

# ***NEW ORLEANS MEDICAL DISTRICT ECONOMIC DEVELOPMENT STRATEGY***

Issue Paper:  
Development Strategy

December 5, 2006

Eva Klein & Associates, Ltd.  
*Strategies for the Global Knowledge Economy*

Issue Paper Co-Authors:  
William C. Morlok  
Ronald C. Kysiak  
Ivan Miestchovich, PhD

**NEW ORLEANS MEDICAL DISTRICT  
ECONOMIC DEVELOPMENT STRATEGY**

Issue Paper: Development Strategy

December 5, 2006

**CONTENTS**

<b>Introduction</b> .....	<b>1</b>
<b>Development Strategy Overview</b> .....	<b>2</b>
<i>Vision: A Comprehensive Mixed-Use Urban Medical District</i> .....	2
<i>The Medical District and Canal Street</i> .....	2
<i>BiInnovation Center and Iberville</i> .....	3
<i>Necessity of Collaboration Across Organizations</i> .....	4
<b>Improving the Place (Development of a Community)</b> .....	<b>5</b>
<i>The Physical Environment Challenge</i> .....	5
What is Needed for Private-Sector Development?.....	5
Studies Available or Underway.....	6
<i>The Medical District “Place”</i> .....	9
Urban Design Issues.....	9
Iberville and Additional Housing.....	10
Initial Proposed Urban Design Concept.....	10
<b>The Medical District as a “Development District”</b> .....	<b>12</b>
<i>How Others Have Done It</i> .....	12
<i>New Orleans Downtown Development District</i> .....	12
<b>The Initial Priority Projects</b> .....	<b>13</b>
<i>District Improvements—Complexities of Prioritization</i> .....	13
<i>Projects of the Institutions</i> .....	13
<i>Proposed Priority Projects</i> .....	13
1. Renovate an Existing Building for Immediate Use.....	14
2. Start Development of the BiInnovation Center Immediately.....	14
3. Actively Partner to Transform the Iberville Community.....	15
4. Initiate Priority Streetscape Improvements.....	15
5. Consolidate Land for Development.....	16
6. Join Forces in Support of Efforts to Replace and Consolidate the University and VA Hospitals in the Medical District 16	16
<b>Financing Strategies</b> .....	<b>17</b>
<i>Financing the Physical Improvements</i> .....	17
Capital Needs.....	17
Financial Tools and Resources.....	17
<b>Going Forward—Action Strategies</b> .....	<b>18</b>
<b>Exhibit 1—Financing Mechanisms</b> .....	<b>19</b>
<i>Bond Financing</i> .....	19
<i>Federal Grant Programs</i> .....	20
<i>State Infrastructure and Major Project Funding</i> .....	21
<i>Local Infrastructure Grant/Loan Programs</i> .....	21
<i>Real Estate Project Financing: Private Sector</i> .....	22

**NEW ORLEANS MEDICAL DISTRICT  
ECONOMIC DEVELOPMENT STRATEGY**

Issue Paper: Development Strategy

December 5, 2006

**INTRODUCTION**

---

This is an interim *Issue Paper*, prepared as a means to consolidate background material for a Workshop discussion on Development Strategy for New Orleans Medical District, scheduled for December 7, 2006. The topics for the Workshop and for this *Issue Paper* are:

- Development Strategy Overview
- Improving the Place (Development of a Community)
- The Initial Priority Projects
- Financing Strategies

*Innovation System* and *Market Strategy/Marketing Plan* are provided in separate, companion *Issue Papers*.

While this *Issue Paper* contains some comments on the subject of development districts, this is also a question of governance and thus will be addressed in a next round of work and another workshop. Financing strategy information is general for now and can only be developed with some greater specificity if/as the stakeholders commit to specific projects.

---

**DEVELOPMENT STRATEGY OVERVIEW**


---

***VISION: A COMPREHENSIVE MIXED-USE URBAN MEDICAL DISTRICT***

Development of the Medical District is a task akin to eating the proverbial elephant. It will have to be accomplished in bite sizes that are readily digestible and in a way that engages a fairly large number of participants at the table. ***For any one group or interest to approach such a monumental task independently without strategic partners is a formula for serious indigestion and failure.*** The task of fully realizing the potential of a well defined medical complex focused on creating a huge mix of academic and clinical facilities, as well as private activity, including that based on biotech inventions and innovations was a formidable vision pre-Katrina. In a vastly-changed post-Katrina New Orleans, the challenges are even greater. However, so are the opportunities to work from a somewhat clean slate with a mix of new resources that can facilitate the effort and realize the full vision for the Medical District.

Interviews revealed that not all participants (via NOrMC) necessarily share the same view of what the Medical District is envisioned to be. Some lean in the direction of a collection of co-located medical institutions. Others are more interested in a more diverse set of uses that will create a non-institutional economic base and surrounding urban and community settings. Thus, the NOrMC partners need to begin by fully embracing a common mixed-use vision.

***THE MEDICAL DISTRICT AND CANAL STREET***

Next, the most clearly obvious strategic partnership is that which exists between the Medical District and Canal Street. Nowhere is the need for collaborative leverage more synergistic and symbiotic than between these two major efforts to revitalize and redevelop the New Orleans Downtown. Although these projects are working in parallel to one another, it is abundantly clear that there are significant points of intersection and overlap that dictate a more formalized joint venture effort to maximize the leverage that their combined assets, resources and opportunities present for coordinated design and marketing, and for attraction of investment and funding. These are not isolated initiatives and thus should not be treated as such. They both, when completed, will refocus the image of Downtown New Orleans for many generations into the future. ***Getting it right*** demands seamless collaboration built on trust and mutual interest. Competition, in-fighting and parochialism will not achieve success. A joint effort encompassing these two major initiatives presents a formidable unified front to which funding sources and legislative interests will have great difficulty saying “No” or “Wait.” At this point, neither response is acceptable for either initiative. In post-Katrina New Orleans, time is becoming the enemy. The longer it takes to show significant progress the greater the chance that recovery will take even longer and be even more painful and costly than it already is and has been.

Time works against both the Medical District and Canal Street initiatives in many ways. It discourages both public and private investment and commitment because time creates more risk and uncertainty. Time also plays havoc with restoration of workforces that are crucial to the rebirth and redevelopment of the downtown at large but particularly Canal Street and the Medical District. The post-Katrina exodus of people from the City, many of whom may never return, has left gaping holes of unfilled positions across the spectrum of jobs directly impacting the successful development of the Medical District and executing the Canal Street Vision for redevelopment. Of

course, the shortage of adequate housing has played a significant role in this process. However, workers at all levels need to be assured of long term job stability once they decide to return. Increasingly, the frustration of those still dispersed is expressed by a reluctance to return without a commitment to a better future than the one they had on August 28, 2005. Many of these displaced New Orleans people have seen and experienced the benefits of living in communities with vibrant economies, good school systems and an attractive quality of life. The Medical District and Canal Street initiatives have the potential of being the driving forces in the City to bring these kinds of assurances not just to the displaced but also for those seeking new opportunities in an exciting yet challenging economic and community recovery.

