterprises that want to return designed to support the case management system and help track assistance efforts. Much of the baseline data should be assembled from records in existing databases such as state unemployment insurance records, business licenses and incorporation data, major property owners and business association directories, and then cleaned and updated through contacting businesses and street-level inventories. Careful attention is also needed to design the database to provide key information to track business status, progress in solving problems and assistance provided. New Orleans can secure assistance from agencies, such as Emprise State Development, with experience developing and managing business recovery databases, to assist with this project.

*Case Management System.* A case management approach should be use to provide one-on-one outreach and assistance to help firms address critical issues to survive, rebuild and remain in New Orleans. Direct outreach and case-management is a well-established best practice in business retention and proved critical to successful stabilization efforts in lower Manhattan. The goal of the case management will be to contact the 1,000 largest existing New Orleans businesses, either still operating within the city or that have related within the region, identify key issues they face to continue or re-establish operations in New Orleans and coordinate efforts to address these issues. A team of 40 business retention officers would be assembled to undertake this task, in part through the Economic Development Corps described below. These officers would could initial visits to companies, maintain weekly contact and coordinate efforts

to resolve problems and secure available assistance. Additional cases would also be assigned through firms that contacted the city seeking assistance. The focus of this program, however, is to retain large and medium-sized firms that have significant multiplier impacts on the city economy. Small firms that are likely to need more intensive assistance and will be assisted under the technical assistance program described below.

*Technical Assistance Program.* Small businesses face a greatly altered and challenging environment after Hurricane Katrina. In addition to financial losses and physical damage, many firms have lost key employees and suppliers. Moreover, their markets have been transformed with the wholesale displacement of residents and businesses. In this context, technical assistance is vital to helping enterprises rebuild and adjust to the new business and market conditions. The technical assistance program will address the range of stabilization needs that businesses face:

- Environmental clean-up and physical rebuilding
- Insurance claim resolution
- Business planning and market development strategies
- Securing new supplies, vendors and employees
- Financial planning, utilizing federal tax credits and appropriate capital sources
- Information and aid in securing grants, loans and other assistance programs

Three service delivery approaches will be used to reach the largest number of small firms. First, a web site portal will be established to provide comprehensive information and links to small business assistance, business permitting and how to start a business. Building on the University of New Orleans current Connect UNO, is one option to develop such a portal. Second, the city will work with the existing Louisiana Economic Development Business Counseling Center and the Small Business Development Centers at Loyola University and Southern University to expand their capacity to serve business and address the full range of business needs, in part through adding consultants and counselors with the expertise to address specialized issues. Third, grants will be provided to local colleges, universities and community-based organizations to expand outreach and technical assistance to small firms. This type of grass roots technical assistance is especially important to reach over-taxed entrepreneurs that are unlikely to travel to assistance centers, small firms and non-English speaking businesses. Grants will be awarded on a competitive basis with non-profits encouraged to formulate proposals that leverage their special expertise and response to business needs that they have identified. Special attention will be made to fund programs that target minority and women-owned enterprises.

*Financial Assistance Program.* Businesses face three financial needs to return, survive and rebuild: (1) compensation for uninsured loss; (2) short-term and working capital to address immediate operating needs and bridge assistance from insurance and SBA disaster loans; and (3) medium and long-term capital for investments needed to rebuild and reposition their business. Moreover, in the current environment, many firms face great uncertainty about future cash flow and have little or no collateral to offer with destroyed or severely damaged property. Consequently, immediate assistance must be provided in the form of grant and patient long-term loans. Louisiana Economic Development has already created a bridge loan program to address

the second need and the SBA disaster loans are designed to address the third one. With virtually all businesses impacted by the two hurricanes, demand is certain to exceed state and federal funding. Based on past experience, many firms will not receive SBA disaster loans, either by failing to meet their underwriting criteria or perceiving the requirements to be too cumbersome. Therefore, the commission recommends that New Orleans establish its own programs to supplement and fill gaps under these two existing programs. Two programs are recommended:

- **Business Stabilization Grants:** This program will provide direct grants to returning and existing small firms operating in New Orleans with less than 50 employees to address uncompensated losses and provide a short-term cash flow infusion to help them re-establish or remain in operation. Given the large number of firms that would qualify for assistance, the grants would be need to be awarded on a formula basis (such as the number of pre-Katrina employees or a fixed days of prior year profits) using a simple application that documents both the basis for the grant and current operations in New Orleans. At least 25% of the funds should be set-aside for minority-owned firms that faced almost wholesale displacement and are likely to require more time to return. This set-aside ensures their access to funding with many majority-owned firms in locations that allow them to more quickly restore operations.
- **Business Recovery Loans:** This program will provide grants to Community Development Financial Institutions, (Certified Development Entities (CDEs) and other non-profit or quasi-public financing entities to supply longer term flexible funds to help small firms rebuild their businesses. Loans terms should be quite flexible with below-market interest rates, extended repayment periods, limited collateral requirements and options for initial payment deferrals. Given the high risk of these loans and the more detailed underwriting and work with borrowers that will be needed, conventional bank are not well suited to supply these types of loans. Instead, New Orleans can utilize existing economic development and community development financial institutions to implement this loan program. The city will allocate funds through a competitive RFP process to CDFIs, CDEs and other entities to implement recovery loan programs. Grantees would be comply with required loan terms, capacity requirements and reporting standard set by the City, but could customize the loan products and target markets based on their mission, expertise and experience. Collectively, the awarded programs will need provide coverage to small firms through the city and ensure that minority and women-owned enterprises are well served. Grantee performance will be reviewed regularly with the city having the right to reallocate funds from poorly performing organizations. As with Business Stabilization Grants, 25% of the funds would be set-aside for minority-owned firms.

