Economics Research Associates

Final Market Findings

Unified New Orleans Plan
District 1 - Downtown

Presented to
Goody Clancy

Presented by
Economics Research Associates

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ERA Project Number: 16920

20 E. Jackson Boulevard Suite 1200
Chicago IL 60604
312.427.3855 FAX 312.427.3660 www.econres.com
Los Angeles San Francisco San Diego New York
Chicago Washington DC London

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Introduction and Summary

ERA (Economics Research Associates) was retained as part of the Unified New Orleans Plan team – UNOP – for District 1 to evaluate some selected markets and concepts relating to the downtown redevelopment process. ERA's primary role was to review the potential for upper-floor reuse in older downtown buildings, proposed downtown residential development initiatives, the downtown office market, and prospects for a cultural attraction anchor concept in the downtown area. This is not a comprehensive study, however, sufficient information has been gathered to arrive at preliminary conclusions regarding downtown economic development. We encourage key leaders and stakeholders in the downtown area – medical, tourism, commerce, etc. – to continue planning and implementing programs important to the downtown redevelopment process, and further, that coordinating and advancing implementation of various downtown programs be initiated.

Downtown New Orleans which houses several of the city's key industries (i.e. tourism, port, academic, medical, cultural assets, etc.) has an opportunity to become a more vital and productive asset to the greater New Orleans area. With the potential to create a stronger economic core for the city, ERA sees the need to focus on downtown assets and reinforce the potential to make this area an even more vibrant urban center with enhanced access, new attractions, urban housing, etc., all with the aim of reinforcing the this critical environment. These mixed concepts are not new in New Orleans, however the scale of their application and their economic implications could permit the downtown to provide an essential, expanded economic and community role. Leadership in this process will be critical, as trends which have been set in motion will create both opportunities and challenges that will need to be addressed. A successful redevelopment process must integrate the established economic assets into a well-conceived strategy and implementation process.

ERA's experience through various projects – internationally, nationally, and locally – has shown us that there is an increasing demand for urban environments that have a suitable amount of residential, office, convenience retail, dining, and service amenities. This desire for a convenient urban environment is especially true for professional households with limited leisure time. Some of these types of developments are now in the downtown, along St. Charles, and in the Warehouse District, and as is highlighted in this report many more have been proposed post-Katrina.

Our main recommendations and comments are segmented into the reviewed concepts as follows:

Upper Floor Reuse

There are a number of challenges in redeveloping older, underutilized structures. Often times, markets alone cannot remedy and make usable space which is not economic to develop given the restrictions of local codes, and elevated costs of redeveloping older structures. The combination of risks often deters potential upper floor reused in older and historic buildings – thus keeping them out of commerce and preventing them from contributing to local tax rolls through increased property values. In order to remedy this situation, ERA proposes that a number of specific steps be taken including:

- Creating a revitalization fund for the purposes of enabling this more costly form of redevelopment activity. The fund would need to be revolving/ replenishing to act as a continuous financing source for upper floor reuse development strategies. Using a combination of loan and TIF financing structures could provide the needed capital. Activities could include:
    - Assembling contiguous parcels/ upper floor areas, and packaging them as one project for potential developers and expropriate properties if needed;
    - Acting to help finance and support through joint venture structures the upper floor redevelopment of buildings downtown;
    - Finance common area upgrades for some properties;

- Creating and maintaining a database of buildings in the downtown area which could be available for redevelopment, and work with developers and land owners on enabling potential projects. In short, this step would help to remedy information deficiencies relating to redevelopment of older buildings, and provide developers and land owners with potential partners in their targeted project areas;
- For areas where the City has control such as zoning and licensing, work to streamline the process. Specifically, codes put in place for newer construction projects, should be relaxed, and less restrictive codes should be applied to upper floor reuse projects which meet certain criteria. A zoning overlay that "grandfathers" out more restrictive codes could be used for the purposes of these selected developments.

Downtown Residential

As is noted throughout this report, there is currently a substantial amount of downtown residential development proposed – mostly mid-to-high rise, positioned towards the upper end of the marketplace. Some roughly 5,000 new residential units have been proposed, almost evenly rental and for sale units. If the majority of this development were to come to fruition, the development would constitute roughly a doubling of the downtown housing stock. With most of the developments positioned towards the higher end of the market, and a smaller New Orleans area population base in the foreseeable future, ERA expects many of these proposed developments will have difficulty finding market support. Clearly, however, there will likely be a substantial increase in the resident population downtown if even a modest number of these developments come to fruition. ERA's primary comments and recommendations relating to this market are as follows:

- Do not actively lobby for all residential proposals to be developed. Rather a hands-off approach should be favored, allowing those developments which have sufficient financial backing and operational management structure to be developed to the extent they can be supported by the marketplace, and vet proposals as they are made to assure significant overbuilding does not take place;
- Because of the current lack of proposed affordable housing downtown, it will be important to support developments which have affordable housing components. Work with developments/ developers that have proposed affordable housing components to secure favorable GO Zone financing terms and affordable housing tax credits;
- Parking and transportation will likely become a more significant issue if a significant amount of additional residential development occurs downtown, and so new structures and developments will need to include parking and transportation provisions. There has been discussion of more light rail/ public transportation investment, and should this happen, the City could potentially pursue new Transit Oriented Development (TOD) which has met with success in many other places in the country;
- Currently there is a lack of community and neighborhood oriented convenience retail (including grocery) in the downtown area. As residential development progresses, zoning and incentivizing of these types of community necessities will need to be supported.

Cultural Attraction Concept

Increasingly over the last several years, various individuals and entities have advocated and sometimes proposed specific developments with the aim of creating a "Cultural District" or "Arts District". The primary goals of such a District would be to provide a cluster or critical mass of culturally-related entertainment and activity for the benefit of residents and visitors. Currently there are 3 or 4 such proposed developments in the downtown area, though ERA is uncertain of the likelihood of some of the proposals actually being implemented. As noted in this report, performance venue attractions at the least require up-front capital subsidy, and if the development does not include other attraction components (i.e. it is only a venue) it would likely require ongoing operational subsidy. As a result, some key decisions and considerations would need to be had concerning the prospect of a new cultural attraction concept:

- In the final analysis, the City should only support one potential, new cultural attraction/ concept, as competing concepts are unlikely to find sufficient market support to coexist. Working towards one consensus concept and development program is an important objective;
- Attempt to integrate and create partnerships between some of the proposals and development teams. Some proposals are geared towards goals which are not exclusive of goals in other proposals, and a combined approach will be needed to prevent duplication of facilities and competing attractions;
- Ultimately, the City should decide on: 1) the most desirable concept (goals, components, and type of management/ leadership team), 2) the best location of the concept given the goals and development program, 3) the best business and operational design plan which aligns the operational cost expectations with the potential level of revenue, and 4) determining the needed level of subsidy for the program, and the potential source(s) of the subsidy.

All of these steps start with a determination of the specific goals, and most appropriately designed program.

Downtown Office Market

The downtown office market has been dealt a severe blow in the aftermath of Katrina, and the ultimate fate of the market depends mostly on the business and commercial environment the City is able to create moving forward. Determining the most useful business retention and development strategy is beyond the scope of ERA's work here, however, we do have some comments relating to this market segment:

- With regards to business retention, perhaps the most useful steps in the immediate term would simply be to enter discussions with large office space users in the downtown area with the aim of determining their needs that can be met by downtown decision-makers. For some, needs or recommendations may be no more then to clean up the downtown area – a beatification program which could benefit resident, commercial, and tourist markets alike. For others issues will be beyond the control of downtown decision makers;
- The proposed medical district and R&D redevelopment could hold the potential for perhaps the most significant increase in downtown jobs, and by extension, potentially support the area's office market. ERA is not aware of any other large scale potential job creating functions proposed downtown at this point, but encourages decision makers to support and accelerate the medical district process and any other similar proposals which could generate business activity downtown;
- Work with the City to create a new business retention and development initiative. At this time, ERA is not aware of any significant efforts towards this end, but encourages that such an initiative be created, as many issues concerning the quality of the business environment are citywide and are larger than the scope of downtown development alone. In the construction, architectural, engineering, and development industries, there may be an opportunity to parlay redevelopment activity into a more significant industry presence in the New Orleans area.

Repopulation and Visitation Forecasts

ERA reviewed two primary markets – residential housing, and overnight visitation – in the New Orleans area to estimate the potential of the downtown economy. Both resident and tourist markets are critical to the downtown New Orleans economy. The Orleans Parish residential market is likely to have significant difficulty in recovering its previous size, though the greater New Orleans area is expected to fair somewhat better. Two residential forecast scenarios are shown in this section of the report. Neither scenario results in recovery of the level of population base seen prior to Katrina by 2015. In the more aggressive scenario, the greater N.O. area recovers roughly 95 percent of its pre-Katrina population by 2015. In the more conservative scenario, population recovers to around 85 percent of its pre-Katrina levels by 2015. Downtown New Orleans, however, is likely to receive greater development emphasis (in terms of residential and commercial development) because the area houses some of the city's core industries, and is less susceptible to flooding as it sits at a higher elevation.

The New Orleans visitor market has – and will likely continue to see – significant adjustments over the next several years to reflect the volatility of the markets that underlay the local travel market. Over time, New Orleans is likely to recover much of its tourist market. However, the timeframe for recovering a significant proportion of pre-Katrina visitation (85-95%) can take anywhere from 3-5 years. Historical precedent suggests that the level at which a market starts to rebuild directly after a disaster (year 1) is a good indicator of how long it will take to recover, and to what extent the prospect of a nearer-term recovery is realistic. New Orleans is just beginning to re-assert its presence in the travel marketplace and early evidence suggests that the time-frame for a travel market recovery may be a longer recovery period. Recent hotel figures indicate that since relief workers began leaving the New Orleans area, hotel performance has deteriorated significantly, and 1-year expectations are for a market of roughly 50 percent pre-Katrina size. This would suggest the longer (perhaps 5 year) timetable for a full tourist market recovery.

Population Estimates

The New Orleans resident market is likely to take much longer to recover than the tourist market. The main limiting factor to the resident market repopulation is housing, and it is expected that it will take a substantial amount of time to rebuild the housing stock. These are the near-term barriers to repopulation. In the longer-term the obstacles to repopulation have more to do with the success of the first few years of rebuilding. If N.O. can create a sound economic base in the first several years of reconstruction, perhaps focusing on areas such as biotechnology and health care as well as the area's traditional strengths in sectors such as travel, oil and gas, and legal services, it will be possible to create an economy characterized by a growing labor market, thus inducing more residents to the area. In short, during the immediate time period the main barriers to growth are related to the housing stock, and in later years limits to growth are more likely to be related to growth in the job market.

Pre-Katrina

Prior to hurricane Katrina, the greater New Orleans area had what could be characterized as stagnant population growth. The greater N.O. area had experienced annual population growth of around 0.5 percent. In absolute numbers the N.O. area had a total population of just over 1.3 million people. Roughly 900,000 of this figure are attributed to Parishes outside of Orleans Parish, while Orleans Parish comprised around 400,000 of the 1.3 million figure. Orleans Parish has actually seen a declining population for the last several years, and by some estimates, decades. Before the hurricane, Orleans Parish accounted for around 35 percent of the New Orleans area population.

Local Market

Year	N.O. Metro Population
1999	1,332,218
2000	1,337,595
2001	1,343,624
2002	1,350,074
2003	1,356,478
2004	1,326,629
2005*	1,369,474

Source: ESRI Business Analyst,
& U.S. Census Estimates
* To Katrina

Post-Katrina Population Forecasts

Post-Katrina population estimates are, of course, very difficult. Nevertheless, there has been some study into the subject since the hurricane, and ERA has obtained estimates and projections from numerous sources, including the Brookings Institution, Bring N.O. Back Committee, the RAND Corporation, and the Emergency Operations Center for the City of New Orleans. The projections in the following pages are based on information provided by these sources, and adjusted for potential future growth rates.

Population Forecast 1

This forecast is the more aggressive forecast of the two population estimates. It factors in RAND Corporation estimates for Orleans Parish through 2008 and slows population growth more gradually thereafter to reflect a potentially successful rebuilding effort, which would generate more jobs and local employment opportunities. Likewise, the greater N.O. area (ex-Orleans Parish) is forecast in this scenario to show continued robust population growth into 2009 with little "population rotation" back into Orleans Parish. Population Forecast 1 results in an area population base of just over 1,000,000 persons in September of 2008, and just under 1,300,000 persons by 2015. Under this more aggressive scenario population still does not recover to its 2004 level of 1,340,000 by 2015.

Population Forecast 2

This forecast is a more conservative scenario based on two main assumptions. First is the assumption the Orleans Parish will recover to a population level specified by RAND Corporation (247,000) by September 2008, but then experience reduced population growth quickly thereafter. This assumption implies a less successful rebuilding effort, which does not factor in significant new job and employment creation. Second is the assumption that much of the new population to Orleans Parish will be "rotation" back into Orleans Parish from other areas of the metro area which were lesser affected. As a result, the greater N.O. area (ex-Orleans Parish) is grown at a slower, 2 percent rate throughout the timeframe surveyed.

The results of the forecast numbers are shown in the following tables. Neither scenario results in recovery of the level of population base seen prior to Katrina by 2015. In the more aggressive scenario, the greater N.O. area recovers roughly 95 percent of its pre-Katrina population by 2015. In the more conservative scenario, population recovers to around 85 percent of its pre-Katrina levels by 2015.

Each year shown in the tables is understood to be September of the forecast year, except for *where otherwise specified.

Population Forecast 1

	Year	Mar. 06	Sep. 06	Mar. 07	Sep. 07	Mar. 08	Sep. 08	2009	2010	2011	2012	2013	2014	2015
	Year	0.5	1.0	1.5	2.0	2.5	3.0	4.0	5.0	6.0				
	Annual Growth Rate				6%		5%	4%	3%	2%				
N.O. Metro Area (ex-Orleans)	877,000	735,000	757,050	779,100	801,150	821,179	841,208	874,856	901,101	919,124	937,506	956,256	975,381	994,889
	Annual Growth Rate				16%		16%	8%	4%	2%				
Orleans Parish	463,000	155,000	181,000	195,661	211,510	228,642	247,000	266,760	277,430	282,979	288,639	291,525	294,440	297,385
Total Estimate	**1,340,000**	**890,000**	**938,050**	**974,761**	**1,012,660**	**1,049,821**	**1,088,208**	**1,141,616**	**1,178,532**	**1,202,103**	**1,226,145**	**1,247,781**	**1,269,821**	**1,292,273**

Sources: The Brookings Institution Katrina Index, Bring N.O. Back Committee, The RAND Corporation, the Emergency Operations Center for the City of New Orleans, & ERA Estimates

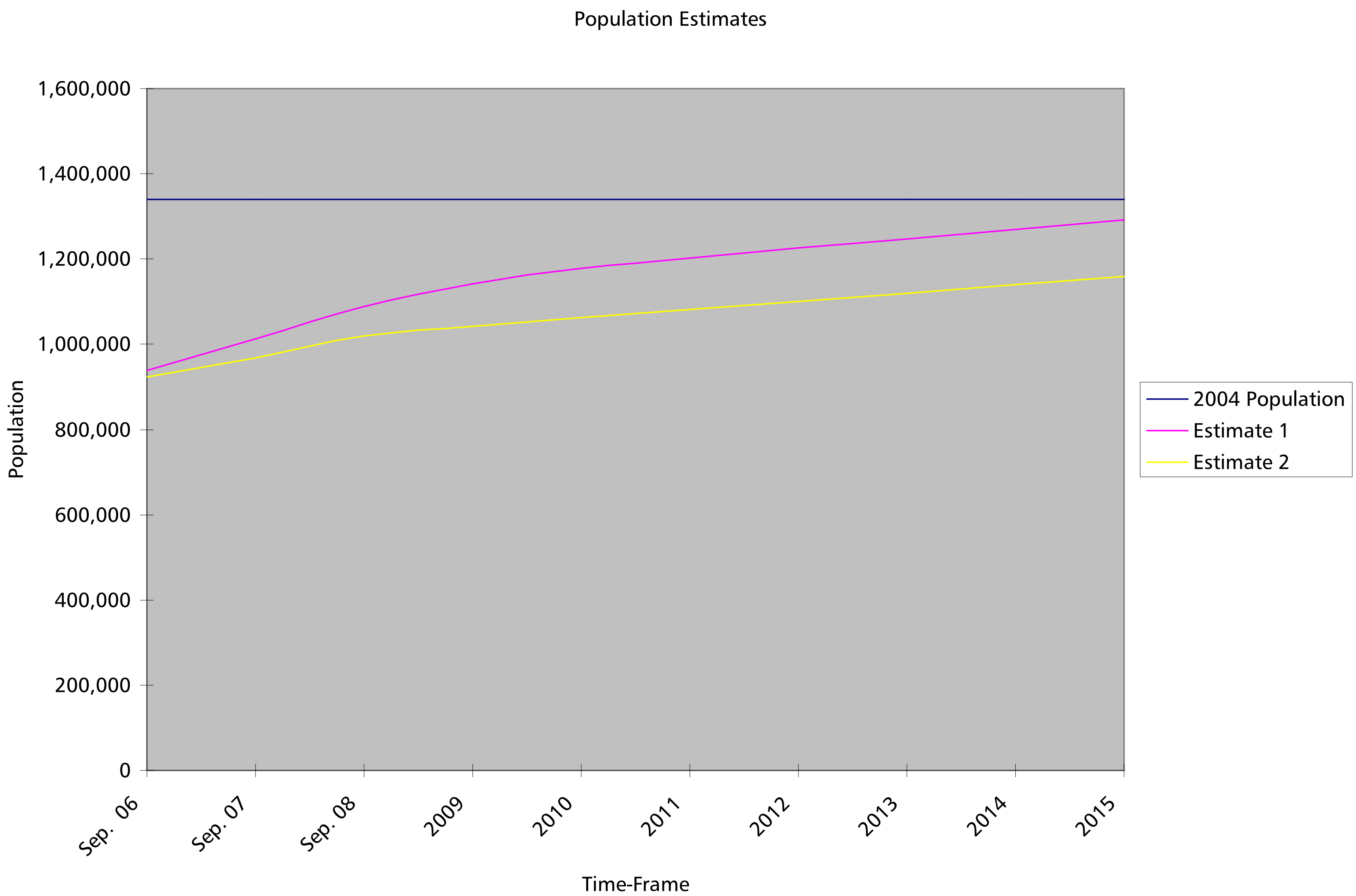
Population Forecast 2

	Year	Mar. 06	Sep. 06	Mar. 07	Sep. 07	Mar. 08	Sep. 08	2009	2010	2011	2012	2013	2014	2015
	Year	0.5	1.0	1.5	2.0	2.5	3.0	4.0	5.0	6.0				
	Annual Growth Rate				2%		2%	2%	2%	2%				
N.O. Metro Area (ex-Orleans)	877,000	735,000	742,350	749,700	757,050	764,621	772,191	787,635	803,388	819,455	835,844	852,561	869,612	887,005
	Annual Growth Rate				16%		16%	3%	2%	1%				
Orleans Parish	463,000	155,000	181,000	195,661	211,510	228,642	247,000	254,410	259,498	262,093	264,714	267,361	270,035	272,735
Total Estimate	**1,340,000**	**890,000**	**923,350**	**945,361**	**968,560**	**993,262**	**1,019,191**	**1,042,045**	**1,062,886**	**1,081,548**	**1,100,558**	**1,119,923**	**1,139,647**	**1,159,740**