Collaboration efforts are needed to secure funding in an expedited manner and should build on a strategic foundation that redefines the Downtown as the core of basic or export sectors for the entire New Orleans region. And it should do so on the basis of defining the Medical District and Canal Street together as the engines that export not manufactured or physical products, but knowledge (intellectual property), entertainment, culture, talent and specialty shopping experiences that are available nowhere else in the region. And, the collaboration should not be timid or reticent to build such a case. The development and commercialization of intellectual property in the Medical District, for example, has national if not potentially global implications. Successful commercialization attracts capital that knows no territorial boundaries, creates high performance companies that pay high performance salaries and creates a critical mass to do more and more of the same. Additionally, this same critical mass provides a framework for hosting a wide range of professional events that attract well-healed visitors to the City.

Canal Street is the gateway for access to existing (French Quarter) and future (Basin Street) unique entertainment and cultural venues that attract visitors from around the globe. These clearly reflect an export of events, activities and places that visitors to New Orleans experience and consume. Accelerating the unfolding of the Canal Street Vision will go a long way in fueling this formidable engine of economic growth for the region and restore vitality to many small and large businesses whose survival is directly linked to it. Waiting and delays are not options for many of these enterprises.

Linking the interests and initiatives of the Medical District and Canal Street are vitally important to the recovery of both. There are over 19 acres in the Medical District that could be appropriate for development, and when combined with the 2.5 million to 3.0 million square feet of vacant or underutilized buildings along the Canal Street corridor, has the potential to reshape and reposition the entire downtown area including the Warehouse District, Lafayette Square, and the French Quarter. The need for significant financial and political support to execute successful redevelopment strategies should be obvious. Pursuing this support within a framework of collaboration and partnership should be equally as obvious.

### ***BIOINNOVATION CENTER AND IBERVILLE***

Although there are numerous points at which the Medical District and Canal Street intersect, two are particularly notable for obvious strategic reasons and where the model for collaboration can be tested and refined using two demonstration or anchor projects. One is the development of the BioInnovation Center. The other is the redevelopment of the Iberville Public Housing Community.



---

## IMPROVING THE PLACE (DEVELOPMENT OF A COMMUNITY)

---

### THE PHYSICAL ENVIRONMENT CHALLENGE

Clearly, access to capital, well trained workforce, potential for collaboration with investigators at universities, and a high overall quality of life are important factors for businesses deciding to stay or relocate. The quality of the built environment is also a factor, but often less important than the others. If all the others are right, the quality of the built environment can either “make” or “break” the deal.

The situation in the New Orleans Medical District is different post Katrina. The physical condition of the District is now such that it may make the other issues non-starters for out-of-town companies looking for space and may give reason to homegrown, local companies to move away to places with fewer negative issues to be resolved. (See recent news articles about MDS Pharma Services and Murphy Oil leaving New Orleans.)

Just as it is harder to recruit faculty because of the physical environment, it will be difficult to attract out-of-town companies or to retain local ones.

We are “selling uphill.”

### WHAT IS NEEDED FOR PRIVATE-SECTOR DEVELOPMENT?

Ultimately, the purpose of public investments in infrastructure and economic development improvements is to make a place attractive for private investment. Public money seeds and leverages market forces.

What would a private-sector developer want in order to consider investing in the District? A list of answers to this specific question may assist in establishing strategy, priority, and timing:

- The District needs to be cleaned up. It needs to show better.
- Streets represent the backbone of public space in an urban area. They need to be improved with plantings, signage, and lighting.
- The District needs to **be safe** and **feel safe**. (Note: These are two separate issues.) Street lighting and building lighting will help. Safety is enhanced when people are on the streets. There needs to be a strong authority presence, maybe a town watch.
- We would want to market an **urban experience** and on-grade parking not only uses too much land, but it also reduces the sense of urban space and scale. Structured parking is expensive, but there should be a unified approach throughout the District for structured parking. Perhaps a specific entity should be designated to plan, develop, and operate all parking in the District. Rapid transportation throughout the District should be coordinated with the inter-modal transportation happening on Canal Street.
- Once improvements are in place, they must be maintained and that maintenance must be enhanced over normal levels of city maintenance. The Development District should be activated to carry out this function (and others).
- Private capital sources must be confident in the long-term commitment to the District and its improvements. A private-sector developer may ask for a schedule of performance for certain improvements (perhaps with a take-out agreement). If the schedule for improvements is not reasonably met, the result could be withdrawal of the developer from the project.

*STUDIES AVAILABLE OR UNDERWAY*

Actually, there is an extensive body of data, analysis, and proposed development projects already completed and forthcoming. There are four principal studies, available or underway, that fully inform land use, urban character and design approach for the District. These are summarized here.

*THE 1992 COMPREHENSIVE PLAN AND 2002 UPDATE*

As part of the original 1992 Comprehensive Plan, a Master Facilities and Urban Design Plan was completed. This Plan provided a comprehensive built environment plan for NOrMC and included recommendations ranging from a big-picture overall urban design concept centered on two campus-like quads to recommendations on signage and landscaping. A significant traffic analysis was completed and a cost analysis for both buildings and infrastructure and landscaping improvements was provided on a block-by-block basis.

There were ten basic recommendations for the streetscape and urban context, many (but not all) of which still seem relevant today:

1. Establish NOrMC as an urban campus centered around two quadrangles with Gravier Street as a connector
2. Develop an elevated walkway system
3. Identify and design gateways to the District
4. Upgrade the area underneath I-10
5. Implement street improvements throughout the District
6. Establish graphic design standards for signage
7. Carry out transportation improvements in accordance with the traffic study, including a shuttle within the District
8. Implement activities that create a life and identity beyond the medical office hours
9. Create a new architectural vocabulary that can be fitted into the existing historic fabric
10. Respect and maintain the principal historic buildings in the District.

The Plan recommended a variety of elements to bring an image and comprehensive appearance to create a *sense of place*. Pedestrian amenities included:

1. Transit shelters
2. Information kiosks
3. Banners
4. Street trees with grates and guards
5. Bollards
6. Newspaper vending machines
7. Trash receptacles
8. Benches
9. Fountains
10. Brick sidewalks or better
11. Pedestrian-scale lighting
12. Pocket parks
13. Outdoor cafes
14. Graphics
15. Public art.