New Orleans may also want to seek clarification of federal and state tax laws to ensure that any grants and forgiven debt under these programs will not be treated as taxable income.

*Incubator Facilities for Displaced Businesses.* Many displaced businesses that want to return to New Orleans are unable to do so because they lack real estate. By creating a series of business incubators, New Orleans can supply temporary space to house returning business until more

permanent space is available either via the rebuilding or owner-occupied space or construction on new commercial rental property. Through a combination of existing vacant building and quick assembly of pre-fab buildings, New Orleans should seek to create space for at least 1,000 displaced firms. Incubator tenants would also receive technical assistance and access to business stabilization grant and recovery loan programs detailed above. Base rent would be free for the first six months but tenants would pay for their own utilities, real estate taxes and common area maintenance costs.

#### **Objective 4: Ensure continued operation and rebuilding of key institutions.**

New Orleans' many non-profit educational and cultural institutions are key economic assets; they employ thousands of persons, attract talent to the city, advance innovation and add to the city special character and vibrancy. Special efforts are needed to ensure these institutions do not fail and have the resources to quickly rebuild. Three programs are proposed to advance this objective:

**Establish a joint state-local SWAT team** to help non-profit institutions implement their rebuilding plans. Many large institutions have already formulated rebuilding plans and would benefit from coordinated assistance to implement these plans, such as government permits, advocacy to address utility issues, coordination with city infrastructure rebuilding, and access to federal disaster aid and tax-exempt bond financing. These SWAT teams will provide a mechanism for on-going and coordinated support between the institutions, city government, and state government to accelerate their rebuilding efforts. Members of a new Economic Development Corps (see below) would supplement state and city staff on the SWAT teams.

**Rebuilding planning grants for small non-profit institutions.** Small non-profits with fewer resources are likely to have put all their effort into survival without undertaking a longer term rebuilding plan. They need additional resources and outside expertise to prepare viable rebuilding plans. This program would provide small grants of \$10,000 to \$20,000 for non-profits to complete rebuilding plans that address program, facility, human resource, and financial components.

**Establish a non-profit finance funds to address both immediate working capital and long-term facility financing needs.** Non-profit organizations, like business, have experienced lost revenue in the aftermath of hurricanes Katrina and Rita and need short-term bridge and working capital funding to survive as implement longer term rebuilding and funding plans. These loans would be zero or low-interest and provide flexible repayment terms. Capital for the working capital loans would come from Foundation Grants and the post-disaster CDBG funds awarded to Louisiana. The Fund would be administered by a local CDFI potentially in partnership with the national Nonprofit Finance Fund. A second window is needed to provide long-term financing for facility-related rebuilding costs, including environmental and demolition expenses. Since non-profit organizations do not benefit from the federal tax incentives designed to address these costs, they have a special need for financial assistance. This fund would serve small and medium-sized non-profit that cannot access tax-exempt bond funds and provide zero interest and

now-interest medium and long-term real estate loans. Since CDBG funds are very cumbersome to use for real estate projects, the fund should be capitalized by foundation grants, donations, and the New Market Tax Credit allocation for gulf recovery investments. New Orleans should partner with one or more of the existing CDEs to establish this non-profit facility fund.

### **Objective Five: Expand Capacity to Implement Stabilization Plan.**

Under the short-term stabilization plan, New Orleans must greatly expand its capacity for business outreach, case management assistance and the delivery of financial and technical assistance to hundreds of firms. Given the city's current fiscal and staffing conditions, this added expansion must rely largely on resources outside city government. The Commission recommends a two-prong capacity building strategy:

- Use the existing network of CDFIs, non-profit economic development organizations and colleges and universities to deliver financing and technical assistance services
- Recruit an Economic Development Corps of economic development professionals, loaned executives and Americorps participants to help undertake the case management services and SWAT assistance to non-profit organizations.

New Orleans has a large network of organizations that are well-positioned to provide business financial and technical assistance and provide the fastest route to expanding this component stabilization capacity:

- Six US Treasury certified CDFIs that include two full-service banks and two business loan funds
- Nine additional Certified Development Entities (CDEs) under the new market tax credit program.
- Nine colleges and universities with business degree programs
- Two small business development center and several non-profit organizations that provide training and technical assistance to small businesses, women-owned, and minority-owned firms.

Grants would be awarded to these organizations via a competitive process to provide either loans or technical assistance to existing New Orleans businesses to quickly expand capacity. Grant applicants would submit an application that details their proposed program and services, their existing capacity and plans to expand capacity to implement new services. Grant awards would be subject to reallocation based on each grantees performance.

To build the case management capacity needed to work with hundreds of firms and scores of non-profit institutions, New Orleans will create an Economic Development Corps by recruiting professionals and recent college graduates from across the country. The goal should be to recruit 50 corps members with expertise in economic development, business, environmental remediation, facilities planning, finance and information technology. This corps would be drawn

from three sources: economic development professionals, loaned business executives, and the Americorps program and would operate as a single unit under the leadership of the stabilization program manager. Corps members will be assigned to one of three areas based on their skills and experience: (1) business stabilization case management; (2) non-profit SWAT Team; and (3) business database management. New Orleans would expand recruitment efforts with national trade associations, including IEDC, APA, AMA, and others to attract corps members. Corps members would receive a stipend and housing and serve for a three-month to one-year period, depending on personal circumstances.