Sources: The Brookings Institution Katrina Index, Bring N.O. Back Committee, The RAND Corporation, the Emergency Operations Center for the City of New Orleans, & ERA Estimates

Total Estimates

Year	**Sep. 06**	**Sep. 07**	**Sep. 08**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Estimate 1	938,050	1,012,660	1,088,208	1,141,616	1,178,532	1,202,103	1,226,145	1,247,781	1,269,821	1,292,273
Estimate 2	923,350	968,560	1,019,191	1,042,045	1,062,886	1,081,548	1,100,558	1,119,923	1,139,647	1,159,740


Population Estimates
1,600,000
1,400,000
1,200,000
1,000,000
800,000
600,000
400,000
200,000
0
Population
Sep. 06
Sep. 07
Sep. 08
2009
2010
2011
2012
2013
2014
2015
Time-Frame
2004 Population
Estimate 1
Estimate 2

Visitor Market Estimates

Visitor markets are inherently difficult to forecast under these types of circumstances, mainly because they are hypersensitive to visitor perceptions, and such perceptions (whether or not they are well founded) influence consumer decision-making. ERA's estimations here are based on several sources. First, an understanding of the New Orleans visitor market prior to Katrina was developed to better evaluate the relationships between certain market patters – convention attendance vs. FIT (Free, Independent Tourist) activity, daytrips to overnight trips, seasonality of conventions vs. the overall travel market, etc. The sources included the University of New Orleans (U.N.O.), the New Orleans Metropolitan Convention and Visitors Bureau (NOMCVB), the Greater New Orleans Hotel and Lodging Association, and several others. Next, ERA studied available information on significant travel-related impacts from natural disasters and civil disturbances. These data were pulled from previous ERA work after the riots in Los Angeles, and from a comprehensive study conducted by the World Tourism Organization focusing on the Tsunami impacted areas of Asia one year after the Christmas 2004 disaster. In general, the information from these other areas informs the range of potential travel market impacts into the future. And lastly, ERA interviewed numerous local officials in the travel market and travel impacted markets (retailers, etc.) to assess the current state of affairs. This information helps to define the near-term outlook for the travel market, and thus imply where the current circumstance fits within the range of historical prescient concerning several impacted travel markets.

Pre-Katrina Visitation Landscape

Prior to hurricane Katrina the New Orleans visitor market showed what could be characterized as robust growth between 1999 and 2004. On an annualized basis, overall visitation growth was nearly 6 percent. Most visitations were for overnight stays (84 percent) while day trips comprised roughly 16 percent of total visitation. In 2004, according to figures from the U.N.O. Hospitality Research Center, the N.O. market broke above the mark of 10 million total visits for the time. Adjusting for seasonality, and assuming that there was no visitation which could be contributed to the period between September and December of 2005, last year's figure likely fell to just above 6.5 million in annual visitation. This figure probably understates total visitation to some extent (as there was certainly some Christmas visitation) but U.N.O. data since Katrina was not available, and this is the closest estimate possible at this time.

Visitor Market

	Total Visitors	Overnight	Day Trip
1999	7,620,000	6,800,000	820,000
2000	8,439,000	7,240,000	1,200,000
2001	7,995,000	6,700,000	1,300,000
2002	8,225,000	7,000,000	1,200,000
2003	8,500,000	7,500,000	1,000,000
2004	10,075,000	8,665,000	1,410,000
2005*	6,649,500	5,718,900	930,600
CAGR**	5.7%	5.0%	11.5%

Source: U.N.O. Hospitality Research Center, & ERA
* Estimated
** CAGR before 2005

One significant driver of visitation has traditionally been convention business. Total visits attributed to convention business (including guests of attendees) stood at around 1.2 million in 2004 according to the NOMCVB. Seasonally adjusting this same level of visitation for 2005 (excluding any potential visitation from September to December as a share of total visitation) these figures would have come to just over 600,000 for 2005.

Pre-Katrina, total convention visitation comprised roughly 10 – 15% on total N.O. visitation, and closer to 20 percent of room nights sold in all N.O. hotels. This proportion of room nights sold was generally higher for the 4 and five star hotel class. While the convention market did not comprise an overwhelming majority of visitation and room nights, this market was an important component of the overall tourism market and will likely take longer to recover then the market as a whole. As a result, the potentially slow recovery of this market will have an especially significant influence on those organizations and businesses, which rely on this visitor activity. Historical convention figures for New Orleans are shown in the following table.

Convention Market Estimates

Year	Total Visits	Total Out of State	Total Room Nights
1999	n/a	1,063,196	n/a
2000	n/a	834,947	n/a
2001	1,389,448	789,945	2,130,552
2002	1,281,815	677,338	2,131,093
2003	1,215,569	622,250	1,952,789
2004*	1,253,848	596,404	1,679,547
2005*	626,924	298,202	839,774

Source: NOMCVB
* Estimated

One aspect of total New Orleans visitation, which did comprise a significant proportion of visitation to N.O. prior to Katrina was overnight stays in area hotels. Overnight stays in N.O. hotels comprised from 50 – 70 percent of visitation to the city. With overnight visitation as such a significant amount of total visitation, and hotel stays as a significant level of overnight stays, the availability of hotel rooms could be an important limiting factor to the level of visitation to N.O. Initial indications are that this limiting factor has begun to clear as the 2006 summer season got underway – which then (negatively) affected the occupancy and pricing of local hotels as relief workers leave the city.

Hotel

Year	Total Room Nights Sold	Estimated Rooms	Estimated Occupancy
1999	7,830,053	30,646	70%
2000	8,390,109	32,838	70%
2001	8,252,504	34,784	65%
2002	8,290,727	36,636	62%
2003	8,856,543	37,330	65%
2004*	8,979,913	37,850	65%

Source: STR, & ERA
*2004 & 2005 Hotel Figures Are Estimates

Historical Precedent

Though there are no perfect comparables, there is some precedent for how travel-related markets may be impacted after traumatic events such as natural disasters and civil disturbances. This information was derived from ERA work after the Los Angeles riots, and a recent study by the World Tourism Organization (WTO) concerning destination visitation after the Asian Tsunamis of 2004.

In general, the 1-year impacts of catastrophic events on visitor markets are shown in the next table. As shown, the visitation impacts vary widely with anywhere from a 60 percent decrease in visitation to an actual increase in Sri Lanka after the Tsunami of 2004. This anomaly is mainly due to the shifting of visitation from more severely effected destination areas (such as the Maldives) within the region to Sri Lanka. Not surprisingly, the WTO's recent report found that travel markets can be volatile after traumatic events, and visitor patterns typically change for a period of time. For example, in Sri Lanka though total visitation increased on an annualized basis and there were resorts that performed well in terms of occupancy, but towards the south (a more affected area) there were significant declines in visitation. And in San Francisco after the earthquakes, though the travel market rebounded towards one year after the event, hotel occupancies dropped to as low as 20 percent, and business was reportedly off by as much as 50-60 percent at attractions along Fisherman's Wharf. In general, it was found that:

- The notion of "safety and security" becomes a visitor concern, and one that is difficult to correct (initial surveys taken by CRT and the NOTMC indicate such a response from potential N.O. visitors);
- Temporary changes in the itineraries of tour operators become permanent (unless there is a reason to change back), and these itinerary changes can have a lasting impact on markets;
- To some extent impacts can be reduced through aggressive marketing to key source markets.

Visitation Impacts

Location	Event	Estimated 1-Year Impact
Fiji	Civil Disturbance	-60%
Sri Lanka	Civil Disturbance	-50%
China / Hong Kong	Civil Disturbance	-20%
San Francisco	Natural Disaster	6%
Indonesia	Natural Disaster	-4%
Bali	Natural Disaster	5%
Maldives	Natural Disaster	-45%
Sri Lanka	Natural Disaster	13%
Thailand	Natural Disaster	3%
	Average	**-17%**
	Median	**-4%**

Source: World Tourism Organization, & ERA

Overall, the decline in visitation to destinations can be severe and long lasting following traumatic events. The general range is anywhere from a 20 percent to 60 percent decline. To some extent, effects can be lessened through aggressive marketing to source markets, but if expectations which were advertised are not met during visitation, further negative effects could result through declines in repeat visitation. Though some destinations can actually increase visitation on a year-over-year basis, this is not typical and reflects the unique circumstances of a destination. For example, Sri Lanka benefited from loosened visa restriction standards and receiving some visitation which was transferred from other area destination markets, and in San Francisco, the city benefited from the fact that critical infrastructure was not as badly damaged as was shown in the media (there was no significant displacement of the resident market and related infrastructure). To a large extent, the rate of recovery in the N.O. travel market is dependant upon variables which are only now being actively considered (such as visitor perceptions, and marketing efforts), and the success of these initiatives will greatly effect the rate of visitation recovery.

Over a longer-term, less information was available (especially with regard to tsunami-effected areas). However, ERA did compile some historical information from previous case study work. The information suggests that in a longer time frame of 3-5+ years, travel markets often recover 85-95 percent of their previous visitation levels.

Post-Katrina Visitation Forecasts

Over time, New Orleans can likely expect to recover much of its tourist market. However, the timeframe for recovering a significant proportion of pre-Katrina visitation (85-95%) can take anywhere from 3-5 years. What is more, the variation of performance in the near-term from one market to another can be significant (anywhere from a 20 percent drawdown in visitation to a 60 percent drawdown). Historical precedent suggests that the level at which a market starts directly after a disaster (year 1) is a good indicator of how long it will take to recover, and to what extent the prospect of a nearer-term recovery is realistic. New Orleans is just beginning to re-assert its presence in the travel marketplace and so preliminary indications are unclear. There is, however, some anecdotal evidence suggesting that the early signs are that the time-frame may be more in line with a longer recovery period.

Visitation Forecast 1

ERA's Visitation Forecast 1 is the more conservative of the two forecasts. It factors in less activity in the near future, a longer recovery period, and a slower long-term growth rate. Overall, the forecast does not achieve the pre-Katrina visitation levels to N.O. in the time-frame to 2015. In this scenario, the New Orleans visitor market would achieve around 75 percent of pre-Katrina levels by September of 2009, and visitation of roughly 9.5 million in 2015 as compared to just over 10 million prior to Katrina.

Visitation Forecast 2

Visitation Forecast 2 factors in a more robust recovery within a shorter time-frame. This forecast achieves pre-Katrina visitation levels by September of 2009, and visitation thereafter is grown at a more robust long-term rate typical of the N.O. market (around 6%). By 2015, this forecast has the greater N.O. area achieving visitation levels of just over 14 million visits annually.

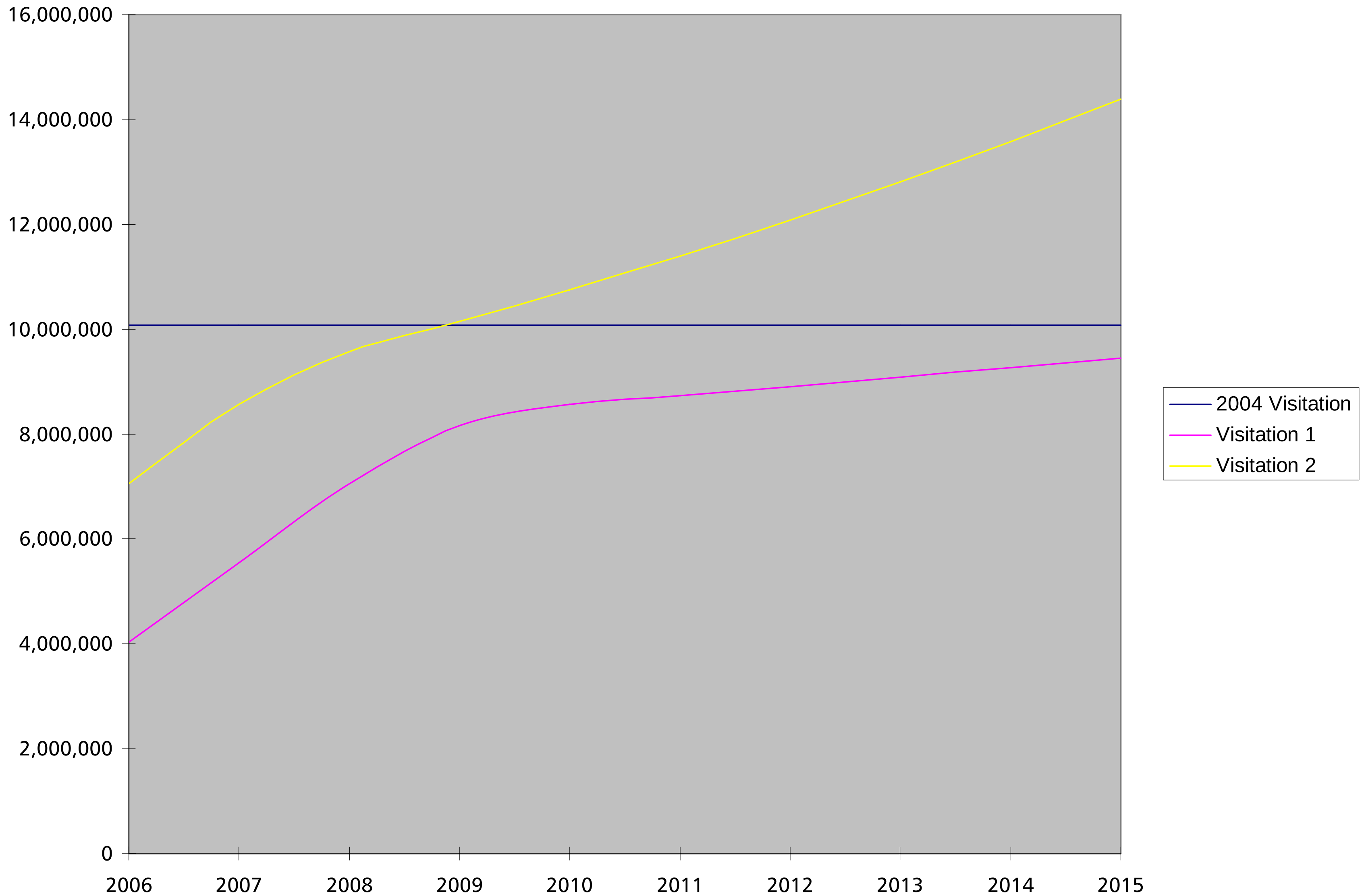
The results of the forecasts are shown in the following tables. Each year shown is understood to be September of the forecast year, except for where otherwise specified. Forecast assumptions are shown in the Appendix of this report.

New Orleans Visitation Forecasts

		Mar. 06	Sep. 06	Mar. 07	Sep. 07	Mar. 08	Sep. 08	2009	2010	2011	2012	2013	2014	2015
Year		**0.5**	**1.0**	**1.5**	**2.0**	**2.5**	**3.0**	**4.0**	**5.0**	**6.0**				
Forecast 1										Growth Rate				
Percent of Original	100%	-90%	-60%	-53%	-45%	-38%	-30%	-23%	-15%	2%				
Visitation Change	10,075,000	-9,067,500	-6,045,000	-5,289,375	-4,533,750	-3,778,125	-3,022,500	-2,266,875	-1,511,250					
Visitation		**1,007,500**	**4,030,000**	**4,785,625**	**5,541,250**	**6,296,875**	**7,052,500**	**7,808,125**	**8,563,750**	**8,735,025**	**8,909,726**	**9,087,920**	**9,269,678**	**9,455,072**

		Mar. 06	Sep. 06	Mar. 07	Sep. 07	Mar. 08	Sep. 08	2009	2010	2011	2012	2013	2014	2015
		0.5	1.0	1.5	2.0	2.5	3.0	4.0	5.0	6.0				
Forecast 2								Growth Rate						
Percent of Original	100%	-60%	-30%	-23%	-15%	-10%	-5%	6%						
Visitation Change	10,075,000	-6,045,000	-3,022,500	-2,266,875	-1,511,250	-1,007,500	-503,750							
Visitation		**4,030,000**	**7,052,500**	**7,808,125**	**8,563,750**	**9,067,500**	**9,571,250**	**10,145,525**	**10,754,257**	**11,399,512**	**12,083,483**	**12,808,492**	**13,577,001**	**14,391,621**

	2006	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Visitation 1	4,030,000	5,541,250	7,052,500	7,808,125	8,563,750	8,735,025	8,909,726	9,087,920	9,269,678	9,455,072
Visitation 2	7,052,500	8,563,750	9,571,250	10,145,525	10,754,257	11,399,512	12,083,483	12,808,492	13,577,001	14,391,621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2004 Visitation
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Visitation 2

Canal Street – Second Floor Reuse

The Unified New Orleans Plan (UNOP) has, in District 1, attempted to find new housing solutions in the downtown. This document has taken in account the work by the Downtown Development District which defined a vision and strategy to revitalize Canal Street as the "Main Street" of New Orleans - one of the premier urban entertainment, residential, and retail boulevards in America. The following sections capture the goals expressed in the **Canal Street Vision and Development Strategy** for reusing upper floor space and examine the issues of converting current commercial properties to mixed-use commercial/residential.