The 1993 Master Facilities and Urban Design Plan is referenced in the 2002 Update to the Comprehensive Plan. The 2002 Update includes a Plan showing underutilized and underdeveloped land that would be suitable for development, identifying land for medical services and commercial uses as well as residential uses. The Update comments that some projects have been implemented, but some have not, most notably the BioInnovation Center and the Cancer Center. It refers to the BioInnovation Center is *a centerpiece of the Medical District*.

Of course, both of these plans reflect the NORMC boundaries rather than the extended boundaries now created under GNOBEDD.

Although a variety of factors contributed to little implementation of the 1992 plan, it and the 2002 Update provide a comprehensive analysis and proposal for the basic framework of development of the Medical District. Much has changed in the intervening 15 years. Much remains the same. The 1993 NorMC Master Plan, an appendix to the 2002 Update, provides a guideline to the issues that must be addressed today.

#### ***THE CANAL STREET VISION AND DEVELOPMENT STRATEGY***

This document was completed for the Downtown Development District (DDD) in May 2004. It is a significant achievement and it is currently being executed on a variety of fronts:

- Economic activity (developer interest) on Canal Street is increasing.
- Street improvements are being constructed in the upper Canal sub-district, which is part of the Medical District.
- The street car is functioning and will soon expand service.

As Canal Street improves its look and increases its office, retail, and housing vibrancy, it will be of great advantage to the Medical District and should be recognized as one of the main front doors.

As a connector, Canal Street ties the District to the riverfront, the French Quarter, the Warehouse District, and the Convention Center. As a public transportation transfer place, it can bring housing, retail, and other amenities closer to the Medical District, relieving some pressures for these functions within the District itself.

Canal Street is divided into four sub-districts, starting with the Riverfront sub-district, then Lower Canal, then Rampart/Basin, then the Upper Canal sub-district. The Upper Canal sub-district runs from South Sarasota/Crozat Streets to Claiborne Street. The Iberville Housing Project forms a part of the Upper Canal sub-district to the north and the Medical District abuts Canal Street to the south.

Rather than isolating itself from Canal Street and the Iberville Housing Project, the Canal Street Vision document recommends that the Medical District locate activities on Canal Street to activate it, and further recommends that Iberville be revitalized and transformed from a public housing project serving low-income households to a new mixed use community.



The Unified New Orleans Plan (UNOP) is a citywide recovery plan for the City of New Orleans focused primarily on large-scale infrastructure projects of high priority that will serve as catalysts for jump-starting the community's long-range recovery. Once completed and approved, it will be presented to the Louisiana Recovery Authority (LRA) to guide the investment of federal, state and private funds toward the strategic rebuilding of communities in Orleans Parish. Infrastructure improvements will cover a wide range of activities including:

1. The environment and coastal protection
2. Public health and healthcare
3. Housing and community development
4. Economic and workforce development
5. Public safety
6. Recreation and entertainment
7. Culture and heritage

The UNOP is being developed through a stratified process that begins at the neighborhood level with development of neighborhood level plans for recovery and redevelopment. These plans have been incorporated into District Level planning initiatives by teams of district planners. The City has been divided into 13 districts for planning purposes. The Medical District is included in District 1. A city-wide Planning Team is working with the District planners to identify projects and initiatives within the District plans that have citywide significance. These projects and initiatives will be presented for priority consideration as part of the final UNOP.

The district recovery team has assessed major issues and challenges facing this District. The consultants see the District as a fundamental economic engine for the City and region, particularly the focus on biosciences that has the potential of attracting affluent workers to live and work in the downtown area. Goody-Clancy also recognizes the crucial need to establish the development tools and financing sources to implement a full range of downtown redevelopment initiatives along with the Medical District, such as the Canal Street Vision, the redevelopment of the Iberville and creation of the Basin Street cultural and theatre district.

### *THE MEDICAL DISTRICT "PLACE"*

#### *URBAN DESIGN ISSUES*

Here are some observations for discussion.

#### *SECURITY*

Security is vital, and one key to security is to get more people on the street. The Canal Street Vision Report suggests more "authority figures" and a town watch organization. Additional street lighting as well as decorative building lighting would be helpful. Way-finding signage and upgraded building facades are important. Both real safety and the perception of safety matter. Prior studies have been completed recommending specific treatment for the Claiborne/I10 overpass, including using this as a bus transfer location or some alternative activity that will improve safety.

#### *CONVENIENT AND SECURE PARKING*

Parking within the Medical District is important to success. There will be a detailed analysis completed on traffic and transportation; however, it seems clear that increased

street cars and other forms of public transportation will help the situation. It would be a great advantage to provide a district-wide parking solution rather than leaving it to each individual developer.

#### ***STREETSCAPE***

Streetscape is central to an attractive urban experience and the streets themselves become the basic “public space.” In addition to way-finding signage and lighting as security measures, properly scaled trees and landscaping should be installed along with consistent sidewalk materials and curbing.

#### ***DESIGN AND USE GUIDELINES***

Design and use guidelines are often implemented in districts. Whether or not these should be developed and how they should be implemented with the Medical District are important decisions.

#### ***IBERVILLE AND ADDITIONAL HOUSING***

Housing, including the Iberville neighborhood, will be important factors in the creation of a vital urban environment. Transformation of Iberville into a mixed use and mixed income community is central to addressing this issue, and the Canal Street Vision document provides a specific direction and initial design sketches for doing just that. This mixed income strategy that would accommodate both the high-end residential needs of District professionals as well as the needs of nursing assistants, teachers, police and firemen and other critical workers needed by the District’s institutions in order to grow and ultimately create a new economic base should be extended through out the District.

Private developers can be induced to build market rate housing (condos/town homes, etc) close to or within the District itself if it is physical and safety issues can be addressed. Federal, State, and local funding will be needed to create more affordable housing options.

#### ***INITIAL PROPOSED URBAN DESIGN CONCEPT***

Here are some observations proposed for discussion with NY & Associates:

#### ***HONESTLY AND BOLDLY URBAN***

The Medical District should enthusiastically present itself as an urban area, one that is active and vital and enlivened by the institutions that are located there. Philadelphia’s ***University City***, comprised principally of the University of Pennsylvania, Drexel University, the University of Pennsylvania Medical Center, Children’s Hospital, Children’s Seashore House, and the University City Science Center, exemplifies such a model. (It should be noted that the University City Science Center development along the northern border of Penn’s campus, began originally as a 1960s-era ***urban renewal*** project and that it took many decades for the current high-energy UCSC environment—together with major institutional expansion—to change this part of West Philadelphia.)