## **Goal Two: Restore the Economic Base**

The Economic Development subcommittees did considerable work in this goal area. There are many important recommendations to rebuild the city's core industries. In reviewing these recommendations we had the following response:

1. Rebuilding the non profit cultural institutions and the nonprofit healthcare institutions could be included as part of a larger Non Profit Rebuilding Facility Fund as recommended under Goal One. Moreover, the state has issued a set of high priority rebuilding projects which are to be supported through the state CDBG allocation. It is important to coordinate the lists within each of the "sector" recommendations with the state priority lists.
2. There needs to be greater alignment between the city, the state and other actors in the hospitality related recommendations. For example, there has already been an extensive effort focuses on tourism marketing. The recommendations for hospitality marketing needs to be more specific and differentiated if new funding is to be requested. Similarly, there is likely overlap between some of the recommendations related to investments in neighborhoods and parks, signature street corridors and major attractions that need to be coordinated with other BNOB committees, as well as with current state priorities.
3. The maritime recommendations did not discuss the issue of protecting the coffee trade. In addition, it also needs better alignment with other committees of BNOB. Land use and Infrastructure Committees have already recommended closing MR-GO. The Economic Development recommendations should conform.
4. The state has developed a definition of "cultural industries" that is becoming more broadly excepted and was used by the Cultural Committee. The economic development committee should conform to this definition and include all culture industries. In addition, it needs to refer directly to the recommendations that were made in the Cultural Committee report.
5. The report needs to acknowledge the full range of federal and state tax incentives that have already been established and are available to business. In some cases incentives are already available through the Gulf Opportunity Zone program. In other cases it is unclear whether the recommendations are for new federal tax incentives or for state and local incentives. Often incentives are only useful if the company is profitable. For many companies impacted by Katrina, they have significant losses from a tax standpoint.

6. We would include food processing as part of the Culinary Industry under the Cultural Economy. This is an area that we believe received insufficient attention. There are considerable opportunities for further promoting food products produced in New Orleans and for creating new opportunities in this area. In addition to the recommendation to build, support and secure funding for the Greater New Orleans Food Kitchen Technology Incubator which was included in the Subcommittee report, we would add:
  - Reestablish and plan for Food Markets through the city. Crescent City Food Market is an important part of culinary industry. Farmers markets should be incorporated in neighborhood plans
  - With increased international interest in the city, develop an international marketing program focused on New Orleans Food Products
  - As the hospitality industry rebuilds, encourage increased use of local food products at convention center, hotels, and other venues

## **Reduce Economic Disparities**

The rebuilding of New Orleans presents a unique opportunity to address the city's most profound economic development problem: high incidence of poverty and racial disparities in economic well-being. A few simple statistics from the 2000 Census convey the economic inequities in pre-Katrina New Orleans: 28% of New Orleans residents lived in poverty, 35% of African Americans lived in poverty (compared to 11.5% of whites) and 91% of the city's poor families were African-American. Transforming this long-standing pattern of racial and economic disparity is a long-term goal. It requires a sustained commitment over many years and a comprehensive set of initiatives to improve a range of economic outcomes for African-American and low-income residents. The Commission believes this goal must be an important element of the rebuilding efforts and address economic disparities at four levels: (1) household assets; (2) employment opportunities and labor market earnings; (3) the quality of life in neighborhoods; and (3) business ownership. This section details our proposals to reduce economic disparities across these the four dimensions.

### **Objective # 1: Build Assets of Low-Income Households**

Disparities in household wealth and assets exceed disparities in income. In 2000, the nation's highest income quintile had net worth 25 times that of the lowest income quintile, and was five times more likely to own stocks or have an IRA account, and three times as likely to have equity in a business. Large racial disparities in assets also exist: non-Hispanic White households had median net worth ten times that of African-American households in 2000. The lowest quintile of African-American households had a median net worth of \$57 in 2000—essentially zero assets. We witnessed the human cost and vulnerability to emergencies and natural disasters that result from having no assets. To reverse these conditions in New Orleans, a major initiative is proposed to help low-income and African-American households build their assets through education, access to low-cost financial services, expanded savings initiatives and a major campaign to use the rebuilding effort to increase home-ownership among low-income households.

***Expand financial literacy, financial counseling, and free tax prep programs through a new financial literacy partnership.*** Low-income households, as with all households, need financial knowledge and skills as a foundation to build their assets. Financial literacy is especially important to help low-income household manage limited resources and avoid high cost and predatory financial firms that target them. The new start that many low-income residents will face as the return to New Orleans also creates a special opportunity to build their financial knowledge while connecting them to asset building programs. Although several community organizations now offer financial literacy programs, we recommend creating a financial literacy partnership to expand the availability of financial counseling, financial literacy classes and IDA programs (see below) at community based organizations, congregations, credit-unions, banks and schools. This partnership will provide training to financial educators and counselors, fund expanded programs and help market the other asset building programs discussed below. A major component of program would be establishing free tax preparation clinics across the city to help low-income workers file for the Earned Income Tax Credit.

**Work with banks and credit unions to offer and market low cost checking and savings accounts and “credit-builder” loans.** A series of high cost financial services targeted at low-income communities undermines their capacity to build savings and other assets. High -priced check cashing fees, payday loans and rent-to-own contracts can increase a household’s financial service expenses by \$300 to \$1000 above that of mainstream bank accounts and loans. By connecting low-income households to fair-priced services, their cost savings can accumulate to several thousand dollars over five to ten years, potentially providing the down payment for a house. Civic and city government leaders should work with local banks and credit unions to establish and actively market low-cost financial products for low-income residents that include a no fee savings accounts, a no or low fee (\$2 per month) checking account, and fair priced personal loans. These personal loans should have be structured to help individuals successfully repay them to build a credit history and improve their credit scores (while also reduce the need for predatory payday loan and rent to own contracts). This goal of this effort should be to have every low-income household establish a checking and/or savings account at local bank or credit union.