The Primary focus here is on the following topics:

- Expectations for upper floor residential development;
- Strategies to assemble properties to create a contiguous plane of properties for reuse along Canal Street;
- Strategies to reuse upper floors of existing buildings along Canal Street;
- Incentives for development;
- Case studies that provide solutions to Canal Street's underused upper floors (Appendix B).

Expectations for Upper Floor Reuse

Historically, most urban structures were developed as mixed-use buildings, with the street level devoted to business and trade and the upper floors for residential use. An analysis of upper floor building space indicates that multi-story building stock with prime frontage along Canal Street is substantially underutilized. Space that could be providing additional urban activity and tax base as housing, office or retail uses, is currently functioning for storage, or is otherwise vacant. Successful revitalization will ensure that existing building stock is utilized to its full capacity with uses that appropriately support this strategy for redevelopment along Canal Street.

Market and survey research by ERA indicates demand for both condo and residential rental space exceeds that of any other potential use of upper floor space. According to a 2006 testimony before the House Subcommittee on Housing and Community Opportunity, approximately 260,000 residences (both owner-occupied and rentals) in New Orleans were affected by Hurricane Katrina. Roughly 30 to 35 percent of the City's inventory of 50,000 apartments were critically affected by Hurricane Katrina and of those affected, 15 to 20 percent were destroyed.

A survey of property owners and managers within the City of New Orleans conducted by the Real Estate Market Data Center & Center for Economic Development at the University of New Orleans, provides a snapshot of apartment conditions in the area. It should be noted that their survey is just a sample of the total inventory. The survey indicated that the percentage of residential square feet lost to Katrina (66%) exceeds that of office space lost (22%). Post-Katrina rent increases in the CBD for rental units (28%) have also exceeded office rent increases (2%). Of the 11,436 rental units sampled, only 3,033 units were undamaged. Of the 8,403 damaged units, rental managers were uncertain if they are able to return 6,000 units back to the active housing stock. The Warehouse District and CBD had 411 rental units - down from 1,084 pre-Katrina.

Condo market estimates are based on population forecasts, and the penetration of the condo product as a proportion of housing stock. According to previous condo market studies by ERA, the near term (1 – 4 year) level of demand for the condo product is forecast to be substantial in the New Orleans market – up to 2,900 units in 2006, 670 units in 2007, and 712 units in 2008 (because there is not enough product to meet this demand, actual absorption will spill over into subsequent years). ERA will be extending the data analysis of downtown residential in our next phase of work to help identify longer-term housing potentials in District 1 and nearby.

Strategies to Assemble Properties

The Canal Street Vision suggests that "either ownership be consolidated among adjoining properties or long term cross easements be secured between owners of abutting buildings… this will allow the upper stories to be laid out for contemporary office, residential, or hotel uses."

Consolidating properties will be a principal means off attracting upper floor development interest along Canal Street. The two primary tools cities similar to New Orleans have used for consolidating ownership have been expropriation (eminent domain) and direct negotiation between property owners and potential developers or public agents. Other strategies have also been used by other cities and developers to consolidate properties. Additional examination of legal practice by the DDD may suggest that these strategies may offer other means for creating opportunities for consolidating upper floor space.

Expropriation
New Orleans Redevelopment Authority can show that a property is "blighted" under state statutes and if the property resides within a designated Redevelopment Project Area [it can be acquired under eminent domain].

Direct Negotiation
Negotiating with property owners is most prevalent strategy employed to obtain and assemble property within Louisiana. According to Louisiana Main Street Managers, properties involved in their locality's Main Street programs were purchased directly from the property owner by the private developer. In some cases, a public development agency assisted the private developer by educating the property owners on realistic property values and reassuring owners that they and their property will be better off once the property is sold and redeveloped.

Other Strategies for Consolidating

According to the National Vacant Properties Campaign, the following strategies could be effective:

Purchasing Air rights
Purchasing the air rights of neighboring properties may allow the properties to become a single entity, but this does not necessarily give the buyer rights to develop within air rights. This tool has not yet been extensively used for upper floor development.

Easements by Prescription
In "common law" terminology, easements by prescription are implied easements that give the easement holder a right to use another person's property. According to recent case law, Louisiana state law is problematic when applying land use law because Louisiana civil law uses an entirely different terminology (pre-dial and personal servitudes) for classifying limited interests in land. Continued legal research should be directed to using personal servitudes to share upper floors.

Land Banking
Land banking is the practice of acquiring and improving contiguous parcels of land. Land banking does not necessarily mean vacant site acquisition. A number of cities have rented or leased land or buildings acquired through tax sales or eminent domain to assist in starting up new development.

To build a land bank, New Orleans should set up a real estate division to search continuously for under utilized or underdeveloped properties, catalogue these properties by size and location, and computerize the information for rapid updating and quick reference.

Land banks require substantial capital. Potential sources of funds for land acquisition and preparation include national or state capital programs, Community Reinvestment Act funds, or program-related investments of foundations and intermediary institutions. An alternative approach is to gain control of suitable properties by purchasing an option on them and later selling the option and property to a suitable developer.

Example: Michigan - New foreclosure laws in 1999 authorized the foreclosure of multiple tax-delinquent properties. In the event that the property is not redeemed by an owner as part of the foreclosure proceedings, title to the property passes to the land bank authority. At each of the first two such tax-foreclosure proceedings in Genesee County, in February 2002 and February 2003, title to more than 1,200 parcels immediately vested in the Treasurer of Genesee County. The bulk of this inventory was subsequently transferred to the Genesee County Land Bank.

Levying hefty fines, civil injunction or abatement orders
Nuisance abatement powers and civil injunctions can be used to correct property conditions that pose threats to the public health, safety and welfare. In the case of an abatement order, all costs incurred from the municipalities need to remedy the threat can then be charged against the property as a municipal tax lien. Failure to pay the nuisance abatement costs could result in the tax foreclosure of the property.

Strategies to Reuse Upper Floors

Developers and property owners want to develop a profitable approach that utilizes the upper floors of existing buildings along Canal Street. Either the City and DDD can place the responsibility completely on the developer to create residential and other space or these groups can support the development of the upper floors. The following strategies can be used to create upper floor redevelopment:

- Address private and public obstacles to development;
- Act on issues that New Orleans locally controls such as zoning, licenses and public improvements;
- Consolidate pertinent information in one data base that is available to owners. As a minimum the database should contain local requirements affecting zoning, parking, water and sewer capacity, building code, other codes (e.g. Fair Housing Act), and local licensing;
- Develop a relationship with targeted building owners and developers to determine their needs;
- Survey interested building owners to identify what is needed to assist them with their redevelopment projects;
- Determine to what extent property assembly must occur and target interested parties;
- Connect property owners with developers in mutually beneficial partnerships; and
- Identify funding sources that are unique to specific types of projects.

The communities most successful at redeveloping their downtowns -- specifically their upper stories -- are those communities that position themselves as partners in the development process with building owners and developers. An example of a community partnership is the local Planning Office or Community and Downtown Development District working with the local Business Improvement District or Downtown Business Association. The community – municipal -- partner may also perform different functions, including acting as a real estate developer sending out a RFR for a specific site or acting as an information conduit and troubleshooter for developers as work is undertaken on individual sites.

Relevant Codes

Building codes are always a deterrent to upper floor housing reuse. The City of New Orleans is currently restructuring its zoning laws and creating sub ordinances that will make upper floor development less complex. According to the Historic District Landmarks Commission, a local architect can provide a comprehensive collection of building and construction codes and standards that may apply to each property on a case-by-case basis. However, the primary code for consideration in all projects is published by the National Fire and Protection Association (NFPA). The NFPA 101 Code addresses those construction, protection, and occupancy features necessary to minimize danger to life from fire, including smoke, fumes, or panic. The Code establishes minimum criteria for the design of egress facilities so as to allow prompt escape of occupants from buildings or, where desirable, into safe areas within buildings. According to the New Orleans Department Safety and Permits, the project will not even be considered until the State Fire Marshal has given approval.

A list of common codes and standards is provided, but a comprehensive list is best provided by a local architect.

Codes to Consider

- International Building Code;
- IBC Provisions for Existing Buildings;
- NFPA 101 (concerning minimum means of egress);
- Fair Housing Act (see Fair Housing Act Design Manual).

The following excerpts from the Fair Housing Act apply:

Pure Conversions are not subject to FHA
"The Fair Housing Act does not require any renovations to existing buildings. Its design requirements apply to new construction only – to covered multifamily dwellings that are built for first occupancy after March 13, 1991." (See 24 CFR Ch. I, Subch. A, App. I)

New Construction is subject to FHA
New Construction Behind Old Façade
Interior of building is removed behind original façade – considered new building and must comply with FHA.

Additions to Existing Buildings
Addition of 4 or more units to existing building is considered a new building – must meet design requirements. New public space and common use space added-the addition is covered by the Fair Housing Act.

Historic Districts
Compliance with historic preservation regulations imposes additional requirements. The Historic Districts Landmarks Commission regulates development along Canal Street.

Incentives for Development

The incentives to develop new housing in now-vacant space could be a revolving loan fund (currently being conceived), capitalized by local banks in which the DDD subsidizes the interest rate and the loan payback is replaced into the fund. Another approach is to rebate the taxes on the increased value of upper floor renovation for a period of 5 to 10 years; a similar approach could be to package historic credits for buildings that meet the criteria. The DDD could also assist in the process by offering to pay for the architectural costs of converting the space from storage or office to residential. A summary of existing programs is included in this section (also see the Canal Street Vision). Promoting upper floor reuse is best accomplished by creating a package of incentives that may be offered to current property owners or interested developers.

Existing City Programs

- The **Small Rental Property Repair Program** was established to finance the repair, restoration, and construction of small rental properties, with a focus on affordable rents;
- **Façade Improvement Program** – Downtown Development District operates a façade improvement loan program. (4% interest) *New report: provides a 50 percent match of up to a maximum of $20,000 for business owners to improve their facilities*;
- **Façade Donation -** Building owners with a historically or architecturally significant façade can donate the façade to the Preservation Resource Center, giving the PRC control over any future alterations. Donation can then be declared as a charitable donation against the donor's federal income tax liability;
- **New Orleans Industrial Development Board** offers bonds and loan funds to acquire, construct, purchase or renovate buildings;
- **Restoration Tax Abatement Program** – Provides for full abatement of real estate property taxes on the value of new or incremental investment in rehabilitation for five years. Property must be located in a historic downtown development or economic district;
- **Tax Incremental Financing (TIF)** – Provides for the use of incremental property tax revenues from eligible projects located on Canal Street as an "economic development project". TIF can be used to fund the cost of debt service incurred to pay for private and public investment.

  ERA understands that TIFs have been used in the past in New Orleans and throughout Louisiana with varying success. According to a study by the Bureau of Governmental Research (BGR), policy governing the use of TIFs in New Orleans and Louisiana has created barriers to the effective use of a TIF. The BGR study and other research sites the following barriers for effective TIFF financing:
  - Effective use of the property TIF is severely limited by the prior dedication of most of the tax revenue.
  - Requirements exist that require voter approval of bonds backed by property tax increments but not for bonds backed by sales tax increments. This extra political hurdle has skewed the use of TIF towards sales TIF.
  - Using sales tax as opposed to growth in assessment property increases the volatility of revenue garnered from TIFs.
  - Sales tax TIFs can become unpopular because they redistribute needed sales tax revenue to new projects.
  - TIFs dedicated to individual developers are dependent on the choice of those involved to precede with the development project(s).

  With these barriers in mind, other TIF methods may be used for developing downtown:

1. Create the environment for development by using TIF to finance infrastructure because it is exempt from debt limits or voter referendums that are required for general obligation borrowing
2. Use TIF to finance the creation of a *land trust* controlled by the DDD. The DDD can use funds acquired from the TIF to assemble properties for future sale to developers.

More effective use of TIF is dependent on reducing the existing legislation barriers outlined in the BGR study.

Federal and State Programs

- **Federal and State Historic Tax Credit –** 20% federal credit with no cap and 25% state credit with $250,000 cap;
- **Low-Income Housing Tax Credit –** Either 40 percent (non-competitive) or 90 percent (competitive) of eligible costs of low-income housing are subject to this federal income tax credit over 10 years;
- **HUD CDBG Section 108 Guaranteed Loan Program –** The City can borrow against projected future CBDG receipts to provide loan guarantees backi**ng the financing of larger projects;**
- **Gulf Opportunity Zone Bonds** - Bonds for which 95% or more of the proceeds are used for qualified project costs in the GO Zone.

Developer Input

The Revolving Loan Fund (RLF) is an incentive not currently used by the City of New Orleans or the DDD that could be useful when capital is not readily available.

RLFs are an unregulated pool of capital used to provide loans to small business and/or development projects with loan repayments recycled, or revolved, to make additional loans over time. Through this revolving method, a RLF serves as an ongoing source of debt capital for a community.

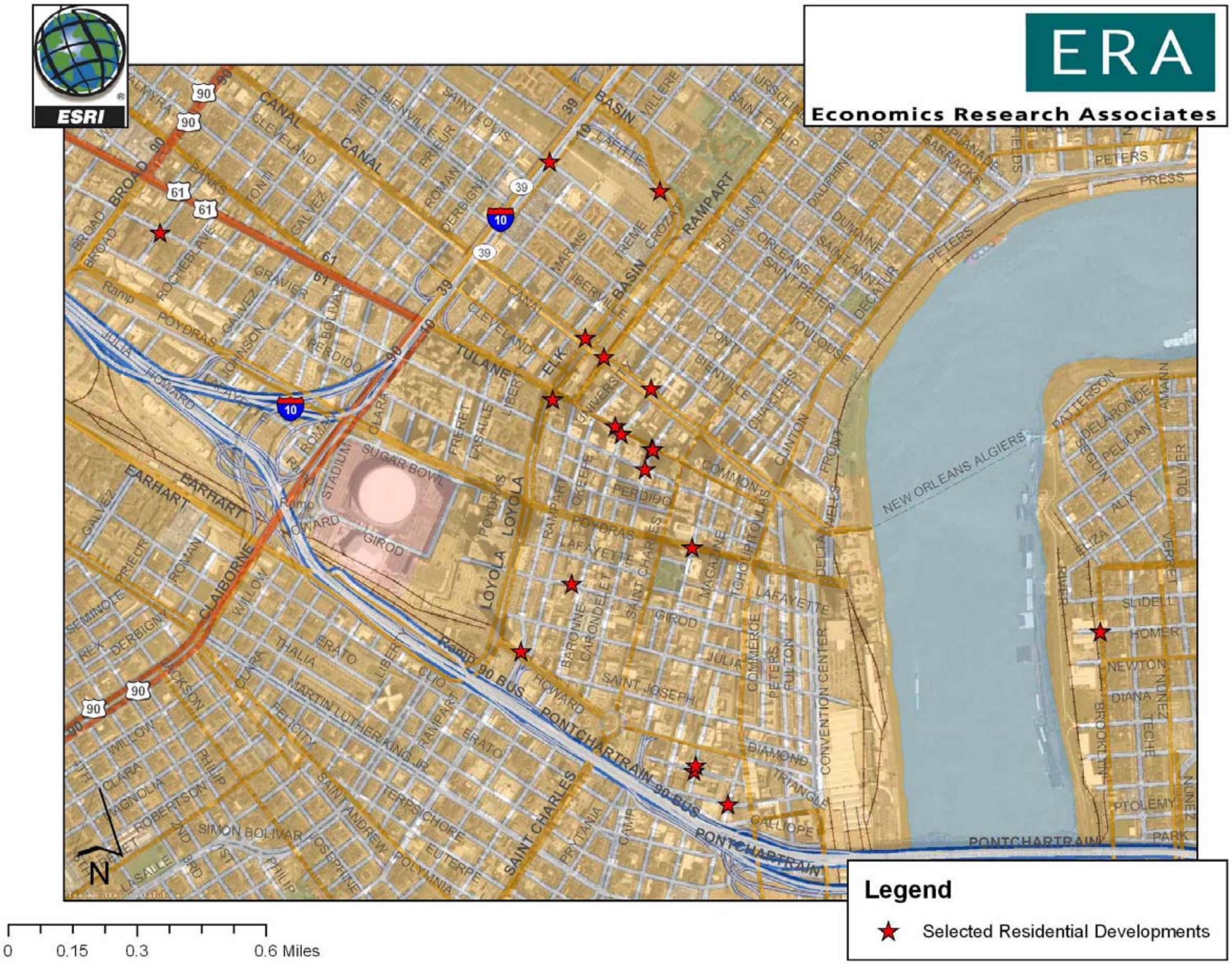
Example: The Denver Office of Economic Development has developed a Revolving Loan Fund program to enhance the ability of business owners and/or developers to secure the necessary capital to finance start-up ventures, business expansion projects, and construction. This gap financing program works by lending up to 25% of project costs, thereby inducing banks to provide the bulk of the financing for the project.