The urban concept drives densities and uses, and the location of density and use, and this must be planned for carefully. In order to be a functioning urban place, there needs to be mixed-use, residential, commercial/retail, and civic functions present as well as the medical centers and other business activities. A 24-hour population created through housing is central to driving retail and other urban functions. The trick will be to create enough mixed income residents both in Iberville and in the District to strengthen and secure the neighborhood as well as increase residential density so as to drive more retail development.

Certain areas within the district should be reserved for institutional use and institutional expansion. Other areas might be reserved for retail and other community-type functions. Intersections of streets are important to reserve for “mixed-use” type functions and as places to establish building scale.

Perhaps there should be a sub-transportation system specifically for the District that ties the institutions and other important elements together. We understand that there is currently thought of extending a streetcar line down Loyola Avenue which may tie into and help form the basis of this system. A small shuttle system serving the Loyola Avenue streetcar stops and circling the District should be investigated. There is such a system in place at Georgia Tech in Atlanta where a shuttle drives throughout the urban campus, stopping at designated stops and then returns to the Metropolitan Atlanta Transportation Agency light rail station with direct connections to the Atlanta Hartsfield-Jackson International Airport.

***CONNECTING WITH DESIGN ELEMENTS FOR CANAL STREET***

Sometimes, different neighborhoods or districts in an urban area distinguish themselves as a special place by contrasting the urban design and amenities of that neighborhood with other ones. This may be a direction for the Medical District; however, here, it might be better to coordinate the District’s urban design with that of Canal Street.

The Canal Street Vision document includes a chapter on the Medical District’s relationship to Canal Street and states that ***“the Medical Center’s growth and presence on Canal Street is critical to the success of Canal Street’s revitalization.”*** It seems to us that the same can be said in reverse—the revitalization of Canal Street is crucial to the success of the Medical District. In addition, the Rampart/Basin sub-district of Canal Street forms an edge of the Medical District so improvements there will also have significant positive impact on the Medical District.

The Canal Street document provides a fully conceived ***design vision*** for Canal Street. The NY & Associates report will provide a similarly detailed design vision for the Medical District. This vision, in addition to design and infrastructure, will reflect realistic market information and the desires and expectations of the principals. A good outcome here would be to begin to define these design parameters for discussion with NY & Associates in a way that coordinates with Canal Street design.

First, the Canal Street vision is well thought out and is being executed. While the design elements cannot and should not be duplicated in the Medical District due to the scale of the streets (which require smaller scale plantings and lighting), and the use of the District (presumably fewer tourists and more residents and workers), perhaps the Medical District’s design should be consistent with Canal Street because, overall, this will have more impact with potential tenants. As the Canal Street improvements continue and Medical District improvements begin, they will cover a greater area. Each can take more advantage of the other’s improvements.

Second, Canal Street forms an important opportunity for the District. It should be viewed as one of the principal entrances to the District. The multi-modal transportation transfer function at Canal Street can connect the Medical District to the other amenities in the city as well as impacting the need for parking.

---

**THE MEDICAL DISTRICT AS A “DEVELOPMENT DISTRICT”**


---

**HOW OTHERS HAVE DONE IT**

**Development districts** that carry out capital improvements and manage quality of life issues in specific neighborhoods have become common in large and small cities alike. They are variously called Business Improvement Districts (BIDs), Special Service Districts (SSDs), Public Improvement Districts (PIDs), Business Improvement Areas (BIAs), and (our personal favorite) Local Improvement Districts (LIDs).

Like New Orleans’ Downtown Development District (DDD), these special districts are almost always funded by mandatory assessments on properties within the District and with public sector and city grants. West Philadelphia’s “University City District” is funded by voluntary contributions. This district is part of the University of Pennsylvania’s long-term and ongoing activities to improve the quality of life in University City. And there is a district in Detroit that is funded by voluntary contributions, largely from the Henry Ford Health System. It may make more sense to consider a voluntary District, funded mostly by the two Health Sciences Centers, since an increased property tax assessment on so little taxable land would probably not be sufficient to support the level of improvements needed. In addition, we understand that there is a tacit agreement with the City of New Orleans not to impose another real estate tax within the District.

Massachusetts has established a district improvement financing program (DIF, we presume), a new economic development tool that provides cities with a means to fund infrastructure improvements to attract business growth and housing development. DIF allows cities to fund capital improvements using bond financing that are funded by future real estate tax increases (similar to tax increment financing strategies).

Alabama has formed special improvement districts, capital cooperative districts, business improvement districts, and tax increment districts for similar purposes.

Philadelphia’s Center City District is a business improvement district supported by mandatory assessments on real estate and is governed by a private-sector board. The district was founded in 1990 and is extremely successful. In fact, many in Center City believe that the improvements and quality of life management carried out by the District have been central to the rebirth of downtown Philadelphia.

**NEW ORLEANS DOWNTOWN DEVELOPMENT DISTRICT**

New Orleans Medical District is not alone in seeking to take advantage of business improvement and special services districts in order to better promote economic development. In fact, the New Orleans Downtown Development District was established in 1974 as the country’s first assessment-based business improvement district and a city referendum in 2001 extended the DDD’s lifespan through year 2030. This referendum clearly endorses the DDD’s mission to ***“develop and sustain a vibrant downtown New Orleans in which to live, work and play by ensuring that downtown is clean and safe, and by acting as a catalyst for economic development.”***

A brief review of similar districts on the internet confirms that New Orleans’ DDD is among the “best practices” leaders. Note also that the act establishing the Greater New Orleans Biosciences and Economic Development District (GNOBEDD) includes similar purposes and powers as the DDD.

---

*THE INITIAL PRIORITY PROJECTS*

---

*DISTRICT IMPROVEMENTS—COMPLEXITIES OF PRIORITIZATION*

Clearly, it is not possible to implement infrastructure and streetscape improvements throughout the entire District all at once. It should be decided which improvements receive highest priority and which areas should be started first.

Perhaps, street improvements should begin at the Canal Street gateway into the Medical District, at the BioInnovation Center site, and extend into the District to form a continuity of experience. The Loyola Avenue gateway also might be considered a priority. Perhaps areas around LSU and Tulane, and to connect Tulane and LSU should be an initial priority, then, areas around Xavier should be undertaken. Finally, improvements to connect Xavier to the LSU/Tulane district should be carried out. Improvements to the gateways at Claiborne and Poydras also might be considered. Specific streets should be targeted as priorities.