**Create and fund a strong citywide Individual Development Account (IDA) program under the financial literacy partnership.** IDAs are saving programs in which low-income individuals receive several matching dollars for every dollar that they save. IDA savings can be used for education, to buy a home or to start a business. The IDA account is linked with education and counseling that help individuals budget and plan to save and set financial goals to guide the use of the IDA account. Thus, the IDA program is a logical extension of the financial literacy initiative discussed above. Several New Orleans organizations already offer IDA programs, include the NHS of New Orleans, SNAP New Orleans, and Total Community Action. To expand and assist a large number of households, a citywide IDA program must raise sizable and sustained funding for the savings match (along with more modest program operating funds). For example, \$30 million is needed to a \$3,000 match to \$1,000 in saving by 1,000 households. To match 5,000 households at this level requires \$150 million. A major capital campaign will be needed to raise funds from multiple sources to create an IDA program of real scale. Potential sources include foundation and corporate grants, CDBG funds, state appropriations, and a 1%

campaign whereby major corporations, governments and institutions pledge 100 basis points of the interest earned on their cash deposits to fund IDA matching funds.

**Launch a major low-income home ownership partnership.** Home ownership represents the best opportunity to expand the assets held by low-income households. With the rebuilding of a large share of the city's housing stock necessitated by the hurricane damage and flooding, a rare opportunity exists to use this reconstruction to expand homeownership among current and returning low-income residents. The four key programmatic elements of the partnerships programs should be:

- Establishing low-income set-asides in new for sale housing developments
- Expanded home ownership courses and counseling to prepare low-income residents for home ownership responsibilities; and
- Financial assistance via grants and soft-second loans to offset the substantial down-payment and closing costs need to purchase homes
- Tailored home mortgage loan products to fit conditions faced in the New Orleans

The basis for this home ownership partnership already exists in New Orleans with several organizations active in promoting low-income home ownership including Neighborhood Housing Services of New Orleans, the Finance Authority of New Orleans and the New Orleans Neighborhood Development Foundation. Moreover, national community development intermediaries, such as the National Reinvestment Corporation and the Enterprise Foundation would welcome the opportunity to support this type of partnership. While initial planning for neighborhood rebuilding is taking place, a working group with representatives of New Orleans and national organizations engaged in low-income home ownership should be convened under Mayor Nagin's leadership to design the details of the program and formulate a funding plan.

## **Objective # 2: Support Strong Neighborhood Business Districts**

Strong business districts are central to the well-being of urban neighborhoods. They house businesses that provide goods and services to residents and non-profit organizations that support community well-being and the neighborhood's cultural vitality. Healthy business districts provide wealth creation and employment opportunities for city residents, especially immigrant and youth who face barriers to many jobs. In rebuilding its neighborhoods, New Orleans needs to support vibrant commercial districts in all neighborhoods with diverse businesses, occupied buildings and an attractive and well-maintained physical environment. The extensive physical damage and loss of residential market support will make commercial district rebuilding a challenging and long-term project, as businesses activity will return in phases as residents and other economic activity returns. However, the planning foundation and financial and organizational support for strong business districts must put in place now as rebuilding begins. The following recommendations will provide that foundation.

**Designate commercial corridors and nodes in neighborhood rebuilding plans.** Neighborhood plans must identify and establish appropriate zoning for the corridors and nodes

that will accommodate commercial activity to ensure land-use protection for business and commercial development. The zoning and land-use regulations that implement these plans should allow and encourage mixed-use projects with ground floor retail/commercial space to create pedestrian-oriented business districts and allow for commercial spaces with a range of sizes to facilitate business diversity.

**Encourage design and development standards that preserve neighborhood character and the community vision.** Neighborhoods plans can also establish design and development standards that go address issues outside formal zoning that are important to the neighborhood's character and local vision. This guideline may address use of materials, signage, landscaping, etc, and might also address preferences for business mix, such as placing locally-owned businesses next to destination chains to help them benefit from the customer traffic generated by chain stores. These neighborhood standards will help developers and property owners design and build projects that fit the community vision and thus provide predictability for development approvals while advancing community goals.

**Establish a citywide neighborhood commercial district Main Street program.** This program will support grass-roots efforts to build and sustain a healthy business district by supporting the creation of neighborhood Main Street of Business Improvement District (BID) organizations and providing these organizations financial, technical assistance and marketing support. A Main Street of BID organization brings together property owners, businesses, residents and community organizations to establish a shared vision for their commercial district, manage the district and coordinate activities to realize their vision. In the early stages of rebuilding, these organizations can focus on planning, design and development standards and safety issues. Over time, their work will expand to address business development and recruitment, marketing and special events, district cleanliness and design improvements. Under this program, the city would encourage and assist neighborhoods in forming a commercial district partnership, provide operating grants, offer technical assistance for planning and program development and help fund special projects and activities. It would also implement citywide promotional activities (e.g., a holiday neighborhood shopping programs) and services (business web site development). Several cities, including Boston, Baltimore and Washington, DC have established such programs, utilizing the National Trust for Historic Preservation's Main Street model. The Local Initiatives Support Corporation also has a neighborhood Main Street program implemented through community development corporations. Both organizations are potential partners in helping New Orleans implement its own program. Community development block grants and corporate underwriting (Boston links each neighborhood district to a corporate buddy that provides funding, volunteers and technical support) are appropriate funding sources for the city program. Local programs would supplement city funding through BID assessment, foundation grants, membership fees, fund-raising events and business donations.

