



## OLD CHARM MEETS A NEW PLAN

Las Vegas, Miami, Los Angeles, and New York City are flooded with rich rip currents, while each serves as a playground with their individual charms for the prosperous posh. Is New Orleans the next city to receive reconstructive surgery that will highly affect the growth of liquid portfolios for those willing to invest in the game of real estate luck? Trump's enterprise has already made its move; more than likely, the answer is yes.

text by Robyn Linn Weinstein

The City of New Orleans is currently undergoing a major phase of redevelopment and reconstruction, and its government and local business developers are asking Miami for help. New Orleans is hoping to gain insight by looking at how Miami cleaned up after Hurricane Andrew. Redeveloping any city is a lengthy process; however, New Orleans is committed to its own revival—establishing a comfortable and beautiful place to live in while recreating a top tourist destination.

Louisiana businesses, along with the World Trade Center of New Orleans, a non-profit group, began collaborating with local South Florida businesses after meeting at

The Biltmore Hotel in Coral Gables in late June—a meeting that sparked major initiatives for current and future developments. And as cities such as Miami slow down construction, it's a perfect time to shift gears and help rebuild New Orleans while seizing the opportunity to invest in profit-seeking opportunities. "If we can follow lessons like in Miami, we will grow into a larger, better city," says Steve Molnar, Director of Business Development for Greater New Orleans, Inc.

Over the next five years, approximately \$32.8 billion will be invested by the federal and local governments for the redevelopment of New Orleans, and \$62 billion will enter

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from the private and business sectors—an amount equal to 28 years of normal construction. Currently, the planned residential and commercial developments are expected to cost \$25 billion. The dramatic need for commercial real estate, health care, and hospitals is bound to attract experienced developers and contractors ready to invest in New Orleans' growth. "We're in the early stages of development. Now's the time to get involved," says Nathan Watson, President of Watson Developments of New Orleans.

Major efforts are needed for construction and real estate development. There is a critical need for housing after 200,000 homes were destroyed. In addition, due to high demand, the opportunity for housing manufacturers, developers, and suppliers in New Orleans is significant. While the development of homes is crucial, so is the development of hospitals, schools, supermarkets, retail trade, churches, and entertainment centers. "Send over your workers," says George Fowler, IV, of Smart Buy Kitchen & Bath in New Orleans. "There are many job opportunities—from common laborers and skilled carpenters to developers and sales individuals."

Not only is New Orleans suffering from a lack of workers, it lacks for supplies as well. This is where local South Florida businesses have the opportunity to get involved. Fowler and his father now run Smart Buy Kitchen & Bath, after Ricardo Cajigas of Doral, Florida, realized the potential in the housing market there. Cajigas' South Florida-based Smart Buy Kitchen & Bath branch ships supplies to the New Orleans location, where construction is needed more. Companies in the home-renovation market, such as Smart Buy, are able to negotiate shipping costs for effective retail. They also minimize risk and utilize their stock properly by exporting resources to New Orleans. "The South Florida construction market is sophisticated. There are Asian products available in Miami that I can ship to New Orleans. I'm bringing down the cost of construction and finding a niche in the market," says Fowler. "With the tremendous market available for affordable housing and the workforce to go along with it—not to mention the amazing tax credits available—one can have a field day in New Orleans."

The federal government is expected to distribute about \$10 billion in total for the rebuilding of homes—up to \$150,000 per household—to 120,000 claimants through a

program called Road Homes for those who were unable to receive full insurance benefits. At this time, only five percent to 10 percent of householders have received funding, which is why the construction process has been so slow. So far, 73 percent of individuals polled say they plan on keeping their existing structure and rebuilding in New Orleans. Road Homes offers homeowners 60 percent of the amount awarded if they leave the state of Louisiana. This encourages individuals to remain in Louisiana and New Orleans and rebuild. "It's been a slow process because there's a lot of red tape involved. The areas Uptown, Downtown, and the Garden District are seeing a lot of progress. The metropolitan areas, like Jefferson Parish, are even better than before; however, the inner city of Orleans Parish is struggling," states Fowler. "If we can get people that understand the situation—like in Miami—the process will go faster and more money can be made."