Downtown Residential Developments

Summary

One of the most important needs of the New Orleans area post-Katrina has been a revitalized and rebuilt housing stock. Due to the devastation of the housing stock in the city, many old residential projects have been re-energized. In addition, myriad new developments have been proposed in the downtown area, one of the least flood-prone regions of the city. This document serves to provide information about major planned or recently completed residential projects, including unit details, financing details, and current timetables. Obviously, the fluidity of the situation can alter the details presented in this section. Profiles of the individual developments are provided in Appendix C of this report.

Development	Apartment Units	Condo Units	Hotel Units
Trump Tower	0	312	420
Vantage Tower	0	218	0
W. Union	33	0	0
Saratoga	155	0	0
Maritime	112	0	0
IceHouse	221	105	0
Nine 27	76	0	0
Tracage	0	130	0
Audubon	0	102	0
925 Common	108	0	0
Falstaff	156	0	0
Lafitte	900	0	0
200 Carondelet	0	202	0
Crescent City Residences	0	197	0
Algiers Phase One	359	0	0
Woolworth	0	287	0
Krauss	108	121	0
Nouveau Carre	0	900	0
930 Poydras	251	0	0
Total	**2,479**	**2,574**	**420**

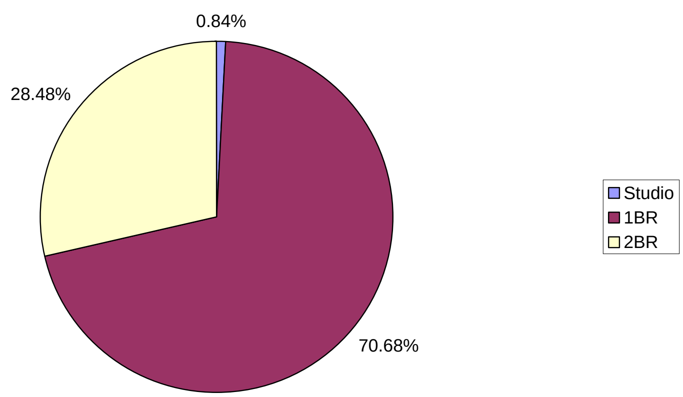

ESRI
ERA
Economics Research Associates
Legend
Selected Residential Developments
0 0.15 0.3 0.6 Miles
N
CANAL
TULANE
LOYOLA
POYDRAS
RAMPART
BASIN
CLAIBORNE
SAINT CHARLES
PONTCHARTRAIN
90 BUS
SUGAR BOWL
CONVENTION CENTER
NEW ORLEANS ALGIERS
EARHART
BROAD
COMMON
CALLIOPE

Of the projects detailed here, there are a relatively even number of apartment and condominium units, with some new hotel rooms (excluding the new Harris hotel). Many of the apartment projects are feasible for two main reasons. First, the projects utilize tax credits provided for the renovation of historic buildings. Second, developers of the projects have, in many cases, been able to increase their target rental prices due to the substantial increase in the market rate for apartments in New Orleans. An important note about the historic building tax credits is that projects that take advantage of them must remain as apartments for a minimum of five years. One could speculate that some or most of these apartment projects might be converted to condominiums after the five years depending on the real estate climate at that time.

In addition to the historic building credits, some of the rental developments will utilize tax credits for low-income or mixed-income housing. HRI, Inc. is a major local proponent of mixed-income developments. These projects will employ a pre-engineered ratio of low-income, middle-income, and high-income units under one roof. There are too few local mixed-income developments in New Orleans to gauge their success as yet, but there are more planned. Similar development has met with success elsewhere in the U.S. however.

The majority of the proposed new apartment units in the downtown area will be one-bedroom units, as detailed in the chart below. Although some of these developments are designed with a specific target market in mind (i.e. the Saratoga building in the Medical District) most of the apartments downtown will be generally marketed towards single young professionals who work downtown. This explains the large proportion of smaller units.

Apartment Size



Affordable apartment pricing has been a contentious issue in New Orleans since Katrina. In some areas, the lack of rental supply has led to the doubling or more of the rental price per square foot for an apartment. Although not as extreme as in the downtown area, average pricing in the city has gone from \$1.35 per square foot per month before the Hurricane to \$1.85 per square foot currently, although some of this can be attributed to landlords changing rental units from unfurnished to furnished to market to temporary, short term tenants. Of the apartment units surveyed, the average proposed price per square foot is \$2.01, a 9 percent increase over current pricing and a 49 percent increase from before Katrina. However, their will be some units designated for low-income renters due to the stipulations with the low-income credits, though ERA anticipates affordability to remain a contentious issue.

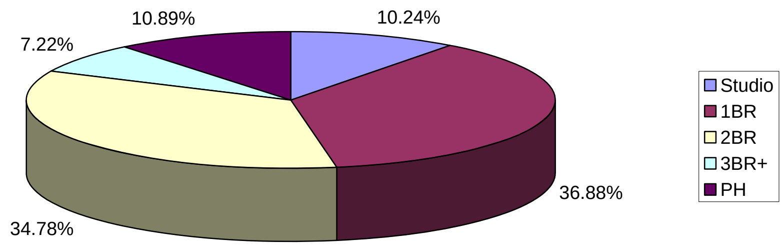
In addition to the increase in the market-rate price for apartments, two major tax incentive programs included in the GO Zone legislation have spurred new projects. The first incentive is the increase in historic building tax credits, which can now cover between twenty and twenty-six percent of the project's cost. The second incentive is the increase in funds available through the low-income tax credit program from $8.5 million to $65 million.

There also appears to be an immediate demand for more condominium units in the downtown area for a number of reasons. First and foremost, Hurricane Katrina destroyed or damaged a large number of homes and existing apartments in and around the New Orleans area, and many are looking for new places to live. Second, condominium units in the downtown area have the desirable luxury of being virtually hurricane-proof, especially when compared to housing in some of the city's low-lying areas like Lakeview and New Orleans East. Finally, developers assume that many of New Orleans' current and future inhabitants will seek convenience in their new residences such as the proximity of services and the ability to walk to work. Because of these reasons, there are a large number of new condominium units being proposed, and New Orleans could be home to some major new developments like Trump Tower, Tracage, and Vantage Tower.

Of the developments profiled, the condominium units are almost evenly split between one and two-bedroom floor plans, with a little more than 70 percent of units falling under those two categories. This leaves about 30 percent divided amongst studio, three or more bedroom units, and penthouses, as shown in the chart below.

The projected pricing for the new condominium units is considerably higher than the current market rate, which is estimated around $300 to $325 per square foot. The average preliminary cost for the new units is $486 per square foot, around a 45 percent increase over current market rate. This average price estimate may be somewhat skewed because of the different phases of pricing of the projects detailed. Nonetheless, this pricing seems ambitious for the current climate in New Orleans, and ERA anticipates that there will be some difficulty in achieving such pricing for the developments which rely almost entirely on the area resident population, as the current new development profile seems skewed towards the higher end of the area market. Those developments pulling from investment and second home demand may meet with greater success in terms of desired pricing. Brokers for the projects remain optimistic about the city's changing landscape and their ability to market New Orleans as a world-class destination.

Condominium Size



Although both the condominium and apartment projects in this report are scattered throughout the downtown, French Quarter, Warehouse District, Treme, and Algiers areas, there are some interesting geographical trends to be noted. The most prominent is the significant number of units planned for the area near where Canal Street and Rampart Street intersect. These projects include the Krauss and Woolworth buildings, the Tom Bauer project, and the Audubon Condos. This area is home to some historic old theatres which could possibly be renovated into a Theatre District, as has been proposed previously. Regardless, there is obviously a focused interest on the revitalization of this corridor. Also, there is anticipated to be significant development of both the West and East bank riverfront areas, with the planning beginning soon, and ERA has included preliminary plans for the Kern/ West Bank site here. The area surrounding the Superdome could be another area of planning and development, with Vantage Tower, the Dominion Building, the Plaza Tower redevelopment, and the Hyatt complex all in close proximity. Finally, there might be significant development in and around the Medical District, if and when the plans for a larger medical corridor are completed, approved, and investment obtained.

Cultural Attraction Concept

Increasingly over the last several years, various individuals and entities have advocated and sometimes proposed specific measures or developments with the aim of creating a "Cultural District" or "Arts District". The primary goals of such a District would be to provide a cluster or critical mass of culturally-related entertainment and activity for the benefit of residents and visitors.

Current Proposals and Concepts

As previous study indicates, currently the highest concentration of culturally-related businesses and activities is within the Warehouse District, and some pockets within the French Quarter. To date, three primary areas have been considered as potential berths for emphasis of a Cultural/ Arts District clustering concept:

- The Warehouse District;
- New Orleans Music Hall of Fame;
- Hyatt Regency National Jazz Center.

Warehouse District/ CAC Proposal

The Warehouse District, as noted, has historically harbored key elements of the city's arts community including several arts organizations and numerous galleries and shops. Prior to Katrina, the Contemporary Arts Center (CAC), had proposed and sought assistance from the State, for a music performance venue of roughly 500 seats. The proposed structure would be built on the CAC's current parking lot. Since the storm, the project has been stalled as the State's Capital Outlay for such projects was redirected. The Warehouse District has become increasingly notable for its influx of resident population and augmented attractions including numerous shops and restaurants.

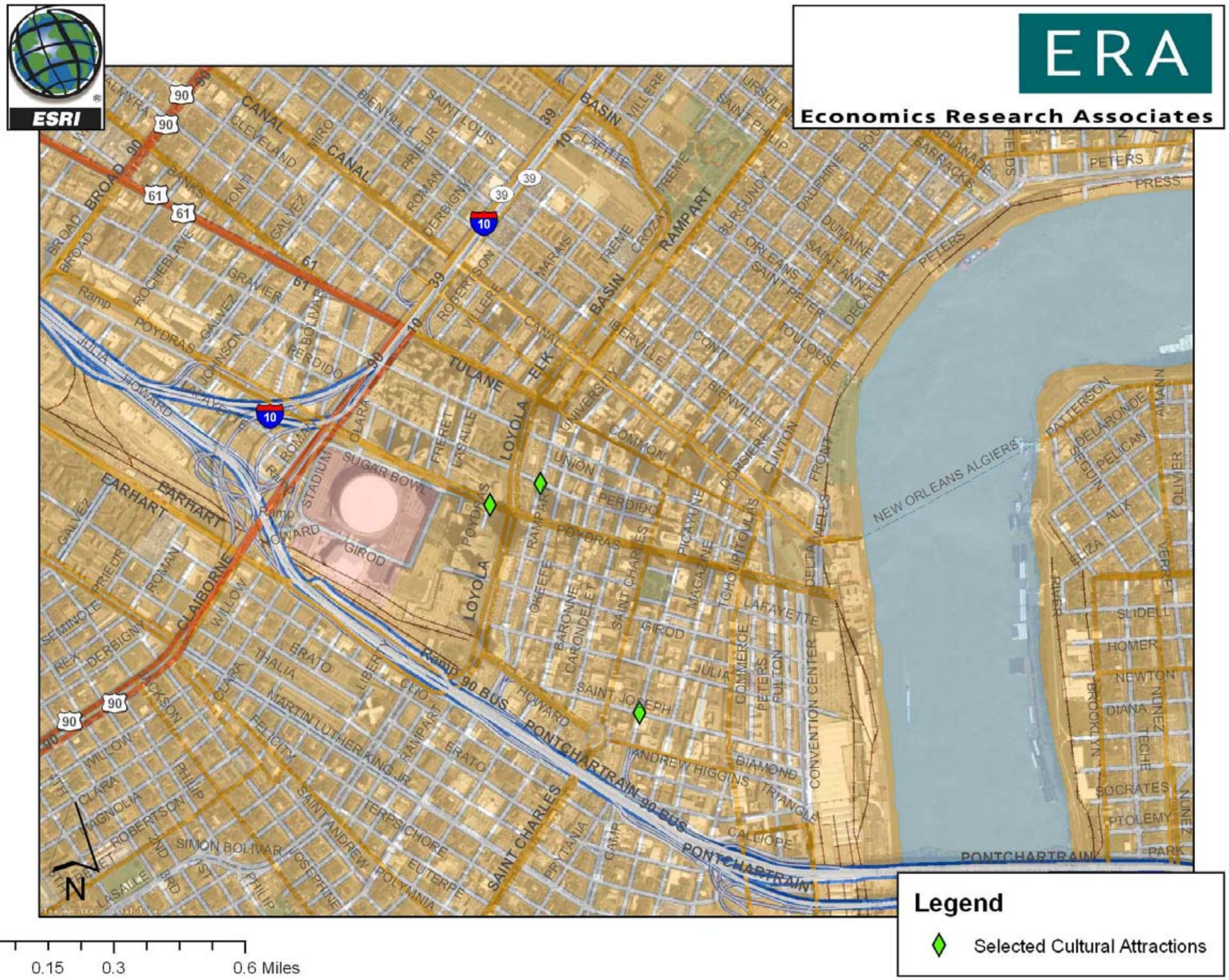
New Orleans Music Hall of Fame

One concept which has been proposed is the New Orleans Music Hall of Fame (referred to here as the MHF). The concept envisioned is a roughly 3 square block area of South Rampart Street which includes important historical sites related to the early roots of jazz, and would include several components. The components would include the Eagle Saloon, Iroquois Theatre, and the Karnofsky Store/ Residence. These properties would be purchased, restored, repositioned and reprogrammed for resident and visitor market activity, and placed back in use in support of the MHF concept. The project has reportedly requested grants by the City and Capital Outlay funds from the State.

Hyatt Regency National Jazz Center

After Hurricane Katrina, the Hyatt Regency adjacent to the Louisiana Superdome, proposed an ambitious redevelopment plan for the hotel and nearby area. Two of the most notable components of the proposal have been the removal of the current City Hall building and the creation of a downtown park anchored by the National Jazz Center (NJC). The NJC would primarily be a performance and educational center, with a performance venue seating capacity of roughly 1,000, an amphitheatre, and a black-box theatre with seating capacity for an additional 300. Housed in the development would be a rehearsal studio for local musicians as well as a jazz music archive.

In addition, the Louisiana Music Experience (LME) attraction may still be on the boards as an attraction and music venue.


ESRI
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Economics Research Associates
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N
CANAL
TULANE
LOYOLA
POYDRAS
RAMPART
BASIN
CLAIBORNE
SUGAR BOWL
NEW ORLEANS ALGIERS
PONTCHARTRAIN
SAINT CHARLES
CONVENTION CENTER
90 BUS

Concept Potential in New Orleans

Generally, the concept of such District includes a primary anchor, or signature attraction. In New Orleans, the concept has tended towards a musical performance venue for such an attraction for obvious reasons. Significant musical attractions – such as the Rock & Roll Hall of Fame (Cleveland), Experience Music Project (Seattle), Graceland, (Memphis), and Country Music Hall of Fame (Nashville) – can provide noticeable impacts where they are developed. Impacts of such attractions are not only economic and financial in nature, but also extend to important, hard-to-quantify areas such as branding and image recognition. New Orleans's musical traditions are part of the stock and trade of the city's cultural identity, and are therefore an important avenue of exploration when considering economic rejuvenation.

ERA has extensively worked with such concepts in New Orleans and elsewhere, and has the following comments regarding market and financial feasibility:

- Performance venues alone generally do not cover their operating expenses, and very rarely cover any portion of their capital costs;
- A performance venue coupled with a museum or exhibit-type attraction could potentially cover operating costs depending on mix of functions and market orientation, though it would be unlikely that capital costs would be covered;
- These attractions and venues require capital subsidy, and if operating costs are not covered, ongoing funding from the private corporate sector or foundations.

Within the New Orleans market, previous ERA work indicates that a performance venue with a museum or exhibit component could potentially penetrate 5 – 6 percent of the resident market and 2 – 3 percent of the tourist marketplace. Given the expected recovery of these markets – shown earlier in this report – the resulting attendance for such a mixed component attraction could potentially be in the order of 225,000 to 390,000 annually depending on the mix of attraction components, location of the venue, quality of programming, and recovery of the underlying resident and tourist marketplaces. Were the attraction to have only a venue or exhibit, potential market penetration and resulting attendance would obviously be lower.

Performing Arts Trends

ERA completed a literature review of performing arts and concert trends that included information from the following sources: *The Performing Arts in a New Era* (2001); *Classical Music Consumer Segmentation Study* (2002; American Symphony Orchestra League; League of American Theaters and Producers; Performing Arts Research Coalition; *Theatre Facts;* National Center on Charitable Statistics; Unified Database of Arts Organizations; Musical America; National Assembly of State Arts Agencies; *Performing Arts: the Economic Dilemma* (1966); *Foundation Grants to Arts and Culture* (2003); The Foundation Center; *The Performing Arts: Trends and Their Implications*; Billboard Box Scores, Pollstar, and others.

The following are summary points on performing arts trends from ERA's literature review regarding trends:

Larger number of smaller organizations – According to a comprehensive overview of the performing arts commissioned by the Pew Charitable Trusts in 1999 titled, *The Performing Arts in a New Era*, there has been a recent flood of small organizations with low operating budgets.

Growing differences in programming – As large performing arts organizations continue to seek blockbuster productions and small organizations increasingly rely on niche programming, the larger organizations are targeting their marketing toward attracting popular artists and sellout audiences, while the smaller organizations are working to maintain their small, local audiences.