**Create incentives and financing for neighborhood commercial development.** Rehabilitation of damaged buildings and development of new commercial properties will be needed to re-establish retail and business activity in many neighborhoods. Market rents and business income are unlikely to support this new investment due to the gradual return of market demand and higher development costs due to environmental clean-up and other matters. The market uncertainty also may deter developers and businesses from undertaking commercial

development. Consequently, the city needs to create incentives to stimulate new investment in commercial development and gap financing tools to address their investment risks and financing gaps. A second goal of these financial incentives is to allow a flexible rent structure for new or returning local businesses leasing space in these developments. Thus, three commercial development financing programs are proposed:

- **A property tax phase-in for commercial projects** in low-income neighborhoods in which the full value real estate taxes would be phased in over five years
- **A deferred loan program** in which principal repayment is deferred for five to seven years with the potential for partial interest deferrals based on occupancy. New Market Tax Credits provide an excellent tool for this loan program since they compensate investors via tax credits over seven years, allowing for payment deferrals, and typically require project refinancing in year seven.
- **A direct grant program to write down development costs** to ensure project feasibility. These grants are best suited to project either where environmental, site or building conditions impose high development costs of the projects includes unique community benefits.

These financial subsidies should be linked to requirements for local hiring, minority and local firm contracting and leasing opportunities for locally-owned businesses.

**Expand business development assistance.** Strong local businesses are central to vibrant business districts and help preserve the unique character of neighborhoods. To ensure a diverse mix of business and use commercial districts as seed beds for business creation, the expanded micro-enterprise programs (discussed below) and business recovery loan programs should work in tandem with the commercial district rebuilding efforts.

#### **Objective # 4: Expand Small Business Ownership among Low and Moderate-Income Residents**

Business ownership is a better path to asset accumulation and higher income than employment for some individuals, and can also serve as a source of supplementary income to help raise households out of poverty. Nationally, over 500 micro-enterprise programs have succeeded in using training, technical assistance and micro-loans to increase business ownership and incomes among low and moderate income participants. Through these programs, enterprises with low-income owners have had survival rates comparable to all small businesses, employed an average of 1.5 workers and helped move a large share of the participant's households out of poverty. New Orleans has participated in the growth of micro-enterprise development programs with several organizations active in this field, including the Good Work Network, New Corp. Inc., the New Orleans Jazz & Heritage Foundation, Inc., and the University of New Orleans Small Business Development Center. Collectively, these organizations assist several hundred clients annually. The reconstruction efforts should expand and build on these programs to ensure that low and moderate income residents interested in owning a business have access to training, technical assistance and financing to help realize this goal. Additional efforts should be undertaken to expand options for business ownership by addressing real estate barriers through

creating an Entrepreneurial Village business incubator and multi-tenant markets. The commission proposes a four point program to expand business ownership among New Orleans' low and moderate income residents. Since these programs target low and moderate-income residents, they are well-suited for funding under the special Community Development Block Grant appropriation for post-Katrina rebuilding.

**Micro-enterprise and entrepreneurial training initiative.** Entrepreneurial training is a key entry point for low-income individuals to pursue business ownership through gaining basic business skills and by developing, testing and refining their business concept and plan. New Orleans should establish an initiative that provides grants to double the number of pre-Katrina entrepreneurial training courses and slots for low and moderate-income residents. These grants should also support a range of course formats and options to reach residents with different schedules and needs. As part of this initiative, a formal citywide network of micro-enterprise development organizations should be established to share best practices, facilitate referrals and foster learning and increased effectiveness across organizations. The network could also advocate for continued funding and supportive city and state policies for micro-enterprise development.

**Strengthen the network of post-training and post-lending technical assistance and support.** Based on the experience of micro-enterprise programs, on-going support and assistance is needed to help aspiring entrepreneurs transition from business plan to start-up and then to address the many challenges to success as an established business. As entrepreneurial training expands, an increased investment also will be needed to provide one-on-one outreach, technical assistance, and mentoring to entrepreneurs. Grants should be provided to university and community based organizations to expand existing micro-enterprise technical assistance efforts, and to extend technical assistance established under the short term stabilization program. Secondly, the business-builder mentoring program, proposed to help small contractors connect with larger firms to secure rebuilding contractors, should include a track to find established businesses mentors for new low-income entrepreneurs in their specific industry.

**Expanded micro-lending programs.** Additional low-interest loans and capital grants should be provided to micro-enterprise and small business lenders to ensure they have sufficient capital to help finance the start-up and expansion of new businesses that result from the expanded low-income business development initiatives. To reach a goal of financing 100 new low-income businesses with up to \$25,000 in loans, \$2.5 million will be needed.

**Establish "Entrepreneurial Village" business incubators and multi-tenant markets to lower entry costs and nurture new firms.** By providing assessable affordable space, shared services and on-site technical assistance, business incubators nurture start-up enterprises and enhance their success rate. This model can also be applied to create multi-tenant food and retail markets (sometime called Mercados) with small stalls that are affordable to new low-income enterprises. Minneapolis' Mercado Central houses 47 immigrant-owned food and retail businesses that attract shoppers from throughout the region. The City of New Orleans should work with community-based business development organizations, developers and universities to establish at least one new general small business incubator and one Mercado style market targeted to low- and moderate-income entrepreneurs.

## **Goal 4: Reposition and Strengthen Competitiveness**

### **Strengthen Technology Transfer and Commercialization Capacity**

New Orleans' research base has significant strengths in a number of technology areas that have helped to develop and expand key industries, and hold out the promise of doing so into the future. Much attention has been placed on the role of New Orleans' medical research institutions in the recent development of the biomedical industry. But the city's research institutions also boast significant capacity in other areas of science and engineering to support the development of existing and emerging industries, including energy development and production, coastal preservation and restoration, maritime production, and aerospace. Much of this research infrastructure has been put at risk by damage to facilities and equipment, loss of operating income, the drain of human talent, or a combination of all three. Yet maintaining and enhancing this research base and tying it more closely to local economic development has taken on greatly increased importance as New Orleans struggles to rebuild its economy. It is therefore critically important that the city fully inventory the damage to its research infrastructure and develop a plan for its restoration, placing highest priority on those research areas that have the strongest links to the local and regional economy. In the longer run, the city, working with the local research and business communities, should assess how it can more strategically develop and mobilize its research capacity to strengthen and broaden the city's economic base.