There are significant opportunities in the area, especially in local structures and commercial and land developments. There are huge tax incentives and large returns that investors can really use to their advantage. The plan to rebuild New Orleans is broken into 17 target areas that will be redeveloped over 15 years. And, although the planning process is finally over, it won't be a quick turnaround; there is still a two-year starting point before things begin taking shape. To protect residents from future damage, all homes will be raised three feet above their existing grade.

Greater New Orleans, Inc. believes \$1.2 billion needs to be reinvested in critical infrastructure that will protect future areas from hurricane damage. The professionals at Greater New Orleans, Inc. feel that lawmakers must address these significant problems with the current infrastructure. "The developers are building here. It's just been a slow process due to the lack of financial resources," says Brenda Cho, New Orleans City Planner.

"It is necessary for the government to demand accountability for crucial services needed to support the residents of New Orleans, considering there was a total collapse of the civic, governmental, and physical infrastructures," according to Stephen Goldsmith, a principle national consultant to the Government Effectiveness Committee of the Bring New Orleans Back Commission with New Orleans Mayor Ray Nagin.

Goldsmith also serves as Director of the Innovations in American Government Program at Harvard University's John F. Kennedy School of Government.

Cho agrees that the destruction is so widespread that triaging has become a Herculean effort, because everything cannot be fixed at once. The lack of government funding to implement the major infrastructure changes has been an impediment and delayed the process, but it has not stopped the redevelopment. "There is extensive damage to the streets, but it's an old city and those issues were there pre-Katrina," says Cho. Fortunately, the historic areas of the city, predominantly the French Quarter, remained unaffected by Katrina—which adds up to about 20 percent of the city. Besides rebuilding the levy system, the challenge now becomes that of merging new structures or developments with existing structures while maintaining the historical presence of the city.

"There is a strong preservation-minded community here in New Orleans to retain the flavor. You're going to see a facelift, but not a clean slate. Ten years from now, I don't think you'll see a dramatically different skyline—with exception to one or two that will jump out. The majority of infrastructures will be in line with the rest of New Orleans to keep with its historical refinement," says Molnar.

In maintaining its original architecture and flair, residents have actually slowed the condo market's expansion—one of the reasons why such drastic changes won't be seen. The condo conversions will happen, but not on the scale developers first anticipated. The renovations will be mirrored after the trend of the boutique-style hotels that reach anywhere from six to 12 stories. "The condo market is emerging in some areas, and there have been many conversions of warehouses into loft-style condos within the Business District. But it's not young urban professionals we're seeing occupying these condos, it's empty nesters [with disposable incomes]," says Molnar.

Molnar believes the actual outcome of developments compared to what was expected to be built is going to be much different. As time quickly passes, developers look for creative ways of integrating the new with the old. "My point of reference is Miami Beach's Publix [Super Markets]. The creativity used to implement a double-deck parking garage on the roof is amazing," says Molnar. "I look to that level of creativity because it's integrating the big boxes with the existing structure. Some residents don't want it, but the demand is there."

Recovery Chief for New Orleans Ed Blakely believes that big-boxes (or corporate entities) will destroy local shopping, resulting in a weak local economy. Blakely says that if the city allows more big boxes or corporate giants to evolve instead of locally run stores, the city is not going to be competitive and will not attract tourists. "The city was so anxious to get developments, it made poor choices. Tourists don't come here to buy the same things they can buy at home. The only way this city is going to survive is by local shopping," says Blakely.

Michael Samuel, Principal of Miami-based development company Samuel & Co., disagrees. He believes that places such as Wal-Mart, Whole Foods Market, and Home Depot are all very successful in New Orleans—especially with the high demand. Samuel's new venture in New Orleans, High Ground, is a riverfront project that will reinvent the city for its residents and visitors while keeping the historical aspects of the community in the forefront. "I think New Orleans needs the know-how of Miami developers, architects, and structural people. The riverfront project is a combined effort of the public and the private groups working together, using consultants from New Orleans merging with consultants from Miami," states Samuel.

High Ground will utilize 1400 feet of waterfront property by developing a mixed-use project that is part-condo and part-retail, creating a lifestyle destination. The project combines new construction with the original structure of a 1918 power plant—which stopped powering New Orleans over 30 years ago—purchased from the electric power production company Entergy. The two-acre building will be converted and will hold 1000 rental units and 300,000 square feet of retail space. Samuel uses a similar design in High Ground as exhibited in his recent work with Midtown Miami, a condo project highlighting the exuberant lifestyle of the city and its residents.