Lighting that focuses light on sidewalks (not only streets), signage and other safety features that also improve the physical look and feel of the place should be undertaken first.

Safe, convenient parking in structured garages may be extremely important, not only to “sell” convenience and safety but also because it will potentially make additional sites available for development. A number of dense urban areas have built publicly developed parking structures with first floor convenience retail, in order to solve parking needs without creating dead, non-peopled sidewalks.

All manner of streetscape and infrastructure repairs and improvements are needed.

As soon as the BioInnovation Center is full, additional multi-tenant buildings will be needed in order to not lose momentum.

Housing, retail, and hospitality projects are needed.

*PROJECTS OF THE INSTITUTIONS*

One of the complexities involved in creating a multi-function medical district with academic, clinical, private, and community mixed uses is that some of the projects and improvements are specific to the institutions and in their control while others are district-wide improvements that provide general quality of place or community resources such as housing. This duality appears to confound the NOOrMC dialogue at times.

Many institutional projects are currently envisioned by Tulane, LSU, and Xavier. These range from replacement of Charity Hospital (University Hospital) and VA Hospital to renovations and change of use of existing buildings; new smaller clinical facilities; new research space, private physician facilities, and parking garages.

How to carve up the “proverbial elephant?” “Thinking big” and “getting it done” require a start somewhere.

*PROPOSED PRIORITY PROJECTS*

Following is a list of six initial priority projects—primarily for Medical District improvements, but also including the hospital development by LSU and VA:

### **1. RENOVATE AN EXISTING BUILDING FOR IMMEDIATE USE**

Creating an **identifiable medical district facility** quickly has several potential advantages.

It will give a **place** to the biomedical strategy, and provide evidence that something real and concrete is happening. Initial use might include a location for NOOrMC meetings and increasing NOOrMC activities. This new place can augment the events and virtual incubator functions and events currently being carried out by the BioInnovation Center, as well as any temporary space the Center might acquire. The facility can form a part of the business retention strategy by providing a venue for activities focused on entrepreneurs and biomedical-based companies currently in New Orleans.

An immediate facility will help brand the Medical District by bringing people to the District for activities and will help to energize it.

Perhaps most importantly, there would be space for rent while the BioInnovation Center is under development. We would not envision this initial facility as a wet laboratory setting, but rather as a less costly, less time consuming renovation of some existing building or space for office and computing use. (Access to the LONI network would be an advantage.)

It should be determined if tenants needing wet lab space might locate office functions here, and share or use laboratory space at LSU or Tulane on a short term basis, subject to a pre-lease commitment to lease space in the BioInnovation Center. In addition, some tenants may never need wet laboratory space, or might benefit from use of such space on a contract basis only. This type of tenant might occupy space in this initial facility on a longer term basis.

Finally, although a formal marketing program is not yet underway, all members of the Medical District community are constantly in the marketplace, and may be able to more readily identify leads if it is known that there is space ready and available for occupancy.

Of course, a building must be identified for this purpose. In addition, a source of immediate funding must be identified. It does seem clear to us that a small, renovated building, available quickly, would have significant marketing—and leasing—and identity building advantages.

### **2. START DEVELOPMENT OF THE BIOINNOVATION CENTER IMMEDIATELY**

There is a post-Katrina funding gap for this project, but the BioInnovation Center believes it is highly possible that the State will approve the needed additional funding of \$17 million in mid-March, 2007. If, by April 1, 2007, these additional funds are not approved, there must be sufficient funds in place now to develop a scaled-back project with expansion capability. This might be achieved by deferring portions of the tenant improvement program or by reducing the size of the building while carefully planning how to add to it in the future. Design might proceed now, assuming the project will be built in two phases, and, if the additional funding becomes available, as is hoped, the phases can be combined into one single, initial phase.

The BioInnovation Center is a critical component for success in several fronts. The obvious and direct importance of this project is to provide the cGMP facility, and wet lab space for new companies to incubate. It can also, through the cGMP facility, demonstrate an important collaborative initiative within the District. And, since collaboration is vitally important to the success of the Medical District, what better way to set the tone for projects that will follow?

There are also indirect, but equally important potentials. The BioInnovation Center is sited at the signature entrance to the Medical District from Canal Street, the “country’s Main Street.” It is located on a key parcel that will announce the visitor’s entry to the Medical District, while serving as a transition and re-entry point to shopping, restaurants, hotels, conference facilities and entertainment on the middle and lower portions of Canal Street. A vibrant and successful Medical District will attract thousands of visitors for a wide range of reasons and most will, after their work is done, find their way to entertainment and leisure activities in the French Quarter and elsewhere. Many, if not most, will stay in one of the many luxury hotels along Canal Street or in the French Quarter. Many, if not most, will each represent a significant unit of purchasing power during their visit to New Orleans. And most, if past trends and preferences are any indication, will return to New Orleans one or more times for business or pleasure. Getting the BioInnovation Center fast-tracked is critical to the Medical District, and important to the economic rebirth of Canal Street’s Upper Subdistrict, and the entire downtown.

Finally, the BioInnovation Center, due to its very location, can help induce the conversion of Iberville to a mixed-use, mixed-income community. Because of the many workforce and quality of life linkages, the Medical District has “standing” in the overall Iberville discussion.

### ***3. ACTIVELY PARTNER TO TRANSFORM THE IBERVILLE COMMUNITY***

Redevelopment of the Iberville housing community is crucial to both the Medical District and Canal Street initiatives on multiple fronts. First, its successful redevelopment will remove a blight and perceived security risk. This will have the immediate impact of improving quality of life for those who live and work in close proximity to the Iberville. And, it will make the BioInnovation Center far more attractive as an office location.

Second, and probably more importantly, Iberville’s redevelopment presents the opportunity to create a signature example of mixed-income housing in the US that directly reflects the range of workforce needs of both the Medical District and Canal Street. Iberville’s new mix of housing could mirror the economic profile of workers ranging from professionals to hourly service workers whose places of employment would all be within walking distance or a very short shuttle ride.

The Medical District must be a proactive voice in this project. Somehow, the redevelopment of Iberville should be moved to HUD’s front burner. Aside from placing a significant housing asset back into commerce at a strategic location, this also has the opportunity for loosening the purse strings on other HUD funding sources for both housing and non-housing related needs of both the Medical District and Canal Street. The most obvious source includes CBDG funding processes through non-LRA competitive grants. This requires a clear commitment from the City as conduit for the CBDG funding for infrastructure and related improvements. A combined effort of the leadership of the Medical District and Canal Street would make it more difficult for the City Administration and Council to say “no” or “wait.”