The city, working with the academic community, relevant industry groups, and other levels of government, should undertake the following immediate and longer-term initiatives to preserve its research base and promote acceleration of technology transfer and locally-based commercialization activities.

- **Take immediate action to stabilize and preserve critical research infrastructure.** The city should convene a working group of the city's research institutions and key constituents of current research activities (e.g., industry, government) to develop an immediate stabilization plan for key research facilities. The working group would be responsible for the following.
  - Develop an inventory of damaged research facilities, including information on research in progress, damage to facilities and equipment, costs to repair or replace infrastructure, operating costs and current deficits, and current staffing situation.
  - Develop a funding plan to stabilize/maintain operations of existing research centers. This could include funding for short-term building repairs, replacement or repair of damaged equipment, recovery, to the extent possible, of in-process research materials and data, and bridge operating funding. Priority should be given to centers with a strong track record and those most closely tied to stabilization/strengthening of the city and regional economic base.
  - Develop talent retention/attraction packages for faculty and post-graduate students.
  - Advocate for emergency set-asides for these purposes from existing state technology support programs (e.g., Louisiana Board of Regents Support Fund, Research Competitiveness Program, Industrial Ties Research Program)
- **Develop a longer-term strategy to strengthen and expand technology-based economic activity through improved mechanisms for technology transfer and local**

**commercialization.** The city should work with an existing technology-focused economic development organization or, if necessary, establish a new organization composed of key stakeholder groups – research institutions, industry, and government – to formulate and oversee implementation of a long-term technology strategy to strengthen the city’s research infrastructure and work to maximize its local economic impact. The agenda of this entity should include the following:

- Develop a strategic plan to identify local R&D activities with the greatest commercialization potential, expand promising R&D activity, promote institutional partnerships, and develop stronger mechanisms for technology transfer and local commercialization.
- Develop more coordinated efforts to attract federal, state, and private research funding.
- Promote the development of joint research centers that link complementary technology strengths and promise to apply technological innovation in support of New Orleans’ reconstruction.
- Support strengthening of technology transfer and commercialization capacity of research institutions, both individually and through joint initiatives.
- Strengthen linkages between research institutions and existing entrepreneurship development programs, and promote the expansion of programs and resources targeted to technology-based enterprises.
- Advocate for expansion and targeting of state R&D funding to research areas of particular importance to the New Orleans economy.

## **Support Development of Advanced Building Design and Construction Industry Cluster**

The extensive damage wrought by Katrina to New Orleans’ residential and commercial structures, while economically devastating, also creates new economic opportunities. The rebuilding process can provide massive near-term construction employment as well as an opportunity to apply advanced design and construction techniques that incorporate greater hurricane and flood resistance, green building principles, and lower costs, all of which promise to improve the city’s economic environment into the future. Moreover, the sheer scale of reconstruction activity has the potential to spur the establishment, growth and attraction of companies providing advanced building products and services.

A number of activities are already planned or underway that, if sustained and expanded, could begin to form the nucleus of a new advanced building design and construction cluster in the New Orleans region.

- The U.S. Green Building Council is working with a variety of government agencies, non-profit organizations, and private companies to plan several near- and long-term Katrina response initiatives. Some of the programs include: working with officials to develop green performance standards for reconstruction; working with Habitat for Humanity to construct green housing; providing services and technical expertise ranging from on-site physical help to planning, design, financing, and related needs; developing long-term strategies to mitigate the effects of future natural disasters; and focusing conferences and workshops, such as Greenbuild 2005, on disaster relief and reconstruction.

- CBS Homes of Florida has announced plans to locate a state-of-the-art Construction Technology Campus in Louisiana. The CTC will bring together manufacturers of glass, windows, doors, sheeting, and insulation in one location to create a core of parts needed to build homes to a higher standard. These components will flow into hurricane resistant advanced construction composite wall panels. The company projects that this integrated process will save time, money, and create a finished house at a lower cost with improved features compared to conventional homes built on-site.
- The Creative Enterprise Center at the ArtEgg Studios on South Broad Street is being reconstructed by a non-profit organization using approaches that showcase the designs and materials that are energy efficient, damage resistant, and otherwise exemplary of green architecture. The building will include exhibition space to a showcase green technology and provide incubator space for green technology firms
- Preliminary discussions about establishing a joint green building research center have been held by Tulane's Payson Center for International Development in Technology Transfer, the Tulane School of Architecture, and Global Green, a national non-profit and American arm of the international Green Cross that is in the process of establishing a New Orleans office.

A number of trends, notably reduced supply and increased cost of traditional energy supplies and changes in global climate, point to substantial long-term growth in demand for advanced building design and construction technologies. New Orleans can leverage its current reconstruction needs to develop a local industry cluster to serve this emerging growth market.

➤ **Develop a strategy to support the development of a local advanced building design and construction cluster.** The strategy can include the following components:

- Establish an industry cluster entity to identify priorities for stimulating industry development and promoting partnerships between industry, research institutions, government, investors, etc. to promote industry development.
- Support the development of local university R&D capacity in this field. This could include providing financial support for establishment of a joint academic research center for advanced building design and construction. In order to bolster local R&D capacity in this field, the center might establish partnerships between local institutions such as Tulane University's School of Architecture and ith other Louisiana or national institutions with specialized expertise such as LSU's Hurricane Engineering program and Florida International University's Laboratory for Wind Engineering Research.
- Provide location incentives and site finding assistance for advanced building design and construction companies seeking to locate engineering and production facilities in New Orleans.
- Increase supply of seed and venture capital for local start-ups in this field.
- Develop land use and building regulations that support advanced design and construction techniques.
- Provide zoning and/or direct financial incentives to developers and property owners who adopt advanced design and construction techniques.
- Provide information and training to local property developers and building contractors to support adoption of advanced building technologies.