Business model – Today's typical nonprofit model consists of a board of directors or trustees with full financial authority. However, as large nonprofit productions grow more elaborate, they are increasingly adopting for-profit business models that use merchandising, corporate partnerships, and other financing strategies. According to *Theatre Facts 2004's* survey completed by 198 theaters, for-profit companies' chief goal is to maximize profit, typically by increasing ticket prices, while not-for-profit theaters are most interested in being maximally accessible, typically by keeping ticket prices low. (In an effort to appeal to both financial pressures, many theaters have introduced a variety of price points – a "ticket menu"– that includes more expensive "premium" seating and opening night tickets.)

Earnings gap – In *Performing Arts: the Economic Dilemma* (1966), authors Baumol and Bowen point out that performing arts organizations cannot substitute for increasingly expensive artistic labor, compounded by the fact that costs per unit of output increase faster than ticket prices can keep up with, generating a significant earnings gap for many performing arts organizations.

Earned revenue – Fiscal year 2006 was the second year of small gains for the arts, according to a study published by the National Assembly of State Arts Agencies (NASAA). Of all the arts organizations surveyed, theater groups' source of income is more diversified and balanced, as they tend to receive more from sales of tickets and memberships (47%) than they do from grants (20%), the only category in the *Cultural Landscape* survey for which this is true. *Theatre Facts 2004*, a survey of non-profit theaters in the US, estimated average earned income of 92 reporting theaters was $4.1 million (a compounded growth rate of 8.9% from the previous year), $2.9 million of which was from ticket income. The average percentage of earned total revenue ranges from 30% (dance companies) to 60% (theater groups); meanwhile, orchestra concert income rose to its highest level in the last decade due to a 30% increase in the number of orchestra concerts according to the American Symphony Orchestra League.

Government funding – According to *The Performing Arts in a New Era*, indirect government support in the form of forgone tax revenues of private contributions exceeds the amount of direct government support to the arts. (The government contribution to the organization is equal to the amount of the private contribution multiplied by the contributor's tax rate).

Private funding – *Foundation Grants to Arts and Culture*, a one-year "snapshot" produced by Grantmakers in the Arts and The Foundation Center, reports that foundations in the Northeast and Midwest provided the largest share of arts and culture funding in 2003 (16.8% and 11.7%, respectively), and organizations in the Northeast and Midwest also received the largest share of arts grant dollars (15% and 13.6%, respectively). Based on a 2005 survey of 1,010 foundations, The Foundation Center found that giving to performing arts makes up 32% of all giving in the arts and culture subcategory and that the majority (over 65%) of arts grants were for under $50,000.

Audience – While there has been an increase in attendance levels at live performances, according to *The Performing Arts: Trends and Their Implications*, a report by non-profit research organization RAND, the share of the population attending live performances has not actually increased (much of the increase is correlated to population growth). And, as education levels increase (which should create more demand for the arts as higher educational attainment is correlated to higher performing arts attendance rates), Americans are increasingly turning toward experiences with flexible parameters such as museums and at-home entertainment that give them a choice of what to do and when and where to do it.

Artists – Over the last two decades, arts professionals as a percentage of the labor force grew substantially from 0.9 percent in 1980 to 1.4 percent in 2000. Three general trends summarize the artist population today: 1) Between 1970 and 1990 the number of self-proclaimed professional artists doubled to 1.6 million, around 261,000 of who are performing artists; 2) Performing artists earn, on average, considerably less and experience higher unemployment than other professionals with comparable education levels; and 3) A select few "superstars" tend to capture a significant portion of the arts market.

Future of performing arts organizations – According to a study conducted by the Performing Arts Research Coalition (PARC), performing arts have high participation rates (2 of 3 respondents attended in the past 12 months), a diverse audience, and the ability to improve the quality of life. The biggest change in the performing arts industry, according to *The Performing Arts in a New Era*, will be in the middle tier of nonprofit arts organizations, particularly opera companies, symphony orchestras, ballet companies, and theater groups located outside major metro areas. Reductions in demand, rising costs, and static or decreasing funding will force these institutions either to become larger and more prestigious, or to become smaller and more community-oriented, using local talent to keep costs down and adapting programming to local audiences.

These trends have several implications for the downtown New Orleans rebuilding strategy. As well, ERA draws from its in-house experience with cultural facilities:

- It seems unlikely that more than one new performance venue is realistic for the marketplace in New Orleans;
- The decision makers need to push the development groups to flesh out their business plans and identify the proposal that has the best financial package, management plan, etc. and determine whether the venue / attraction is going to enhance the city's rebuilding efforts;
- Determine the best location / concept for the cultural facility and attempt to build an area plan around it;
- Carry out the market / financial analysis and gap financing sources to ensure the development will be self sustaining;
- Consider the overall impacts that a consultant strategy will have on existing venues like the Sanger Theater on the symphony and others.

Downtown Office Market

The New Orleans office market was transformed dramatically by Katrina. First, office space supply was heavily damaged, even in the unflooded areas of the city. Many of the office towers downtown had windows shattered creating substantial water and wind damage. Second, demand for office space decreased almost immediately. The hurricane displaced many residents and businesses of New Orleans for an extended period of time. In many cases, this disruption was so great that firms could not continue to operate if they did not move to another location while the city was repopulated and infrastructure rebuilt. A sizable proportion of these businesses never returned. Even some that initially returned found the climate unsustainable and were forced to eventually relocate.

This section of the report aims to provide a more detailed look at the current state of the downtown office market in New Orleans. Four main market indicators are detailed: demand, supply, absorption/occupancy, and pricing. Though the precise level of future demand is an unknowable at this moment in time – depending on many factors which cannot be calculated for – ERA does provide some comments relating to potential future demand. For comparison purposes, the report also provides a brief view of the relevant trends in those areas prior to the hurricane.

Most of the data reviewed in this section was provided by Mike Siegel – Executive Vice President and Director of Leasing at Corporate Realty, Inc. – and Transwestern Commercial Services – a commercial real estate company which owns, leases, and operates commercial office space nationally and in the New Orleans area.

Commercial Real Estate Product Types

There are many different classifications of office that denote quality. The relative quality of a building depends on various characteristics including its age, location, building materials, parking, building systems, amenities, lease rates and terms, occupancy, management, and tenant profile.

Top Quality – Class A

- Generally qualify as extremely desirable investment-grade properties;
- Command the highest rents or sale prices compared to other buildings in the same market;
- Well located and provide efficient tenant layouts as well as high quality, and in some buildings, one-of-a-kind floor plans;
- Can be an architectural or historical landmark designed by prominent architects;
- Contain a modern mechanical system;
- Above-average maintenance and management as well as the best quality materials and workmanship in their trim and interior fittings;
- Generally the most attractive and eagerly sought by investors willing to pay a premium for quality.

Middle Quality – Class B

- Generally qualify as a more speculative investment;
- Command lower rents or sale prices compared to Class A properties;
- Offer utilitarian space without special attractions, and have ordinary design, if new or fairly new; good to excellent design if an older non-landmark building;
- Typically have average to good maintenance, management and tenants.

Modest Quality – Class C

- Generally qualify as no-frills, older buildings that offer basic space;
- Command lower rents or sale prices compared to other buildings in the same market;
- Typically have below-average maintenance and management, and could have mixed or low tenant prestige, inferior elevators, and/or mechanical/electrical systems;
- Lack prestige and must depend chiefly on a lower price to attract tenants and investors.

Other Non-traditional

- Garden Offices.

Pre-Katrina Trends

In general, the downtown New Orleans office market in the years prior to Katrina could be characterized as stagnant – with a stable level of supply, and slightly decreasingly levels of demand. In most downtowns nationwide, supply has remained relatively constant, however, over the period surveyed, while the national economy experienced significant economic growth, the New Orleans office market experienced slightly declining levels of demand. Rates remained stable to slightly higher due mainly to increases in operating and maintenance expenses.

Demand

Demand for office space in the downtown area of New Orleans was slumping well before Hurricane Katrina. From the 5-year peak of 8,593,109 occupied Class A square feet in 1Q2002, the downtown office market lost occupied square feet in this category nearly every quarter until Katrina. Total occupied Class A equaled 8,317,628 square feet in 3Q2005, just prior to the hurricane, a fall of 3.2% in less than four years, during a period of robust national economic growth. Downtown Class B demand experienced a similar trend, decreasing 2-3% in the years prior to the hurricane.

Supply

Office supply was unchanged for many years prior to 2005. Class A available square footage had deviated less than one percent in the previous five years. The same was true for Class B office space. The total downtown office market available square footage in 2005Q3 was 11,763,749. Of this, 9,634,588 square feet was Class A and 2,129,161 Class B. The Metairie and West Bank define markets reflected in similar trends. New Orleans had not experienced a major addition to its office market supply in some time, especially in the downtown area.

Absorption/Occupation Rate

Because of the decrease in downtown office space demand and flat supply, the market occupancy rate decreased consistently for years prior to Katrina. From a 5-year high of 89.1% occupancy in early 2002 for Class A, the rate had fallen to 86.3% in 2005Q3. This trend was echoed by consistently negative absorption for the three years before the hurricane. Class B occupancy and absorption trended similarly.

Rental Rate

Despite the decrease in demand and fall in occupancy rate, CBD office space was renting at the top of its previous 5-year range prior to the hurricane. The rental rate range for Class A was $15.14-$16.26. Range for Class B was $11.09-$11.95. Both of these ranges were slightly above the highest previously reported period since 2000. This is reportedly due to an increase in general building operation and maintenance expenses over the period.

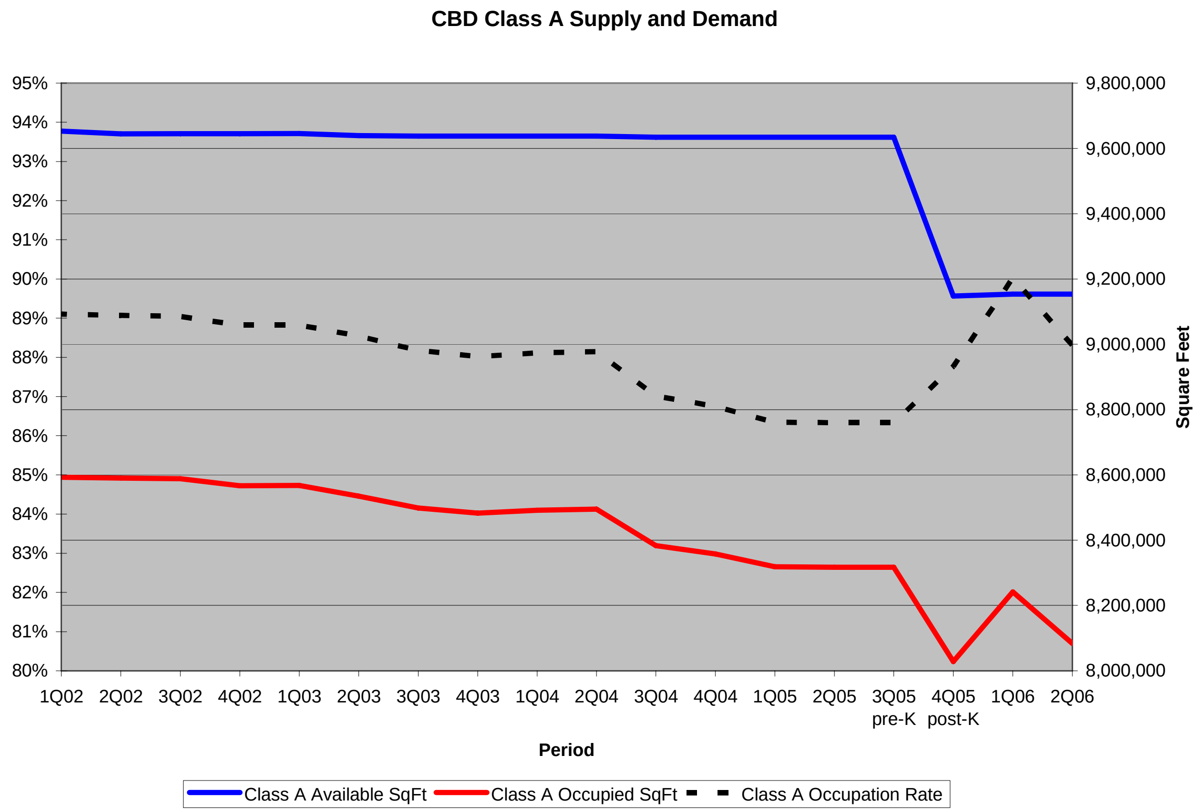
Post-Katrina Trends

Since Katrina, there has not been sufficient data to gauge the level of demand, supply or recovery for a longer term period. However, some initial data is available and reviewed here next. There are a number of factors which will either support or potentially erode this market segment, many of which have not been resolved. Available data concerning the downtown office market including aggregate demand, aggregate supply, occupancy and absorption, and rental rate.

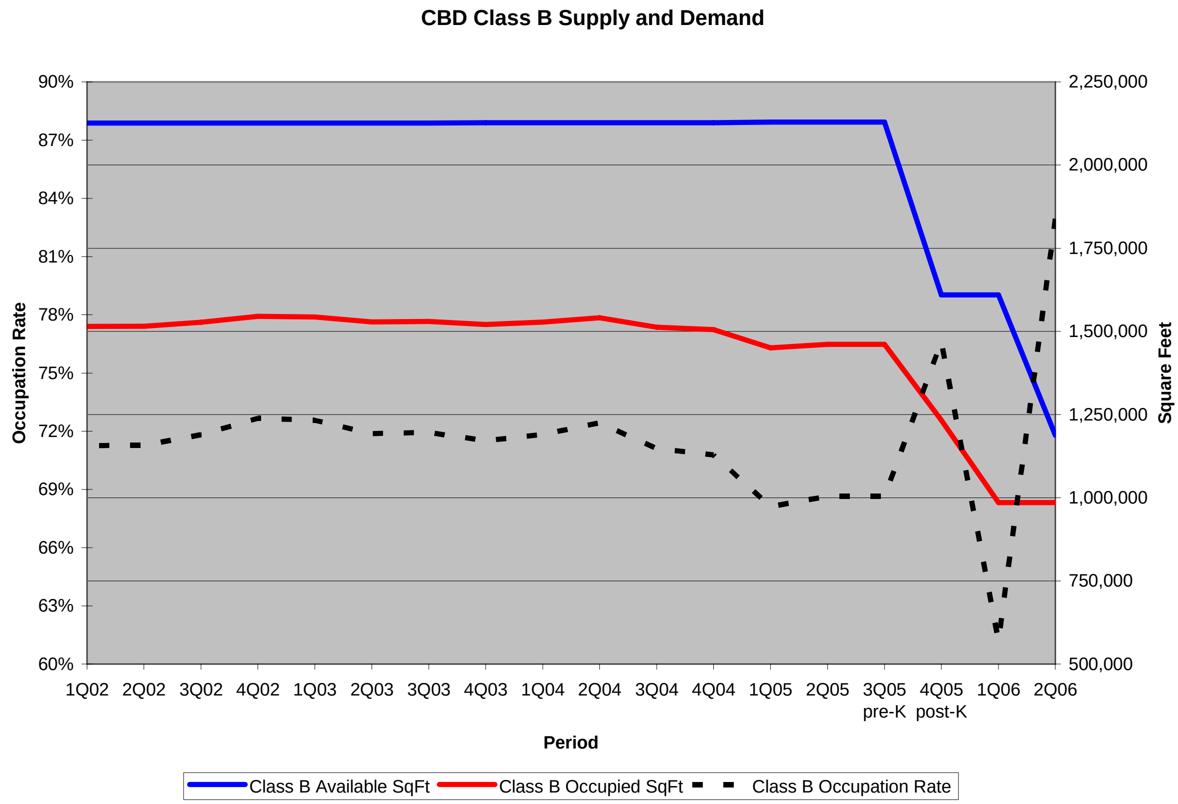
Demand

The immediate effect of Katrina was, of course, that many parts of New Orleans were virtually uninhabitable for one to two months. Many large firms signed leases for varying amounts of time in other cities, some permanently. Businesses scrambled to move their operations and staff to Baton Rouge, Houston, and myriad other locations. In addition, the relief effort was massive, and many temporary relief and recovery workers moved in to some downtown offices. These two opposing trends make any meaningful comparison between immediately before (2005Q3) and after Katrina (2005Q4) speculative, at best. In addition, there are only 3 quarters of post-Katrina data available which also makes the identification of meaningful trends difficult.

With this in mind, the total loss of occupied square footage in downtown Class A office market between 2005Q3 and 2005Q4 was 212,416, or 2.6% of the pre-Katrina level. While one might be surprised at the relatively small loss of occupied square footage, it is important to point out that this measurement reports rented square footage, not physically occupied square footage, and some relocating companies could not immediately break their leases. Since the immediate loss, there was a large increase in CBD Class A occupied space in 2006Q1. This was probably due to the space occupied by temporary and relief workers in this period. In 2006Q2, however, the market again experienced another major loss of 157,289 occupied square feet. This loss was mainly due to the end of Texaco’s twenty-year lease downtown. By the end of 2006Q2, the total loss since Katrina in downtown Class A occupied square footage was 233,613, or 2.8%. Note the zigzag appearance of demand (in red) on the following chart.



When analyzing the Class B office market, the data tells a much different story. The initial loss of occupied square footage between 2005Q3 and 2005Q4 was 228,223 out of pre-Katrina level of 1,461,338, or 15.6%. In addition, the market lost another 247,998 square feet of occupied space in the subsequent quarter. At the end of 2006Q2, the aggregate occupancy of CBD Class B square footage had fallen 32.6% to 985,195. By any measure, this is a significant loss of demand. Firms have relocated in droves from downtown Class B office space, many of them permanently, a trend that was confirmed in 2006Q2 which saw no change from the previous quarter.