### ***4. INITIATE PRIORITY STREETScape IMPROVEMENTS***

Tulane is planning new street lighting around its Emergency Room, and LSU and others are probably planning other streetscape improvements. The scope of all projects should be identified and it should be determined how to achieve a consistent design

theme for all of them so that the streetscape is coherent throughout the District. Early standards should be developed for lighting and signage.

Lighting and signage programs, along with general cleanup, should be initially undertaken around LSU, Tulane, and the BioInnovation Center. "Gateway" projects should be undertaken at Canal Street and possibly at Loyola Avenue. It is recognized that NY & Associates will make a comprehensive proposal later. They should recommend other, selected actions that will improve both safety and appearance.

#### ***5. CONSOLIDATE LAND FOR DEVELOPMENT***

Even though there are sites either available or underutilized in the District, consolidating buildable sites in urban areas is a difficult and time consuming activity. Yet, land available for development is necessary in order to attract tenants and "close deals." The UNOP process has identified over 19 acres of soft sites in the Medical District (vacant surface lots or vacant buildings better suited for demolition). This represents a significant asset that if properly assembled and developed could provide significant potential development opportunity for the District. An analysis to target land consolidation areas and a strategy and funding source for control and development of the land should begin now.

#### ***6. JOIN FORCES IN SUPPORT OF EFFORTS TO REPLACE AND CONSOLIDATE THE UNIVERSITY AND VA HOSPITALS IN THE MEDICAL DISTRICT***

Everyone agrees that re-birth of University Hospital as a major acute care teaching hospital and the new VA Hospital are vital to the recovery of the Medical District, and by extension to the entire downtown area of New Orleans.

The concept of building a complex to include the two hospitals is an exciting one. However, consolidating sufficient land to locate University Hospital and the VA in a single complex appears to be a significant timing problem. Any existing differences of opinion as to how these essential clinical facilities should happen must be resolved so that a firm and unified strategy can be articulated and implemented.

The immediate need is to find common ground and move forward. And while this is primarily a project of LSU and the VA, it seems important that each and every entity involved with the Medical District, Canal Street, and Downtown needs to lend support toward mission accomplishment.

Perhaps the Medical District should engage the Governor, select members of the state's Congressional delegation, select state legislators, and prominent members of the business and medical communities to lobby decision makers to ensure these two projects happen in the District.

Yesterday would not be too soon to announce these projects. Failing to do so for an extended time only further postpones the delivery of the right messages to those whose investment decisions in the Medical District hinge on redevelopment of both University Hospital and the VA Hospital.

---

**FINANCING STRATEGIES**


---

**FINANCING THE PHYSICAL IMPROVEMENTS**

Financing or capital needs and a range of possible funding sources or strategies that could realistically be approached or appropriated to meet the particular need are addressed here in broad categories. In many cases, the fundamental need is to fund financing gaps left open by the inability of the private sector to entirely fulfill a need. In others it is the need to provide infrastructure improvement that is largely, if not exclusively, the purview and responsibility of the public sector to fund. This infrastructure provides the framework and evidence of commitment required by private sector interests whose financing will be purely market-driven in its availability and pricing.

**CAPITAL NEEDS**

Much of the financial capital needed to fund successful development of the Medical District is not much different in type than what one would expect to find in a major real estate development. This would include, but not necessarily be limited to, financing for land acquisition, land development or infrastructure improvements, construction or interim financing. Each of these can be secured from one or more of a possible mix of sources from the public, private and non-profit sectors. Some of it will represent invested equity while the balance will be represented by some form of leverage or debt. The debt will be secured by the pledge of some asset or income stream or both. The assets pledged can be owned by either public or private entities or some partnership of both, while the secured revenue streams may be derived from dedicated property, sales or excise taxes or building space or ground rentals or some combination thereof. Additional, yet different financing, will be needed to finance the commercialization of new technologies and the creation, development and growth of new high performance businesses. This latter category of financing falls under the general heading of business capital. This was a primary focus of the Innovation Workshop and will not be revisited in this paper to any great extent.

Infrastructure financing in the case of the Medical District is primarily the responsibility of the public sector. This is particularly true for off-site improvements needed to provide the support framework for the construction of new building or renovation of existing structures. This would include but not necessarily be limited to:

- Street, sidewalk, curb improvements
- Sewer and water system improvements
- Street lighting
- Fiber optic and other E-infrastructure enhancements
- Public parking both surface and structures
- Signage and way finding
- Open space, public parks and gathering places
- Public transit

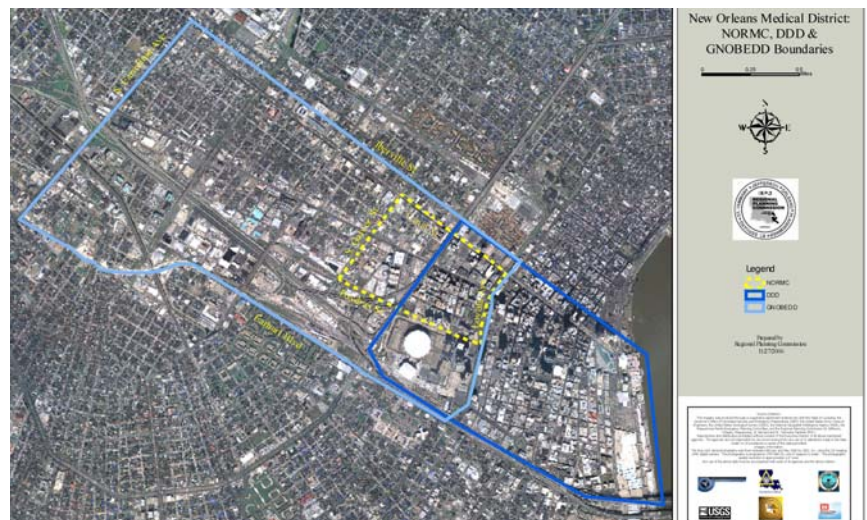
**FINANCIAL TOOLS AND RESOURCES**

Possible funding sources for one or more of the above types of improvements could include many sources. Some improvements could be funded individually or in some combination of two or more depending on the area targeted for development. Exhibit 1 provides a list and description of all the financing mechanisms and sources to consider.