The opportunity to invest in a retail property or second home is a great option, considering the costs are much cheaper compared to those in the South Florida market. There is so much to be gained from any investment—whether coming in as a buyer or a worker—the end result will be positive. In fact, history is predetermined to repeat itself. Similar processes and revamping plans have already been put in motion in many major U.S. cities. Devastation or severe poverty has to strike in order to bring down prices; this makes room for investors to bulldoze the ugly and plant the pretty, yet substantially profitable.

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# The Trump Tower Condominium Development will become the tallest building to grace the sky in Louisiana. It comes with a completion date of sometime in 2009.

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International Sales Group (ISG) of Aventura is leading the way for investment opportunities in New Orleans while merging business efforts with South Florida corporations. HDC Group, a South Florida architecture group, is working with Mathes Brierre, the oldest architectural firm in New Orleans, on Algiers Crossing, a 13-acre condo development offering commercial space next to the Historic District.

With aid from the GO Zone Act, signed by President Bush, ISG hopes to entice private investors. Major tax incentives include a 50 percent bonus depreciation in one year on condos when used as a rental property. Units are selling all over the country, with prices ranging from the \$300,000s to the \$500,000s for a one bedroom/one bath or a two bedroom/two bath. The project is just about to break ground with a completion date of early 2009.

Another project that will spark interest in investors is the riverfront restoration project, a major undertaking fueled by the city and the Port of New Orleans. The proposed riverfront development, Reinventing the Crescent, will restore a 4.1-mile stretch of riverfront property on the east bank of the Mississippi that was never properly utilized. The project, led by the New Orleans Building Corporation (NOBC), plans on increasing waterfront access and creating a hub for locals and tourists to enjoy. Molnar believes that the coastal restoration will create a surge of investment opportunities for all types of businesses and individuals. "We're reconnecting the City of New Orleans to the Mississippi River for the first time in 120 years. The project is a redesign transformation from the maritime cargo operation to a celebratory riverfront. The quality of life will change," says Sean Cummings, CEO of NOBC.

Reinventing the Crescent plans on incorporating green space, music facilities, a chapel, piers, and natural river ecology. The \$200 million project, led by architects Enrique Norton and Allen Eskew, landscape architect George Hargreaves, and urban planner Alex Krieger, is destined to become an internationally prominent destination for locals and visitors alike. "We're hoping to have a lot of commercial activity by making street grids to the water—like in Miami," says Cummings. "It's a great investment opportunity."

One project that will make an impact is the redeveloping of New Orleans' World Trade Center into the Renaissance ClubSport Hotel by Marriott. The \$160 million mixed-use project will consist of 130 hotel rooms and 250 residences, an international cultural museum, and the conversion of Spanish Plaza into a public entertainment area using green building technologies.

The Hilton New Orleans Riverside is currently revitalizing the city's largest lodging facility with \$66 million in upgrades and modifications. And, of course, the skyline would not be the same if Donald Trump did not leave his mark or wave his Midas touch wand. The Trump Tower Condominium Development will become the tallest building to grace the sky in Louisiana. It comes with a completion date of sometime in 2009. Although the development will have an economic impact of \$100 million, some hope the corporate giants won't overcrowd the city.

If investing in housing or real estate markets is not something of interest, there is one solid alternative: the Petrochemical Center. Katrina exposed major capacity issues at the New Orleans Petrochemical Center. "Major engineering efforts will be needed for the next 10 to 15 years now that the federal government has approved the use of offshore mineral rights," says Molnar.

As businesses combine efforts to make the most of the opportunities available in New Orleans, new projects are constantly taking off. However, the security of the real estate market and economy, a good education system, a solid workforce, and a decrease in crime are all dependent upon residential space.

"The city will come back stronger," reaffirms Molnar. With the combined efforts of developers and investors from different parts of the country, the City of New Orleans will keep improving and growing. It will never quite be the same as it was pre-Katrina. Perhaps, it will be better. With a fresh start and new opportunities, the reinvented New Orleans will definitely be a city to admire, and perhaps it will soon be mapped as a hub for the affluent. Time to play the waiting game. ■