The aggregate picture is not as grim as the loss of demand for Class B space. However, it shows that a large number of businesses have moved out of the downtown area. In total, the immediate loss of Class A and Class B office space in New Orleans' downtown from 2005Q3 to 2005Q4 was 516,963 occupied square feet, or 5.3% of the pre-Katrina level. In 2006Q1, the market lost an additional 35,582 occupied square feet. By the end of 2006Q2, the aggregate downtown office market had lost an additional 157,211 square feet, bringing the total loss since Katrina to 709,756, or 6.8%. Preliminary 2006Q3 estimates indicate no dramatic change in this current trend.

Supply

As discussed earlier, New Orleans' downtown office market has seen very little, if any, change in aggregate supply in the last several years. That changed after Katrina. Damage to buildings in the Superdome area were substantial, most notably the Dominion Tower building. There was a significant loss of available square footage across the board, effecting Class A, Class B, and by extension aggregate supply.

Class A Rentable Area lost 480,813 available square feet due to the permanent closing of the Dominion building. This amounts to a 5 percent loss in available area from the pre-Katrina level. ERA has not seen any plans to increase Class A available area in the near future.

Similar to demand, Class B supply was affected more significantly than Class A. Class B lost 941,629 available square feet, or 44.2% of pre-Katrina Rentable Area. There are plans to renovate a small amount of the lost area in the future, but most of the loss is likely to be permanent.

As a whole, the office market lost a considerable amount of supply. Rentable Area fell a total of 1,422,442 available square feet, a substantial 12.1% of the pre-Katrina level. This loss is due to property destruction, property closings, and property conversion. To ERA's knowledge, there is no significant increase in Rentable Area planned in this area.

Absorption/Occupation Rate

As in many catastrophic events, absorption and occupation data do not provide the "big picture" without the aggregate supply and demand numbers because when viewed alone in this situation, measures of occupancy are misleading. In this case, both Class A and Class B downtown office market occupancy rates rose immediately following the event due to the loss of available office space – i.e. supply falling faster then demand. Although this does have an effect on the market rental rate, it does not adequately depict the large short-term loss of both aggregate supply and demand. The New Orleans CBD office market lost a large portion of its total size and occupancy rose.

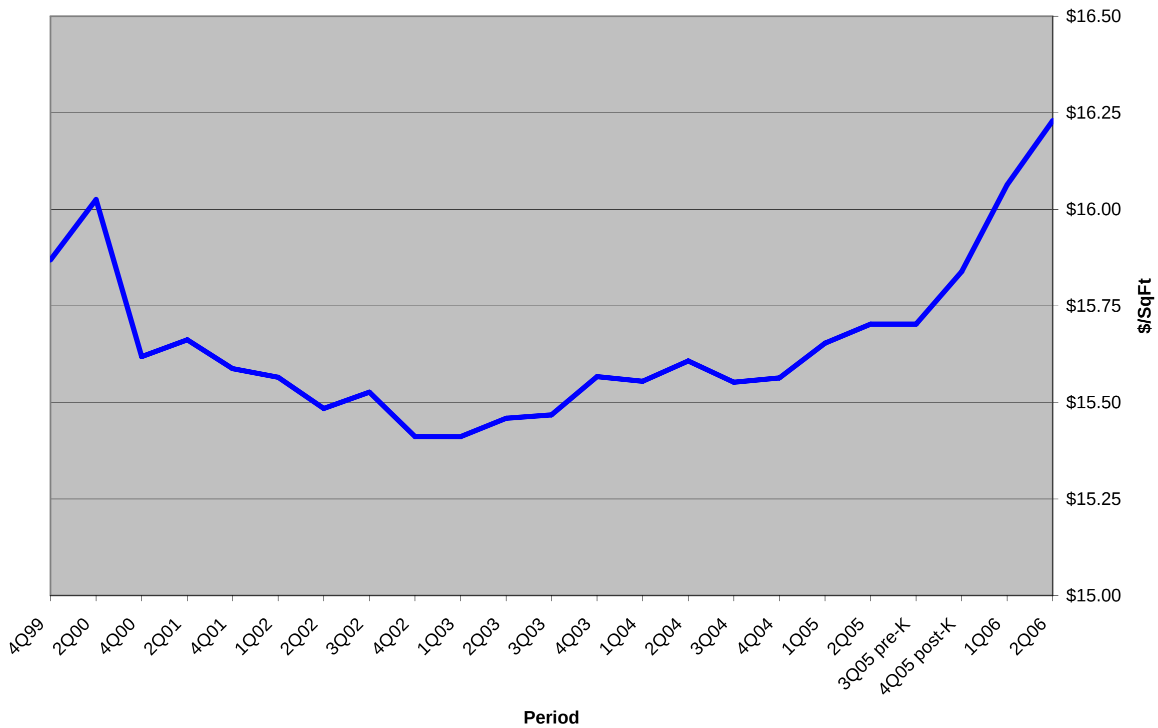
By the end of 2006Q2, total post-Katrina absorption was 247,200 for the downtown Class A office market. This gain in absorption is due to the loss in available square footage. Occupancy rose from 86% pre-Katrina to 88% after 2006Q2 for the same reason. It is notable that occupancy was at 90% after 2006Q1 but fell again because of firms leaving the area.

Similar to Class A, occupancy rate immediately following the hurricane rose sharply for Class B office space. Likewise, the occupancy rate jumped from 69% in 2005Q3 to 77% in 2005Q4. Again, the reason for these increases was the loss of available space. However, unlike Class A, Class B office space occupancy rate fell dramatically in the next quarter. The total 2006Q1 absorption loss was 247,998 due to the closing of the office building located at 225 Baronne Street. Occupancy fell to 61% by the end of 2006Q1. There was another large turn in occupancy in 2006Q2 as the rate rose to 83% due to the closing of more space. Total post-Katrina absorption for Class B was 43,371 with an aggregate 14% increase in occupancy by the end of 2006Q2.

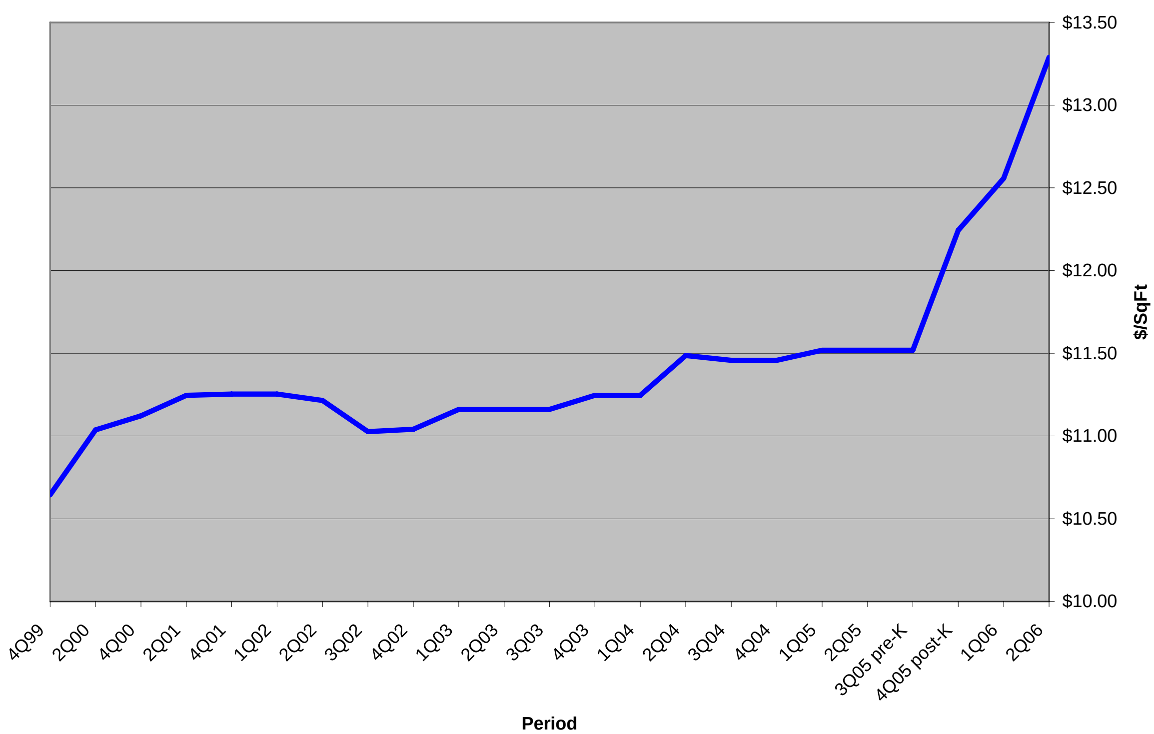
Rental Pricing

Next, ERA reviews post-Katrina changes in office market rental rates. The following two graphs depict Class A and B rental rate changes over the last several years, and includes available post-Katrina market rate data.

CBD Class A Rental Rate



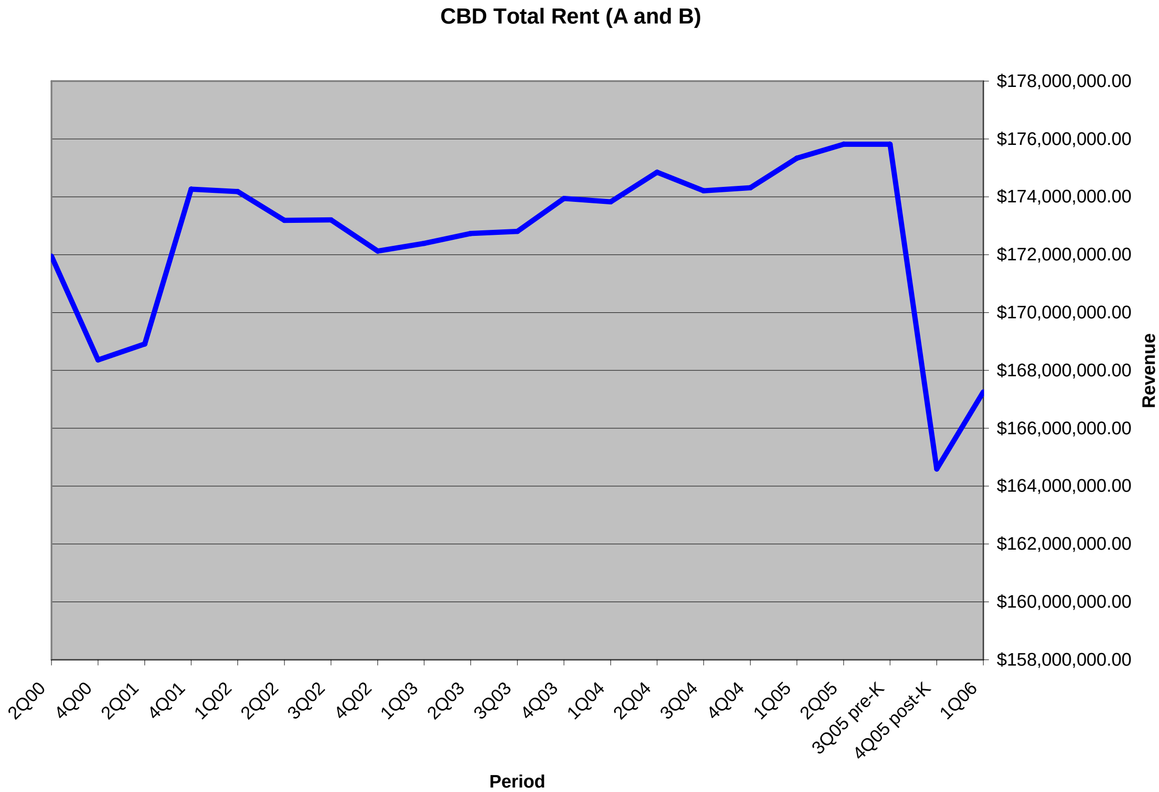
CBD Class B Rental Rate



Due to the rise in effective occupancy (after accounting for decreases in space available), an increase in insurance rates, and an increase in commercial building expenses, rental rates rose across the board in the downtown office market. Class A rates rose from a 2005Q3 range of $15.14-$16.26 to a 2006Q1 range of $15.64-$16.49. The rates rose even further in subsequent quarters to a weighted-average rate of $16.23 by the end of 2006Q3.

For Class B, the increase in office rental pricing was even larger. Class B rates rose from a 2005Q3 range of $11.09-$11.95 to a 2006Q1 range of $12.26-$12.85. By the end of 2006Q3, the weighted-average rate was $13.29.

Despite the rise in both Class A and Class B rates, the total revenue from office rental downtown dropped cumulatively post-Katrina in the range of $6.6 million to $10.5 million. This decrease in total revenues is mostly due to the removal of the Dominion building and others from the office market. Many of the tenants of these buildings have since moved their firms to Baton Rouge, Houston, St. Tammany Parish, and Metairie.



Post-Katrina Office Comments

Although there are many different estimates of New Orleans' current population, most experts agree that the population of Orleans Parish is at or close to 200,000, roughly 40% of the post-Katrina population. There has also been a major shift in demographics. The number of households in higher income ranges, although significantly decreased, was not as severely affected as households with lower incomes. Most of the occupants of downtown office space likely fall in these higher income ranges. In addition, some of the most prevalent professions occupying downtown New Orleans office space are attorneys, bankers, and engineers. Those three professions should be in great demand after Hurricane Katrina. We also foresee an emerging office market in and around the Tulane Avenue medical corridor if the plans to enlarge the hospital facilities in that area come to fruition.

There is an unprecedented amount of money devoted to the rebuilding of New Orleans and its economy. This money is in the form of grants, bonds, and tax incentives. The effect of this aid has not been significantly felt as of yet, and its net effect on job creation (especially with respect to office-related professional services work) is uncertain. If recovery builds pace, and can be parlayed into local economic development initiatives outside of the core construction trades, this could provide a boon to the local office market and potentially help to reverse to some extent the extended stagnation of this market.

Nonetheless, there have been an increasing number of announcements in recent months from firms moving to other locations. Although many of these firms are moving to nearby areas – Metairie or St. Tammany Parish – their relocation has negative effect on the downtown office market, and could potentially accelerate in the near term due to quality of life issues in the New Orleans area.

To ERA's knowledge, there has been relatively little attention paid to retention or growth of the professional services sector in the New Orleans area – especially in light of the current infrastructure and housing crisis of the city. Given the previously-stated realities it is difficult to envision the downtown office market growing significantly from current levels unless expected construction-related job boom can be parlayed into other related professional services in the area. ERA does not know of any such initiatives, however, and would expect a flat office market for at least the next 5 years.

Appendix A

Population Forecast Assumptions

Several assumptions were necessary to arrive at an understanding of the potential resident market forecast several years into the future. In general, however, the main assumptions were:

- ERA used current population estimates from the Brookings Institution (which are supported and confirmed by the Emergency Operations Center for the City of New Orleans), as the baseline figure for current estimates of population in the N.O. area. These estimates show a baseline metro population of around 890,000 as compared to a pre-Katrina population of 1.3 million. As the figures show, Orleans Parish accounts for a significant proportion of this decline whereas once it comprised 35 percent of the greater N.O. area, it now comprises around 17 percent of the metro area. Impacts to the metro area excluding Orleans Parish were less severe;
- ERA reviewed Orleans Parish population forecasts by the Bring N.O. Back Committee, conducted by the RAND Corporation. The forecast estimates of Orleans Parish population in September 2006 are for 181,000, and September 2008 at 247,000. Recent LRA figures have estimated Orleans Parish population at around 186,000. Housing supply is the main limiting factor of these Orleans Parish population estimates. The estimates imply an annualized population growth rate of around 16 percentage points. By and large, ERA believes that these forecasts are as accurate as is possible, under the circumstances, and factors them into the estimates for Orleans Parish population up to September 2008. After 2008, ERA drops these growth rates to reflect growth that would be more normal for any sizable population – that is, rates more consistent with the overall population growth rates for the U.S. In Population Forecast 1 these rates are cut in half in every year and stabilize at a 2 percent growth rate in 2011. In Population Forecast 2, these rates are brought down more quickly from 16 percent growth rates to stabilize at 1 percent growth in 2011. Both of these long-term growth rates for Orleans Parish are higher than is normal for N.O. and are made to reflect the expected rebuilding expenditures in the economy which should result in more jobs, and by extension, higher population levels;
- For the greater New Orleans area outside of Orleans Parish, ERA used much lower growth rates to reflect two main realities. First, the areas of greater N.O. outside of Orleans Parish were lesser effected by the Katrina-induced flooding. This is evidenced by the fact that outside of Orleans Parish, the current population estimates show these areas now comprising a much more significant proportion of the population (from 65% to 83%). As a result, these Parishes should see less robust population growth rates than Orleans Parish, as some of the population will likely rotate back into Orleans Parish after housing becomes available. Next, is the fact that, since these areas were less affected, they are likely to absorb some of the immediate population and labor demand created by rebuilding. As a result, near-term population growth will likely be somewhat higher than historical levels. In Population Forecast 1 this area outside of Orleans Parish is grown at 6 percent, and brought down by one percentage point in each year to stabilize at 1 percent in 2011. In Population Forecast 2 this population growth rate is held at 2 percent in every year. The results are a population (ex-Orleans Parish) of between 994,000 and 887,000 in 2015, as compared to a population level of 887,000 prior to Katrina.