**GOING FORWARD—ACTION STRATEGIES**

Following from the above, the action strategies for Development are as follows:

1. **Vision.** *Reaffirm common commitment to a common vision for a large-scale, mixed-use urban redevelopment centered in health sciences, health care, and biosciences, with a core node around LSUHSC and Tulane, but extending to the boundaries as defined in the GNOBEDD legislation—to which all participants lend their efforts*
2. **District Development.** *Pending further discussions of organization and management, continue to consider how the GNOBEDD powers can be activated for District development (and how that relates to NORMC), as well as what role the DDD might play in certain of the projects*
3. **Coordination with Canal Street and Iberville.** *Clarify the actual mechanisms or structure to be applied for achievement of ongoing and effective and permanent coordination among the Medical District, Canal Street, and Iberville projects*
4. **Design Guidelines.** *Instruct the Master Plan team to consider the Canal Street design elements in development of design guidelines for the Medical District*
5. **Use Guidelines.** *Consider whether use guidelines or restrictive use covenants are needed for the Medical District and, if yes, develop them in the course of the Master Plan work*
6. **Agreement on Priority Projects to Begin Now.** *Adopt the six priority projects (per above or modified)*
7. **Planning of Priority Projects.** *Develop program or details for priorities, e.g.:*
  - a. *The exact priorities for initial street improvements*
  - b. *Identification of a specific initial building and the renovations to rapidly make it available for initial leasing and District uses*
  - c. *Design for the BioInnovation Center (as two phase project—within available capital and with or without supplemental funding that may be provided by mid-March 2007)*
8. **Financing Plans for Priority Projects.** *Develop specific financing plans and initiate requests—for all priority projects.*



---

**EXHIBIT 1—FINANCING MECHANISMS**


---

**BOND FINANCING**

This would include but not necessarily limited to the following:

- **General Obligation Bonds** issued by the State, City or other entity with bonding authority. These bonds create a general obligation against the assets and revenue streams (primarily tax revenues) of the issuing entity. They are usually issued for periods of 10 to 20 years usually mirroring the useful life of the improvement their proceeds are being used to construct.
- **Revenue Bonds** are debt obligations issued by an authorized public or quasi-public entity to support specifically designated improvements. The repayment of the debt obligation is linked directly to a revenue stream generated either by the specify improvement (i.e. building rents) or a designated impact area (i.e. Business Improvement District (BID) or Tax Increment Financing (TIF) District). The life of these bonds is linked to the useful life of the improvements (10 to 20 years) and the likelihood of generating the revenues needed to service the debt. The amount of debt raised is directly related to the capitalized value of the revenue streams as determined by the bond underwriters.

There are several agencies authorized to issue revenue bonds in or near the Medical District. These include the Health Education Authority of Louisiana (HEAL), the Downtown Development District (DDD) and the New Orleans Industrial Development Board (NOIDB). Each of these agencies has relatively broad bonding authority. However, each issue must be reviewed and approved by the State Bond Commission.

Revenue bonds could be used for a variety of improvements in the Medical District. This could include but not necessarily be limited to:

- Public parking garages where the bonds are secured by the improvements and the stream of parking revenues and other rents (i.e. office or ground floor retail) generated.
- Business incubator/accelerator building where bonds are secured by the improvements and revenue stream from tenant rents and other operating sources. Since it is unlikely that rents by themselves would be sufficient to fully service the bond debt, other gap financing might be required such as federal grants (EDA, HUD, etc) or private foundation gifts.

To effectively use revenue bonds throughout the Medical District, it is advisable to create (where they do not exist) business improvement or tax increment financing districts or both. Cooperative financing agreements make creating these districts more practical and politically acceptable.

- **Gulf Opportunity Bonds (GO Zone Bonds)**: These are a special category of bond authorized by Congress as part of the Gulf Coast Economic Recovery package of legislation to help rebuild and attract new investment to the region following Hurricanes Katrina and Rita. These bonds are tax-exempt and modeled after Industrial Development Bonds (IDB's) that were eliminated as part of the 1986 Tax Reform Act. For a GO Zone Bond to be treated as tax exempt it must satisfy three requirements:
  1. 95% or more of the bond proceeds must be used for "qualified project costs" in the zone. This typically includes site acquisition, development and direct

and indirect construction costs as well as the cost of reconstruction and rehabilitation of existing structures.

2. The bonds must be designated by the State as qualified for the purposes stated in the bill. This usually means preliminary approval by a local issuing authority and concurrence by the State Bond Commission.
3. The bonds must be issued prior to January 1, 2011. In most cases this is not a problem. However, for major projects in the Medical District time may very well expire before the full benefits of this program can be realized. The previous discussion of time sensitivity and partnership as a financing strategy should be revisited.

A wide range of building types are covered by Go Zone Bond financing. These include most that would be most relevant to the Medical District's recovery and development such as office buildings, medical facilities, retail stores or centers, warehouse and manufacturing facilities and other commercial facilities. The latter category could very well include a self-sustaining business and technology incubator facility.

### **FEDERAL GRANT PROGRAMS**

The Federal Government provides a range of grant programs for public infrastructure improvements targeted to support economic and community development. Two most likely to provide funding for Medical District improvements are the Economic Development Administration (EDA) of the U.S. Department of Commerce and the U.S. Department of Housing and Urban Development (HUD).

- **EDA's** public infrastructure grants are derived primarily from the agency's public works program. Their amounts are usually small relative to other federal agencies, are very targeted to specific job creating initiatives and usually provide a much needed source of gap funding designed to leverage other public and private investments. EDA has already provided a \$1.5 million grant to the BioInnovation Center and should be open to more grant requests for strategically positioned projects within the District.
- **HUD's** Community Development Block Grant (CDBG) program is its primary conduit for infrastructure financing. Regular CDBG funding is competitively awarded through city agencies at the local level. The block grant from HUD represents a pool of funding for which local programs and initiatives can compete. The City of New Orleans manages the competition for funding.

Through a special act of Congress, the State of Louisiana has been awarded over \$11.9 billion in CDBG funds to finance a wide range of recovery projects. A significant portion of the funding (\$7.5 billion) is allocated to the Road Home program to provide grants to homeowners to repair their houses damaged by Hurricanes Katrina and Rita. Alternatively, homeowners may sell their homes to LRA. This program has been slow to start but is now issuing commitment letters to eligible applicants. Another \$1.75 billion is allocated for workforce rental housing while \$2.3 billion and \$350 million have been designated for infrastructure and economic development projects respectively.

Given the restrictions placed on payouts and the likelihood that not all impacted households will qualify (mostly due to lack of clear title or sufficient insurance payouts), there is a possibility that a portion of the Road Home funds will not be allocated as originally intended to homeowners. If this materializes, there are several options that may unfold. First, and least desirable, the unallocated funds go back to Washington to be re-deployed elsewhere in the Gulf Coast region. Second, these funds could be reallocated for other housing programs, particularly restoration of rental units. This could be beneficial for the Medical District and Canal Street corridor. Thirdly, the unallocated funds could be made part of the competitive pool of resources for construction and renovations to non-residential structures and new or expanded public

and institutional facilities. Since most of these funds are now being used for projects of merit focused on economic development, the Medical District and Canal Street corridor could certainly benefit.