## Support Development of Coastal Preservation and Restoration Industry

The need to preserve and restore Louisiana's coastal wetlands has become doubly urgent in the wake of Hurricane Katrina. Even prior to Katrina, a significant base of research and commercial activity involving coastal preservation and restoration was already occurring in the New Orleans area and elsewhere in Louisiana's coastal areas, driven by major allocations of federal funding, including \$200 million appropriated to the state through the 1990 Coastal Wetlands Planning, Protection and Restoration Act and an additional \$540 million set aside for Louisiana coastal restoration in the 2005 comprehensive federal energy legislation. Protecting New Orleans from future Category 3-5 hurricanes will require the restoration of wetlands that serve as natural flood barriers, and the construction of man-made systems that are designed and constructed to higher standards. These efforts will further spur efforts to develop advanced coastal preservation and restoration methods and technologies, and stimulate the establishment, growth and attraction of companies providing applicable products and services.

New Orleans research institutions, led by University of New Orleans Department of Earth and Environmental Sciences and its Pontchartrain Institute for Environmental Sciences, Tulane and Xavier's Universities' Center for Bioenvironmental Research, and the Louisiana Universities Marine Consortium, are already conducting extensive applied research and providing post-secondary educational programs in this field. Moreover, an increasing number of companies involved in coastal restoration engineering and construction have been locating operations in New Orleans, even prior to Katrina. Certain oil and gas service firms (e.g., dredging and barge transport) are also serving this market. There are also opportunities to develop new products, such as specialized waterborne dredging and transport vessels, which complement New Orleans' existing manufacturing base.

Trends in global climate are likely to significantly expand the market for global protection and restoration services over the long run, providing an opportunity for New Orleans to become a center of an emerging global industry. New Orleans can leverage its current research and industrial base to develop a local industry cluster to serve this emerging growth market.

- **Take immediate action to stabilize and preserve the regional research base in coastal preservation and restoration.** In line with the general recommendations above, the city should work with local research institutions to identify and address immediate threats to research and educational programs related to coastal restoration. UNO's Department of Earth and Environmental Sciences has, in particular, suffered serious damage to its physical plant and loss of some key faculty. The city and state can also help by identifying immediate projects that can fund applied research projects and engage faculty and students.
- **Develop a strategy and a series of longer-term actions to promote coastal preservation and restoration industry development.** These could include:
  - Establish an industry cluster entity to identify priorities for stimulating industry development and promoting partnerships between industry, research institutions, government, investors, etc. to promote industry development.
  - Work to ensure that disparate academic R&D activities are more effectively coordinated (e.g., through joint research centers), have strong industry involvement, and have the appropriate infrastructure to support rapid commercialization (e.g., university tech

transfer capabilities, investment capital, entrepreneurial support). This could involve establishing a center of excellence in coast restoration technology as a university-government-industry partnership

- Provide location incentives and site finding assistance for companies in this industry seeking to locate facilities in New Orleans.
- Increase supply of seed and venture capital for local start-ups in this field.
- Assist existing oil and gas service companies to diversity into this market.

## **Create New Sources of Business Debt and Risk Capital**

The creation and growth on new enterprises is critical to strengthening New Orleans' economy. Small businesses, which accounted for more than 40% of the region's economy, have been devastated by Hurricane Katrina. According to Tim Ryan, an economist and University of New Orleans Chancellor, as many as 60% of New Orleans small businesses may ultimately fail due to Katrina. To replace these enormous business and job losses, a major investment to create new enterprise is necessary. Moreover, the emerging technology centers and industries with the greatest potential to diversify and expand the New Orleans economy will be driven by entrepreneurs with the vision and resources to start and grow new businesses. Access to appropriate capital is an essential ingredient for a new wave of entrepreneurial activity. New enterprises require patient risk capital to finance the start-up and initial growth, before sustained profitability is achieved. Once established, firms need access to debt to fund on-going working capital and fixed asset investments to sustain their growth. Economic uncertainty about the pace and extent of New Orleans' recovery and the environmental and collateral risks associated with business real estate are likely to hinder the supply of capital from conventional private sources. In this environment, New Orleans's government and private sector must step in to ensure a robust supply of business capital and create mechanisms to fill long-term business financing gaps.

New Orleans should develop the following action plan to expand the long-term supply of risk capital and debt financing for entrepreneurs.

- **Create a strong financial system for risk capital.** Despite the explosion of venture capital funds, risk capital remains the most difficult financing for entrepreneurs to secure. Venture capital funds increasingly have shifted to making larger and later stage investments to deploy their much large capital base. It is not unusual for VC funds to only consider firms that require a minimum \$5 million investment. Moreover, venture capitalist focus on a small set of industries and situations with the potential to provide extremely high returns (30% to 50% annually). Since a limited number of New Orleans entrepreneurs are likely to gain access to traditional venture capital<sup>1</sup>, an alternative system to supply patient equity-like capital to promising local entrepreneurs is needed with the following components:

- ***Establish a national angel investment network focused on New Orleans.*** Angel investors are a growing source of informal investment in start-up and early stage businesses. They provide small amounts of equity and more flexible equity-like debt to firms with strong growth prospects. Investors are often successful business owners and entrepreneurs who want to use these investments to help other entrepreneurs. New

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<sup>1</sup> From 1995 to 2005, the entire state of Louisiana averaged 2.45 deal and \$18.7 million in VC investments per quarter.