Visitation Forecast Assumptions

Several assumptions were necessary to arrive at an understanding of the potential visitor market forecasts several years into the future. In general, however, the main assumptions were:

- For historical estimates of visitation to New Orleans, ERA relied primarily on data from the U.N.O. Hospitality Research Center. These estimates show a pre-Katrina level of visitation at 10.075 million annual visits;
- ERA's estimate of year end 2005 visitation was based on the expected change in overnight visitation as based on the seasonality of the overnight market to N.O., factoring in no visitation from September to December;
- In the more conservative scenario, ERA forecasts a 60 percent drawdown in visitation to New Orleans by September of 2006, which is consistent with the more severe 1-year visitation drawdowns seen in the reviewed case studies. From this point, the forecast estimates an incremental gain in visitation through September of 2010 stabilizing at a market share equivalent to 85 percent of the pre-Katrina visitation, which is also consistent with the reviewed case study material. From this point forward, visitation is grown at a slow, 2 percent rate to reflect a less successful rebuilding effort in general;
- In the more aggressive scenario, visitation rebounds more sharply in the later half of the first year, achieving 70 percent of pre-Katrina visitation by September of 2006. From this point, visitation recovers 95 percent of pre-Katrina levels within 3 years, or by September of 2009. This is consistent with a quicker travel market recovery experienced in some of the case studies. After 2009, the visitor market is grown at an historical rate more consistent with the N.O. market at 6 percent annually.

Appendix B

Case Studies

ERA selected the following upper floor reuse projects from the National Trust for Historic Preservation to identify characteristics or consistent patterns that might inform future decisions on development concepts along Canal Street.

Development	Location
1036-40 Light Street	Baltimore, Maryland
First Street Lofts	Flint, Michigan
Dalton Building and Annex	Rock Hill, South Carolina
Haffa Building	Waterloo, Iowa
Holt Apartments	Wichita Falls, Texas

1036-40 Light Street, Baltimore, Maryland

1036-40 Light St. is a $1.1 MM rehabilitation of a 10,300 gross square foot, late 1800s mixed use building into 3,700 net square feet of ground floor commercial with three upper floor apartments in the Federal Hill community of Baltimore, MD. The rehabilitation, financed in part with the 20% federal and state rehabilitation tax credits, transformed a blighted building in the popular Cross St. market area into modern commercial space for three locally-owned and operated businesses and three upscale, upper floor residential units.

The property is located within the Federal Hill National Register Historic District and contributes to the historic significance of the district (as verified by submittal and approval of the Part 1 application), rendering it eligible for both the 20% federal and state rehabilitation tax credits. Construction commenced in November of 2002 and the building was completed in May 2003. Eligible expenditures are estimated at $680,000, generating a federal and state tax credit of approximately $136,000 each.

Developers worked with the Community Partners (CP) group of the National Trust for Historic Preservation during the rehabilitation to determine how to maximize credits earned and redeemed. CP, along with a tax credit expert from a local accounting firm, demonstrated that the existing 50/50 partnership would not maximize the tax credit benefit. Unmodified, the partnership was expected to earn $187,000 in combined federal and state tax credits, with only $115,000 of that amount, or approximately 60%, redeemable. The percentage redeemable was limited largely because one of the partner's 50% share of the federal tax credits earned was entirely unredeemable due to alternative minimum tax limitations.

After further review of each individual partner's tax circumstances, a modified ownership structure was proposed whereby the partners would be expected to earn $272,000 in combined federal and state tax credits, and redeem $240,000 of this amount, or 88%, over a three-year period. The partners elected to modify the ownership structure in accordance with the recommendations made by CP.

The modified structure essentially allocated 100% of the federal tax credit to the partner who had the ability to redeem the federal credit, over an approximately three year period, due to significant tax liability on passive income. The partnership is expected to redeem approximately $186,000 in state and federal tax credits this year.

1036-40 Light Street
Baltimore, MD

Property: 10,300 gross square foot, 3-story mixed use building constructed in the late 1800's

Location: Federal Hill neighborhood of Baltimore, MD

Developer/Owner: Doug Clemens and Andrew Greenberg

Redevelopment: 3,700 net square feet ground floor commercial with three upper floor apartments

Historic Status: Certified historic structure **-** eligible for 20% federal and state rehabilitation tax credit

Total Project Cost: $1.1 MM

Financing Sources:
1st mortgage: $685,000
State tax credit equity: $105,000
Federal tax credit equity: $110,000
Developer equity: $160,000

Project Completion: May 2003

Credits earned (est.):
Federal: $136,000
State: $139,000

Credits Redeemed Through 2003 (est.):
Federal: $82,000
State: $104,000

First Street Lofts, Flint, Michigan

The First National Bank Building was built in downtown Flint, Michigan in the 1920s during the city's auto boom. Throughout its history, the seven-story building has housed banking, retail and office uses. Most recently, Republic Bank occupied the ground and 2nd floors while the upper floors sat vacant. In 2001, Republic Bank donated the building to Uptown Reinvestment Corporation for inclusion in a coordinated downtown redevelopment effort.

Uptown Reinvestment converted the vacant upper floors of the 38,651 gross square foot property into 16 market-rate apartments and created 5,700 square feet of storage space in the basement. Republic Bank continues to occupy 8,800 square feet of office space on the 1st and 2nd floors, with a newly renovated common entrance. The property is individually listed on the National Register and is located in the older downtown area of Flint, near the University of Michigan—Flint and Kittering University campuses. The building sits on South Saginaw Street, the main commercial thoroughfare in downtown Flint.

First Street Lofts is part of a larger downtown revitalization effort that includes streetscape, parking and security improvements, and the rehabilitation of twelve buildings in the three-block area—nine of which will be redeveloped by Uptown. The project is located within a state renaissance zone and will receive a property tax abatement. It offers loft housing, which is not otherwise available in the Flint marketplace. The project is also located in a low-income census tract, making it eligible for New Markets Tax Credits (NMTC).

First Street Lofts, Flint, Michigan

Property: 38,650 square-foot former bank office building

Location: Flint, Michigan

Developer: Uptown Reinvestment Corporation

Historic Status: National Register of Historic Places

Project Goal: 16 loft apartments and 8,800s.f. office space

Total Project Cost: $6.27 million (MM)

Project Financing: $1.32 MM —Federal historic and NMTC equity investment by NTCIC;
$1.350 MM - Ffth Third Bank loan;
$1.495 MM - Foundation and state grants;
$600,000 - Developer equity
$565,000 - State historic and Brownfield tax credits;
$940,000 - Deferred developer fee

Project Completion: May 2006

Dalton Building and Annex, Rock Hill, South Carolina

For almost fifteen years, the most prominent structures on Main Street in the South Carolina community of Rock Hill sat vacant and abandoned. The former Peoples National Bank & Trust Company, built in 1909, was left behind by an economic shift to the surrounding suburbs in the 1970s. The tide has started to turn in recent years, however, with the rehabilitation of several historic structures, including the Dalton Building and Annex, and the adoption of a downtown revitalization approach.

The rehabilitation converted the Dalton Building into four market-rate upper floor apartments and first floor retail and office space. The Rock Hill Economic Development Corporation is currently a tenant. The apartments feature fireplaces, terraces and modern kitchens. The Annex now features 5,600 rentable square feet of commercial space. The rehabilitation included modernizing building systems, installing new windows and elevators and quality finishes including pine floors and marble columns—all done with careful attention to existing architecture. This allowed the Dalton Building to qualify for the 20% federal historic tax credit [the Annex qualified for the 10% rehabilitation tax credit.]

The rehabilitation of the Dalton Properties into a mixed-use development is an important component of downtown Rock Hill's revitalization. The project falls within a SBA HUBZone and an area of higher distress [median Family Incomes are less than 60%]. It also supports the community's goals of attracting residents ad businesses downtown. It is a major boost to Rock Hill's vitality and self-image to have these two buildings restored and occupied.

Dalton Building and Annex, Rock Hill, South Carolina

Project Goal: Rehabilitation of former bank building and adjacent commercial building into residences and office space

Total Development Cost: $7.3 MM (million)

Square Footage: 23,000 net square feet of residential, retail and office space; 5,600 nsf of commercial space

Developer: Urban Strategies

Tax Credit Investor: Bank of America

Key Project Financing: $1.0 MM - Federal historic tax credit equity investment by National Trust Community Investment Fund
$2.2 MM - Developer equity
$2.7 MM - Bank of America

New Markets Tax Credit Allocation Amount: $419,000

Construction Jobs: 55

Permanent Jobs: 70

Haffa Building, Waterloo, Iowa

The Haffa Building was built in 1885 in downtown Waterloo, Iowa, and first housed a retail clothier and furrier business. In early 2003, the building was purchased for a mixed-use rehabilitation project. It now houses Waterloo's creative businesses and artists, and has helped stimulate economic development in this Iowa Main Street community of 68,000.

The Haffa Building is a two-story concrete, brick and steel building. Rehabilitation work included all new electrical wiring, plumbing, and safety systems, six new apartments with full kitchens and baths, and new drywall and finishes to the office spaces. Tenants include a framing studio and kitchen design firm. Six rental housing units have made modified as live/work space for artists. The City has shown its support for the project by guaranteeing 20% of the New Markets Tax Credit loan and by implementing a seven-year 100% property tax abatement plan to fund remodeling the building's storefronts. The project won the "Best Adaptive Reuse of a Building" awarded by the Main Street Iowa program in 2005.

The New Markets Tax Credit loan was provided at better rates and terms than the market offers: an interest rate at 2% below market, no origination fees, seven-year interest-only payments, 100% loan to value ratio, no borrower equity, and nontraditional forms of collateral. These terms allowed the developer to charge below-market-rate rents for the office and residential units, even with cost overruns.

The Haffa Building is the first phase of the developer's $3 million plan to revitalize a quarterblock in Waterloo's Arts and Retail District. The project is part of the River Renaissance Redevelopment Plan and is in the Cultural District. It has already spurred the opening of three new restaurants in formerly vacant buildings and played a key role in generating momentum for downtown revitalization. Its downtown housing units are also an important piece of the City's Master Plan. The Fowler Building has created five part-time jobs. The tenants have created three full-time jobs and retained four full-time jobs. All six of the rental units are being rented at below-market-rates to local artists. Tenants participated in the rehabilitation design and used their skills to contribute to the finishing work of the building. Its census tract has a poverty rate of 39%, a median family income that is 44% of the national average, and an unemployment rate at 2.74 times the national average and that is a CDFI Hot Zone for housing, SBA HubZone and a medically underserved area.

Haffa Building, Waterloo, Iowa

Project Goal: Office, retail and artist live-work space

Total Development Cost: $662,000

Square Footage: 14,400 square feet

Developer: Charles Orr

Key Project Financing: $450,500 - Community National Bank loan;
$38,500 - Managing member capital contribution

New Markets Tax Credit Allocation: $500,000

Construction Jobs: 12 created

Permanent Jobs: 8 created; 4 retained

Holt Apartments, Wichita Falls, Texas

The building known now as the Holt Hotel was built in 1919 as an office building and was Wichita Falls' first "'skyscraper". In 1926, it was remodeled into a state-of-the-art hotel, and counted First Lady Eleanor Roosevelt, Babe Ruth, Will Rogers and numerous other state and national dignitaries among its guests. Like many hotels of its era, business began to decline in the late 1950s and in the 1980s it was left vacant and abandoned. Following a $7.3 million rehabilitation, it now supports seven floors of loftstyle apartments and ground-floor retail space. The project is the culmination of a strong commitment of the Wichita County Heritage Society, the City of Wichita Falls and the business community to save the hotel—regarded as the most architecturally and historically significant building in downtown Wichita Falls.

The property is an 8-story, 58,209 gross square foot property at 600 Eighth Street within the Depot Square Historic District. The project's scope of work involved environmental remediation, new HVAC, mechanical and electrical systems and a new roof. The restored building features a fully restored lobby and mezzanine, 41 residences and 3,440 gross square feet of commercial space. Architectural details were retained. The floors, for example, remain a combination of hardwood, tile, carpet and concrete.

Downtown Wichita Falls is experiencing renewed interest and public/private reinvestment as evidenced by the city's $40 million Coliseum and Events Center, (approximately 1 mile from the Holt), as well as recent renovations to forty downtown buildings. Wichita County Heritage Society believes strongly that the rehabilitated Holt Hotel will serve as an essential anchor point for the downtown's continued revitalization and future in-fill development projects. Its residents and retail businesses will stimulate demand for more services and goods from existing establishments located in this low- to moderate income neighborhood. In addition, the project created 67 new permanent jobs the finished building contributes approximately $45,000 annually to the city's property tax revenue.

Holt Apartments, Wichita Falls, Texas

Project Goal: Former office building and hotel conversion into loft apartments and retail space

Total Development Cost: $7.3 million

Square Footage: 58,209 gross square feet

Developer: Community Development Group Holt, Inc.

Tax Credit Investor: Bank of America Key Project Financing:
$1.2MM - Federal historic tax credit equity investment by NTCIF;
$1.7 MM - City of Wichita Falls Grant;
$1.4 MM - First Bank, Wichita Falls
$1.8 MM - Corporation, Foundation rants

Construction Jobs: 43

Permanent Jobs: 67

Project Completion: Summer 2005

Other Estimates

Estimates for residential spaces in the New Orleans area are shown in the following tables.

Potential Condo Demand

Population Estimates Averaged (In September of Each Year)

		2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
		930,700	990,610	1,053,700	1,091,831	1,120,709	1,141,826	1,163,352	1,183,852	1,204,734	1,226,007
Estimated Households (Assuming Average Size of 2.5)											
		372,280	396,244	421,480	436,732	448,284	456,730	465,341	473,541	481,894	490,403
Households By Income Target											
$60,000 - $80,000	11.9%	44,301	47,153	50,156	51,971	53,346	54,351	55,376	56,351	57,345	58,358
$80,000 - $100,000	9.1%	33,952	36,137	38,439	39,830	40,883	41,654	42,439	43,187	43,949	44,725
$100,000 - $120,000	3.8%	14,147	15,057	16,016	16,596	17,035	17,356	17,683	17,995	18,312	18,635
Condo Penetration By Income											
$60,000 - $80,000	14.4%	6,379	6,790	7,222	7,484	7,682	7,827	7,974	8,115	8,258	8,404
$80,000 - $100,000	9.8%	3,327	3,541	3,767	3,903	4,007	4,082	4,159	4,232	4,307	4,383
$100,000 - $120,000	5.6%	792	843	897	929	954	972	990	1,008	1,025	1,044
		10,499	11,175	11,886	12,317	12,642	12,881	13,123	13,355	13,590	13,830
Less Pre-Katrina Units By Income		-7,560									
Potential New Unit Demand By Income Bracket - Citywide											
		2,939	676	712	430	326	238	243	231	236	240

CBD and Neighboring Area Condominium & Townhome Housing Prices by MLS Area

	Jan. - Aug. 2005 Housing Sales			*Sept - Dec Housing Sales*			*Jan-Mar 2006 Housing Sales*			*% Change Pre vs Post Katrina*	*% change sept - Dec 05 vs. 1st Qtr 06*
	Average Price	Unit Sales	Gross Sales	Average Price	Unit Sales	Gross Sales	Average Price	Unit Sales	Gross Sales	House Price	House Price
CBD/Warehouse	275,980	198	54,644,066	363,417	56	20,351,350	272,981	89	24,295,290	31.68	-24.88
French Quarter	290,264	81	23,511,400	303,996	13	3,951,950	310,308	20	6,206,150	4.73	2.08
Lower Garden District	231,645	253	58,606,304	299,348	88	26,342,650	238,694	49	11,695,985	29.23	-20.26
Central Orleans	*233,020*	*855*	*199,231,714*	*294,322*	*210*	*61,807,659*	*260,454*	*234*	*60,946,283*	*26.31*	*-11.51*
Orleans Parish	**229,369**	**875**	**200,698,214**	**289,178**	**215**	**62,173,359**	**256,666**	**239**	**61,343,285**	**26.08**	**11.24**

Source: (2006) Metropolitan New Orleans Real Estate Market Analysis: Katrina Addition. Real Estate Market Data Center & Center for Economic Development. The University of New Orleans.

Apartment Rent Summary

	Number of Units Surveyed			*Average Size (sqft)*			*Average Rent (Dollars)*			*Ave Rent Change*			
										Nov 2004 vs Pre-K		*Pre-K vs Post-K*	
	Nov' 04	Pre-Katrina	Post-Katrina	Nov '04	Pre-Katrina	Post-Katrina	Nov '04	Pre-K	Post-K	Dollars	Percent	Dollars	Percent
Efficiencies	15	15	10	448	448	460	685	685	690	$0.00	0.00%	($5.00)	-0.72%
1 BR Flat	685	685	317	791	791	798	1039	1015	1066	($24.00)	-2.31%	($51.00)	-4.78%
2 BR/1 BA Flat	83	83	0	906	906	NA	1190	1190	NA	$0.00	0.00%	NA	NA
2 BR/1 BA Townhouse	82	82	0	1213	1213	NA	1415	1415	NA	$0.00	0.00%	NA	NA
2 BR/2 BA Flat	165	165	60	1000	1000	975	1291	1268	1653	($23.00)	-1.78%	($385.00)	-23.29%
2 BR/2 BA Townhouse												$0.00	
3 BR Flat	51	51	11	1437	1437	1503	1765	1785	2600	$20.00	1.13%	($815.00)	-31.35%
3 BR Townhouse	3	3	13	2650	2650	2650	2149	2149	2690	$0.00	0.00%	($541.00)	-20.11%
Total CBD/Warehouse	1084	1084	411	1206	1206	1277	1362	1358	1740	($4.00)	-0.29%	($382.00)	-21.95%

Source: (2006) Metropolitan New Orleans Real Estate Market Analysis: Katrina Addition. Real Estate Market Data Center & Center for Economic Development. The University of New Orleans.

Appendix C

In this section, selected residential developments are profiled for the downtown area.