### **STATE INFRASTRUCTURE AND MAJOR PROJECT FUNDING**

- ***Capital Outlay:*** This is the primary source of funding for major construction projects in the state. The funding of these projects is through the sale of General Obligation bonds secured by the general fund tax collections. The state legislative establishes a ceiling regarding bond issuance authority (usually \$200 million) and the State Bond Commission ranks projects to be funded on a competitive basis. The competition for capital outlay funds is fierce and otherwise worthy projects may languish on the priority list for four or five or more years. Political support and legislative influence is absolutely crucial to a specific project's ranking and progress up the priority "food chain."
- ***Louisiana Public Facilities Authority (LPFA):*** The LPFA is a financing authority created in 1974 to issue both taxable and tax-exempt bonds to finance a wide range of activities. These include educational facilities, hospitals, industrial and economic development projects, student loans and essential programs for state and local governmental units. The LPFA acts as a conduit issuer of bonds on behalf of a borrowing entity. LPFA issues bonds on behalf of both profit and 501(c)3 non-profit entities since they cannot issue tax exempt bonds directly. These entities do not borrow from LPFA but through LPFA to access the capital markets at tax exempt rates. Since 1974, LPFA has issued over \$16.0 billion in bonds. Healthcare at \$5.34 billion and Economic Development at \$2.88 billion were the top two uses of the bond proceeds. For obvious reasons, LPFA could play a vital role in financing Medical District projects such as the Louisiana Cancer Research Center, the Louisiana Gene Therapy Center and possibly some portion of the New University/VA Hospital complex.
- ***Louisiana Housing Finance Authority:*** The LHFA is a bond issuing conduit for tax-exempt instruments used to finance a wide range of housing products. Although heavily focused on moderate to middle income single-family housing, the agency also assists in providing finance for multi-family developments eligible for Low Income Housing Tax Credits (LIHTC's). This agency could very well be involved in financing one or more housing developments in or adjacent to the Medical District.

### **LOCAL INFRASTRUCTURE GRANT/LOAN PROGRAMS**

Aside from the City's ability to issue bonds to finance infrastructure improvements, it can also initiate or direct funding to specific projects through two federally-related programs. These are briefly discussed below:

- ***HUD CBDG Section 108 Guaranteed Loan:*** This represents a borrowing against the City's anticipated future receipt of CBDG funds. In essence HUD allows communities to use their CBDG allocation as a guarantee to back-up federal financing for community and economic development projects. HUD sells notes to investors that are backed by a HUD guarantee. The sale proceeds are passed on to the city which uses them to finance an approved economic development project. Cash flow from the project is used to repay the notes. If a project defaults, HUD draws down on the City's CBDG allocation to make the payments. As an example, Section 108 was used to finance a 93,000 square foot multi-tenant research and development building in the Worcester (MA) Biotechnology Park. The total development cost including on-site infrastructure improvements was \$14.1 million. Section 108 financing provided \$11.7 million.

- **UDAG Repayment Funds Loan Program:** As funds become available from previously approved and implemented projects, reimbursed UDAG funds can be made available as loans to new projects and for a wide range of costs. These include land and building acquisition, construction and site improvements, machinery, equipment, furniture and fixtures and some professional and financing fees. The City, with HUD's oversight, approves projects on a competitive basis.

### ***REAL ESTATE PROJECT FINANCING: PRIVATE SECTOR***

A fundamental goal of the Medical District's Development with a focus on biotechnology is the attraction of private investment. Previous discussions have focused on the attraction of seed, angel and professional venture capital to fund technology commercialization and the start-up of new businesses. If this strategy is successful, the spin-off impacts will be directly felt throughout the district in the need to provide quality space for a wide range of private tenants. This would include, but not necessarily be limited to office and lab space, retail shops, restaurants, light manufacturing facilities and many others. With the infrastructure and shared public goods anchors in place, the private sector will be encouraged to make significant long term commitments to financing revenue producing projects. In addition to non-residential buildings, a successful Medical District will encourage more downtown living by those who work in or near the District. Consequently, the potential for market-rate housing (both for sale and rental) will rise and present private sector investment opportunities.

The following is a list of potential private financing sources for Medical District projects. It is not necessarily exhaustive and it includes some entities that may use some form of credit enhancement for some projects through local, state or federal government programs.

- **Commercial Banks:** This includes local, regional and major money-center institutions. Their primary focus would be interim or construction financing. Large projects may be funded by one or a consortium of banks depending on lending limits dictated by asset size and bank policy. Several local banks are also participants in the U.S. Treasury's Community Development Financial Institutions (CDFI) program. Capital One has a \$100 million allocation while Liberty Bank has a \$70 million allocation. These funds can be used in conjunction with New Markets Tax Credits to make seven year term loans for construction and development. These funds can also be used for other business lending purposes as well.
- **Savings and Loans and Federal Savings Banks:** Although primarily housing lenders, these institutions are increasingly operating as community banks. As such, they are more open to viable commercial lending opportunities. Since they tend to be somewhat smaller in asset size, their loan amount appetites are somewhat limited (i.e. under \$2 to 4 million). However, through participations with other banks (locally or in other markets) their lending for both construction and long term purposes can be increased significantly.
- **Life Insurance Companies:** Major life insurance companies include commercial real estate as part of their investment portfolios. Most are very selective of the projects they select and usually work through local correspondents or mortgage brokers. They have a tendency to invest in "trophy" properties that include triple "A" credit tenants as anchors on long term lease commitments. Their appetite, however, is driven by yield and a project's risk profile and are a primary source of permanent or long term financing.

- ***Pension Funds:*** Their perspective and appetite for real estate investments mirrors that of insurance companies. They are yield and risk profile driven in their decisions. They too are a source of long term or permanent financing for high grade (trophy) properties with very predictable and steady revenue streams. Some pension funds such as the AFL-CIO, have made significant commitments to funding projects that help the post-Katrina recovery process. Their focus is not necessarily yield, although they are going to studiously evaluate project risk profiles before committing their member's pension resources.
- ***Real Estate Investment Trusts:*** REITs are portfolio lenders and equity investors. Their investments, whether equity or mortgage trusts, are yield and risk-profile driven. Mortgage trusts may be a source of development and construction lending, while equity trusts seek outright purchase of completed properties with demonstrated revenue streams. REITs usually include a mix of different product types spread across several geographic regions. This strategy avoids or mitigates portfolio concentrations which could damage the return characteristics of the trust's earnings.