Orleans can capitalize on the strong business community interest in and good will toward rebuilding the city to organize an angel investment network dedicated to financing small early stage enterprises. The network would include an electronic component in which entrepreneurs could share their business plans with potential investors and a network manager who facilitate the due diligence and structuring of investments.

- ***Create Civic Venture Funds to finance high-growth minority-owned enterprises and those in emerging industries.*** Many cities and regions have created civic investment funds (sometimes referred to as double-bottom line funds) to make investments that advance important civic and economic development goals while also earning market or near-market returns. These funds are professionally managed and privately capitalized from banks, foundations, corporations and pension funds. Examples include the New York City Investment Fund, the Bay Area Community Equity Fund Family of Funds. New Orleans should establish two civic ventures funds focused on different markets: one to invest in growth enterprises among key emerging industries (e.g., biotech, marine technology, environmental restoration, green development); a second to finance minority-owned growth businesses. New Market Tax Credits are a potential tool to help capitalize these funds.
  - ***Sponsor an enterprise forum and risk capital fairs to connect firms with financing sources and advice.*** Entrepreneurs need opportunities to present their business plans to potential investors, especially angel and venture capital investors that are difficult to access. Venture capital or risk capital fairs provide a way to bring together a large number of potential investors and entrepreneurs to exchange information and determine if a probably investment opportunity exists. Since New Orleans does not have many resident risk financing entities, an annual or semi-annual fair is a valuable way to help local entrepreneurs gain exposure to these types of investors. State and city economic development agencies should work with business leaders and existing regional risk capital firms to organize an annual venture capital fair. If successful, it can be expanded to a semi-annual event. An enterprise forum provides a more structured environment whereby an entrepreneur presents his or her business plan to professional investors and advisors and gain feedback on how to improve the plan and investment pitch. In some cases, the presentation leads directly to more detailed discussions about a possible investment. A local business school, working with the chamber of commerce and local venture and small business finance funds, is a logical sponsor for a regular (monthly or quarterly) enterprise forum.
- **Expand availability of small business debt.** Once established, businesses primarily rely on debt (and internal cash flow) to finance their growth. Banks are the primary suppliers of small business, but the current environment in New Orleans and traditional barriers to bank lending (high information and transaction costs, risk aversion, regulatory restrictions, lender bias) is likely to constrain future bank small business lending with government intervention. The city's strategy to address this vital business financing need should leverage the capacity of resources of on existing banks and community-based lenders through the following two programs:
- ***Establish a citywide capital access program (CAP).*** The capital programs encourages higher risk bank lending by co-funding a special loan loss reserve. When a bank makes a loan outside it normal credit standards, it enrolls the loan in the CAP program and

charges the borrower a small fee which is matched by the city. These funds remain on deposit to cover any loan losses incurred by the bank for any of its CAP loans. A higher match should be provided, as an incentive, for bank loans to minority and low-income borrowers and businesses locate in the most devastated neighborhoods that are being rebuilt. Community development block grant funds could be used to fund the city's CAP match.

- ***Expand CDFI and CDE capital to supply affordable subordinate debt.*** Even with expanded bank lending, small firms are likely to need additional subordinate debt to address limited collateral (or uncertainty about collateral value), provide an “equity cushion” for bank debt or to fund large working capital needs that accompany rapid growth. The city should use the existing network of CDFIs and CDEs to expand the supply of subordinate small business loans, rather creating its own loan programs. Funding for these subordinate loan programs can come from several sources: (1) recycling of loan repayments under the business recovery loan programs; (2) new grants provided with CDBG funds; and (3) funds raised under additional New Market Tax Credit allocations; and (4) foundation and corporation grants.

## **Implementing the Plan**

ECONOMIC DEVELOPMENT IMPLEMENTATION MUST BE

- **PRAGMATIC**
- **INSTITUTION BUILDING**
- **REALISTIC**
- **CLEARLY DESIGNATED RESPONSIBILITY**
- **ACCOUNTABLE**

Short-Term

- Sector Committees
- Volunteer Economic Service Corp
- Existing Capacity: City and CBO's

Long-Term

- City Economic Development Corporation

<b>Program</b>	<b>Sources</b>	<b>Delivery Entity</b>
<b>Business Stabilization Grants</b>	<b>CDBG</b>	<b>City grants to firms</b>
<b>Business Recovery Loans</b>	<b>CDBG</b>	<b>Via Grants to CDFIs</b>
<b>Business Builder Loan/Bond Guarantees</b>	<b>CDBG</b>	<b>Partnership with LED</b>
<b>Non-profit Finance Fund</b>	<b>CDBG NMTC</b>	<b>Existing CDFI/CDE partner with NPF</b>
<b>Cultural Industries Fund</b>	<b>NMTC</b>	<b>Existing CDE/NEW CDE</b>
<b>Talent Retention Trust</b>	<b>FOUNDATIONS</b>	<b>VIA FOUNDATIONS</b>
<b>IDA Program</b>	<b>Multiple sources</b>	<b>CBOs, CDFIs, Banks</b>
<b>Commercial Project Grants</b>	<b>CDBG</b>	<b>City ED Agency</b>
<b>Commercial Project Loans</b>	<b>NMTC</b>	<b>Existing CDFI/CDE</b>
<b>Micro-enterprise Program</b>	<b>CDBG</b>	<b>Existing ME programs</b>
<b>Civic Venture Funds</b>	<b>Corporate/Foundation Investment</b>	<b>New Entity/Private Manager</b>