Trump Tower

The Trump International Hotel and Tower New Orleans is one of the more extravagant and ambitious of the new residential projects. It was initially proposed just weeks before Katrina, and the project was re-confirmed shortly thereafter. If erected, the tower will be the tallest building on the Gulf Coast, measuring 700 feet.

Trump Tower would be a mixed-use development, containing a luxury hotel, condominiums, retail, parking, and other development components. The hotel would be high-end, although specific pricing has not yet been released. Similarly, the condominiums are priced significantly higher than market rate for New Orleans. Donald Trump's Trump Organization will pull from its extensive international network of potential buyers to sell the units and intends to also utilize an effective marketing campaign used before in other Trump Organization projects.

Project Name	Trump International Hotel and Tower New Orleans			
Address	Poydras Street and Magazine Street			
Development	Hotel/Condominiums			
Condo Unit Details		Qty	Price	Sq Ft
	1BR	52	$575-675/sq ft	685-1,297
	2BR	70	$575-675/sq ft	1,372-1,975
	3BR	52	$575-675/sq ft	1,805-2,270
	Studio	73	$575-675/sq ft	675-810
	PH	65	$575-675/sq ft	1,160-1,900
Hotel Unit Details				
	Luxury	345	N/A	540-870
	Suite	75	N/A	685-985
Retail	Ground floor; high-end restaurants and boutiques, possibly Saks or Neiman Marcus type store			
Parking	200,000 sq ft			
Target Market				
	Market Rate Condos	312		
	Subsidized	0		
Project Cost	$200 million			
Timing/Phasing	Hard contract imminent, construction from Spring 2007-End 2009			
	www.trumptowerneworleans.com			

Vantage Tower

Vantage Tower is a proposed 25-story, new construction building in the Warehouse District containing 218 one-bedroom, two-bedroom, and three-bedroom condominiums. More reasonably priced than the Trump Tower, Vantage offers condo units for young professionals working in the downtown area. It also stands to be the first of the high-rise condominium developments to be completed.

Project Name	Vantage Tower			
Address	929 Girod Street			
Development	Condominium			
Unit Details		Qty	Price	Sq Ft
	1BR	135	$357-380/sq ft	534-834
	2BR	72	$380-460/sq ft	974-1,318
	3BR	3	$460/sq ft	1,642
	Studio	0		
	PH	8	$500/sq ft	1,114-1,642
Retail	Ground-floor			
Parking	308 spaces			
Target Market				
	Market Rate	218		
	Subsidized	0		
Project cost	$60 million			
Timing/Phasing	Approved, pre-selling			
	www.vantagetower.com			

Western Union, Saratoga, and Maritime Buildings

These three historic buildings are all being planned by local architect Marcel Wisznia. All three will contain rental units and take advantage of tax incentives for historic properties. There are significant differences in the unit composition of the buildings, however.

Western Union Building

The Western Union building is the smallest of the three, located on Carondelet Street. It lies in the heart of New Orleans' "financial district" – an area dominated by bank branches. Accordingly, the developer has already leased the 10,000 square foot ground-floor retail space to Omni Bank, who intends to create a larger presence in the region. All of the 33 units will be rented furnished at market rate prices. One distinguishing feature of this development is the work-live apartment: 3 units will contain home-offices with entrances separate from the main living area.

Project Name	Western Union Building		
Address	Carondelet Street and Gravier Street		
Development	Rental		
Unit Details		Qty	Price
	1BR	25	$2.50/sq ft per month, furnished
	2BR	8	$2.50/sq ft per month, furnished
	3BR	0	
	Studio	0	
Retail	Ground-floor; 10000 sq ft, leased by Omni Bank		
Target Market			
	Market Rate	33	
	Subsidized	0	
Financing	Historic Building credit		
Timing/Phasing	Under construction, complete by early 2007		
Other Comments:	3 2BR work-live units with separate door for home-office		

Saratoga Building

The largest of Mr. Wisznia's three current developments, the Saratoga Building is expected to provide needed housing for medical students and hospital staff working in the Tulane Avenue medical corridor. The development will feature an even mix of furnished and unfurnished units, and the pricing will be competitive. There will also be 2 retail spaces on the ground-floor totaling 8,500 square feet.

Project Name	Saratoga Building		
Address	212 Loyola Ave.		
Development	Rental		
Unit Details		Qty	Price
	1BR	116	$1.80-$2/sq ft per month
	2BR	39	$1.80-$2/sq ft per month
	3BR	0	
	Studio	0	
Retail	Ground-floor; 2 units totaling 8500 sq ft		
Parking	Skybridge to next-door parking garage		
Target Market			
	Market Rate	155	
	Subsidized	0	
Financing	Historic building		
Timing/Phasing	Construction from March 1, 2007-September 1, 2008		
Other Comments:	1/2 of units furnished; furnished units $.50/sq ft per month; Target market-medical students, hospital personnel		

Maritime Building

The Maritime Building is a mixed-use development located less than a block from the Western Union building. The $34 million project will be home to 112 apartment units, half of them furnished. It features retail space on the ground floor, partially leased by Hancock Bank, and two floors of office space. Mr. Wisznia and his partners concluded the act of sale for the building in mid-November.

Project Name	Maritime Building		
Address	800 Common Street		
Development	Mixed-use		
Current user	Latter & Blum Realtors		
Unit Details		Qty	Price
	1BR	81	$2/sq ft per month
	2BR	27	$2/sq ft per month
	3BR	0	
	PH	4	$2/sq ft per month
Retail	Ground-floor, partially leased by Hancock Bank		
Other	2nd and 3rd floor office space		
Parking	Working out lease arrangement		
Target Market			
	Market Rate	112	
	Subsidized	0	
Project cost	$34 million		
	Historic		
Timing/Phasing	Building sale just finalized		
Other Comments:	1/2 of units furnished; furnished units $.50/sq ft per month		

The IceHouse Residences and Nine 27

HRI Properties, Inc. has two major Warehouse District developments planned. These projects would both be located in close proximity to HRI's successful Cotton Mill condominium complex. Accordingly, the 3 developments would share resources, including parking. The IceHouse Residences is a mixed-use project containing apartments, condominiums, and retail. Nine 27 is a mixed-income apartment development with 20% of total units designated for low-income, subsidized rental.

Project Name	IceHouse Residences			
Address	Poeyfarre and Constance			
Development	Mixed Rental and Condo			
Unit Details		Qty	Price	Sq Ft
	Apartments	221	$900-$1700/month	
	Condos	105	$325/sq ft	770-1,250
Retail	Yes			
Parking	Shared garage with Cottonmill			
Target Market				
	Market Rate	80%		
	Subsidized	20%		
Project cost	$60 million			
	Low-income tax credits			
Timing/Phasing	Zoning Hearing on 11/28			

Project Name	Nine 27		
Address	1026 Constance Street		
Development	Rental		
Unit Details		Qty	Price
	1BR	52	$1.80/sq ft per month
	2BR	20	$1.80/sq ft per month
	3BR	0	
	Studio	4	$1.80/sq ft per month
Target Market			
	Market Rate	80%	
	Subsidized	20%	
Financing			
	CDBG		
	Low-income		
Timing/Phasing	Construction June 2007-October 2008		
Other comments:	Pending award of CDBG and low-income grants in mid-December		

Tracage

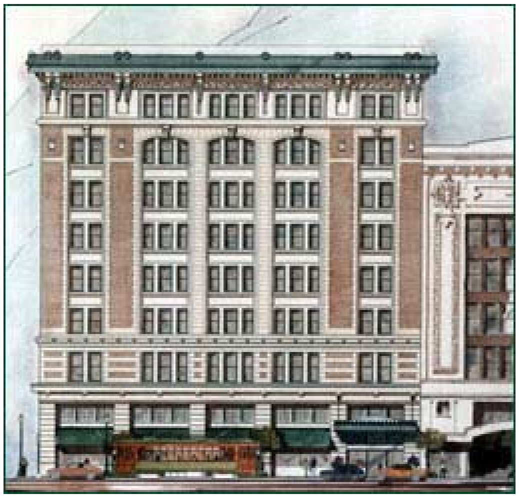
Tracage is a 23-story new construction development in the Warehouse District. It will offer high-end condominiums and retail. The building itself will be modern design, touting floor-to-ceiling windows with views of New Orleans' skyline. Tracage is sixty-five percent pre-sold, and construction is slated to begin early next year.

Project Name	Tracage		
Address	1100 Annunciation		
Development	Condominiums		
Unit Details		Qty	Price
	1BR	60	$400-500/sq ft
	2BR	60	$400-500/sq ft
	3BR	0	
	Studio	5	$400-500/sq ft
	PH	5+	$600-700/sq ft
Retail	Ground-floor		
Parking	169 spaces		
Target Market			
	Market Rate	130+	
	Subsidized	0	
Project cost	$50 million		
Timing/Phasing	November 30 demo, early 2009 occupation, 65% sold		
	www.tracageliving.com		

Audubon Condominiums

The Audubon Condominiums are situated right next door to the yet-to-reopen Ritz-Carlton hotel in the heart of Canal Street. The building conversion is complete, and currently, the residences are ready for move-in. The marketing of this building has focused on its historic charm and "old New Orleans" appeal.

Project Name	Audubon Condominiums			
Address	931 Canal Street			
Development	Condominiums			
Unit Details		Qty	Price	Sq Ft
	1BR	34	$400-500/sq ft	700
	2BR	63	$400-500/sq ft	900-1,100
	3BR	0		
	Studio	0		
	PH	5	$400-500/sq ft	1600
Target Market				
	Market Rate	102		
	Subsidized	0		
Project cost	$37 million			
	www.auduboncondos.com			



925 Common

925 Common is a project that was completed in 2006 and is ready for move-in. The building offers luxury apartments and corporate rentals. In addition, this development has substantial retail space and parking.

Project Name	925 Common			
Address	925 Common Street			
Development	Rental			
Unit Details		Qty	Price	Sq Ft
	1BR	61	$3/sq ft per month, furnished	724-1092
	2BR	41	$3/sq ft per month, furnished	1066-1250
	3BR	0		
	Studio	0		
	PH	6	$3/sq ft per month, furnished	
Retail	Ground-floor 11,500 sq ft			
Parking	200 spaces			
Target Market				
	Market Rate 108			
	Subsidized 0			
Financing	Historic building credits			
Timing/Phasing	Completed August 2006			
	www.925common.com			

Falstaff Apartments

The long-vacant Falstaff Brewery building has been the subject of many rehabilitation and development projects in recent years. The most recent is a plan to convert the building into mixed-income apartments with a second phase including significant retail development in an area that is in great need of revitalization. The main hold-up for this project seemed to be the lack of adequate parking, but that hurdle was cleared when the CPC recently agreed to allow the developers to provide only 142 parking spots for the 156 units.

Project Name	Falstaff Apartments		
Address	2600 Gravier Street		
Development	Rental		
Unit Details		Qty	Price
	Apartments	156	Mixed-income
Retail	2nd Phase retail complex at S. Dorgenois and Perdido		
Parking	142 spaces		
Target Market			
	Market Rate	Yes	
	Subsidized	Yes	
Financing			
	Historic		
	Federal HOME grant program		
	Other		
Timing/Phasing	Phase 1 approved by CPC		

Lafitte Housing Redevelopment

The Lafitte Housing Project in the Treme neighborhood was one of the few public housing complexes to survive the hurricane with minimal damage. Nonetheless, HUD has announced plans to redevelop four existing complexes including Lafitte. The project will be coordinated by Providence Housing, Enterprise, and HANO. HUD has also stated that it will insure that all 897 former residents of Lafitte have the right to come back to the neighborhood by touting a one-for-one replacement of the former units. This project is one of the most notable examples of the type of public-private partnerships that have become much more common since Katrina. In addition to the redevelopment of the existing units, plans call for up to an additional 600 affordable homes to be built in the surrounding area. Also notable is the recently approved Lafitte Greenway Project aimed at providing a pedestrian and bicycle friendly corridor along Lafitte Street. In addition, the LIFT studio project could potentially add an economic engine to a neighborhood that has been the focus of many planners since the hurricane.

Project Name	Lafitte Redevelopment		
Address	Area bounded by Lafitte, Orleans, Claiborne, and Rocheblave		
Development	Apartments and new-construction affordable homes		
Unit Details		Qty	Price
	Apartments	900	Mixed-income
	Homes	600	Affordable
Target Market			
	Market Rate	600	
	Subsidized	900	
Financing	HUD		
Timing/Phasing	Planning		
Other Comments:	Partnership between Enterprise, Providence, and HANO		

210 Baronne

This project involves the conversion of 5 floors of a historic building on Baronne Street in the CBD to condominiums. The lower part of the building will continue to house offices.

Project Name	210 Baronne	
Address	210 Baronne Street	
Development	Condominiums	
Unit Details		
	12th-17th floors for condos	
	Lower part of building commercial	
	Average cost: $350,000-$400,000	
Target Market		
	Market Rate	All
	Subsidized	0

200 Carondelet

200 Carondelet is a rehab of an historic building. The plan is to convert the 23-story former American Bank building into 202 market-rate condominiums. The developers have applied for roughly 3.75 million dollars in historic building tax credits.

Project Name	200 Carondelet	
Address	200 Carondelet Street	
Development	Condominiums	
Target Market		
	Market Rate	202
	Subsidized	0
Project cost	$60 million	

Crescent City Residences

The Plaza Tower on Howard Avenue is the location for the Giannasca Group's proposed 197 unit condominium conversion, Crescent City Residences. These condominiums will be priced competitively, and this development will offer some of the largest one-bedroom and two-bedroom units anywhere. In addition to the residential units, Crescent City Tower will offer ample parking and considerable retail space. The current projected move-in date is Fall 2008.

Project Name	Plaza Tower-Crescent City Residences		
Address	1001 Howard Ave.		
Development	Condominiums		
Unit Details		Price	Sq Ft
	1BR	$299,000+	700-1,900
	2BR	$439,000+	1,040-2,580
	3BR		2,015
	Studio		3,580
	PH	$2 million +	3,885-4,220
Retail	Yes		
Parking	Yes		
Target Market			
	Market Rate	197	
	Subsidized	0	
Project cost:	$120 million		
Timing/Phasing	Renovation complete by Fall 2008		
Other Comments:	www.crescentcitytowers.com		

Algiers Riverfront Development

Blaine Kern, of Mardi Gras float fame, is behind this proposal to develop the riverfront section in Algiers into housing and retail area, with future plans for a hotel. The total number of apartments planned is 1,500, although only 359 are approved as part of Phase One. There are two potential setbacks for the project. First, the residents of Algiers are generally opposed to the height of the development. Second, there is a potential conflict with the Army Corps of Engineers over Phase Two of the project due to some concerns over the status of the Algiers river levee.

Project Name	Algiers Riverfront Development
Location	Brooklyn b/t Opelousas and Homer, Algiers
	New construction apartments and retail
Unit Details	1,523 total apartments
	359 Phase 1 apartments
Project cost	$50-60 million
Construction period	end 2006-December 2008

Nouveau Carre

Nouveau Carre is developer Tom Bauer's proposed condominium complex bordering Armstrong Park. Mr. Bauer has not released specific information about his development. All that is known about this project is that Bauer says he intends to have 900 condominiums and 2,500 parking spaces, along with retail space. Based on this scale, one could expect a sizable mixed-use development should this project be built.

Project Name	Nouveau Carre
Address	Area bounded by Lafitte, St. Louis, I-10, and Basin Street
Development	Condominiums
Development Specifics	
	900 market-rate condominiums
	2,500 parking spaces
	Retail space

Woolworth Building

The Woolworth project has been proposed at 316 feet tall, which has met vigorous resistance among local French Quarter residents. The project would house 16,000 square feet of retail in addition to the 287 condominiums. The condos are forecast to be listed above market rate.

Project Name	Woolworth Building
Address	Canal and Rampart Street
Development	Condominiums
Development Specifics	
	16,000 sq ft retail
	287 condominiums
	830-1,110 sq ft/unit
	average cost=$530/sq ft
Project cost:	$110 million

Krauss Building

The Krauss building renovation and conversion would include 108 apartment units and 121 condominiums. The apartments would be located in the front of the building along Canal Street as only the façade of the building has been deemed historic and eligible for historic building tax credits. As with the other historic building apartment projects, these units could be converted to condominiums after five years.

Project Name	Krauss Building
Address	1201 Canal Street
Development	Apartments/Condos
Development Specifics:	
	108 apartments, 121 condominiums
	1 BR, 2 BR, PH units
	600-1,000+ sq ft/unit
	$1.75-$1.95/sq ft per month for apartments
	Market-rate condominiums
Financing:	Historic tax credits
Timing:	1/07 break ground
	www.1201canal.com

930 Poydras

930 Poydras is a proposed 37-story new construction apartment building near the LL &E Building. The complex will contain 251 market-rate apartments, along with 509 parking spaces and 6000 square feet of ground-floor retail space. The project will utilize a number of financing incentives including GO Zone bonds and New Market Tax Credits. Capital One Bank has agreed to buy the credits and sell the bonds, contingent on December 2006 approval of the project for the GO Zone bonds. If everything goes according to plan, construction should start in May 2007 and last for 18 months.

Project Name	930 Poydras
Address	930 Poydras Street
Development	Apartments
Development Specifics:	
	37 Stories
	251 apartments
	135 1BR units (3 different floorplans)
	116 2BR units (4 floorplans)
	Avg. Sq. Footage: 814
	Average Rent: $1.84/SqFt
	509 parking spaces
	6000 SqFt ground-floor retail
Project cost:	$64 million
Financing:	$55 million GO Zone Bonds
	New Market Tax Credits
	Loan commitment from bank
Timing:	Construction 5/07-12/08