



**MINUTES OF THE BOARD MEETING
OF THE
INDUSTRIAL DEVELOPMENT BOARD
CITY OF NEW ORLEANS, LA, INC.**

**JANUARY 13, 2015 AT 12:30 PM
45TH FLOOR CONFERENCE ROOM
701 POYDRAS, ONE SHELL SQUARE
LAW OFFICES OF ADAMS AND REESE**

Present:

Laura H. Brown
Eugene J. Green, Jr.
Darrel J. Saizan, Jr.

Walter C. Flower, III
Edith G. Jones
Theodore Sanders

Susan P. Good
Alan H. Philipson
C. David Thompson

Absent:

Justin Augustine, III
Allison B. Randolph, III

Dr. Ronald French
Eric Strachan

M. Cleland Powell

Also Present:

Sharon Martin, Administrator, IDB
Joyce Matthews, Administrative Assistant, IDB
David Wolf, Adams & Reese, Bond Counsel
Ray Cornelius, Adams & Reese, Bond Counsel

Guests:

Robert McClendon, NOLA.Com
Deirdre Lewis, Women in Politics/Justice & Beyond
Lisa Ross, Orleans Parish Assessor's Office
Carroll Morton, City of New Orleans, Film Department
Katie Williams, City of New Orleans, Film Department
Abhay Patel, New Orleans Business Alliance
Melissa Ehlinger, New Orleans Business Alliance
Alice Allen, New Orleans Business Alliance
Ernest Gethers, City of New Orleans, Office of Economic Development
Leigh Ferguson, Downtown Development District
Don Allison, Advantous Consulting
Tonya Pope, Jazzland
Steven Kennedy, REO, LLC
Annie Cambria, Recovery School District
Ron Bordelon, Recovery School District
Jaquetta White, The Advocate
Sombra Williams, Recovery School District

King Logan, Starlight Studios/Logan
Bill McDonnell, The McDonnell Group
Scott Niemeyer, Deep South Studios
Rebecca Dietz, Office of the Mayor
Robin Shannon, City Business
Stephen Stuart, Bureau of Governmental Affairs

President, Alan H. Philipson, called the meeting to order at 12:40 PM. A roll call was conducted and a quorum confirmed. Introductions by all guests were held prior to the opening. By motion of Mr. Walter Flower and seconded by Mrs. Laura Brown, the Board voted unanimously for approval of the board minutes of December 2, 2014.

RECOVERY SCHOOL DISTRICT – DREW ELEMENTARY

Bond Counsel, David Wolf, provided an overview and reminded the Board that this matter was briefly discussed at the December 2, 2014 board meeting, adding that to date, it has involved the input of the City and the New Orleans Business Alliance. As a result of those meetings, a PILOT arrangement has been reached which now requires Board approval. He advised that in each member's folder were copies of an Executive Summary, a Flow Chart and a letter from Ms. Annie Cambria of the RSD. The letter explains the RSD's position on DBE and local hire practices as compared to those requirements of the IDB and the City. This application is one of several that the RSD plans to submit to the IDB. In explanation, he added that the use of funds from FEMA allows the RSD to leverage the funds through tax credit incentives in the amount of approximately \$3M. To qualify for this incentive, the RSD must engage a "for profit" U.S. Banc Corp. As everyone knows, public schools are already not listed on the tax rolls. However, with U. S. Banc Corp assuming ownership for the next five years, the property is slated to roll over on to the tax rolls. Thus, the reason for the RSD's request for a PILOT of 10 years is that they are not sure how the matter will roll out after the first 5-years. At this point, the property will go back into the hands of the RSD. If the property ceases as a public facility, the PILOT will no longer exist. Further, the RSD is unable to meet the 40% goals for local hiring, as well as the 25% use of DBE and MBE. This application is like no other the IDB has received in the past and is closer in aspects to the HANO projects. There is not much in economic development. It is not currently giving up any taxes. At this point, Mr. Wolf deferred questions to Ms. Cambria and Mr. Ron Bordelon, representatives of the Developer, The Recovery School District.

Mr. Flower stated that clearly the RSD has strong ties to the City but he hoped there was a proper explanation as to why the RSD cannot meet the IDB's target of 40% local hire and 35% DBE participation. Mr. Bordelon addressed this question, advising that the RSD has gone from 0% to 25% over what the federal guidelines precludes. There are plans to ramp up these figures on the future projects.

Mr. Eugene Green expressed several concerns including but not limited to the IDB being asked to waive the need for the Cost/Benefit and But/For Analyses (CBA and BFA) which he stated could set a precedence. He added that the Board has been criticized for granting PILOTs. Circumventing policies and practices could create a problem for the IDB should the waiver be granted. He added that he did not think the waiver should be granted. Additionally, the waiving the 40% local hire requirement and the DBE participation target does not set a good precedent. Considering this is the first of five (5) projects the RSD will be seeking a PILOT; he believed the IDB would be taking the wrong position. He added that the CBA and the BFA would provide more detailed information on how the money flows in the project, including the insurance proceeds which is in the millions, not counting leasing fees, and federal tax credit gains.

Mr. Philipson advised that the CBA and BFA were waived by the City's Administration who asked to set each subsequent application on the same track since this project did not deal with commerce. Mr. Wolf then advised that the RSD asked for a waiver because this was not a commercial project which is what the

IDB deals with more often. To grant a waiver is a policy change for the IDB; however, the matter was addressed with Mayor Landrieu and Andy Koplin, who decided there was no point in doing either since there was no economic benefit to the City.

Mr. Green stated that he disagreed in light of the fact that the property was being transferred into the name of a private entity who will get historic tax credits; that those tax credits are worth millions; and that he does not consider it “immaterial” to waive the need for the CBA and a BFA. In fact, he stated, it is quite the opposite. How would the money be reinvested? Where is it written? And, there will be rent revenues.

Mr. Bordelon stated that funds to revenue are part of the School Board and the RSD’s Master plan. It is all a part of the revitalization process of the schools in need of reconstruction. This project, considering the Master Plan of 2010, the IRS guidelines adapted from State tax credits, will bring an additional \$3M for further use in redeveloping schools. He agreed that there are private level components. With taking advantage of the federal tax credits, the RSD is able to leverage an additional \$3M to offset future projects. Mr. Green then added that he takes umbrage to a statement made that the economic development value of the project is “immaterial”. Ms. Cambria reiterated that the private entity is only a part of the equation to help take advantage of the historic tax credits; the utility of the tax credits are negated. Mr. Green countered by stating that as he understood what he read, the facility at the end of construction would roll into the name of the private investor who would be leasing the building to a charter school. Who will the leasing fees go to? Drew Elementary, LLC? Which would pay for the loan from Orleans Parish School Board to the entity created by U. S. Banc Corp? Why is a 10-year PILOT being requested?

Mr. C. David Thompson stated that as he understands it, at the end of the 5-year compliance period, even though the PILOT is being requested for 10 years, the deal will unravel and the property goes back to the RSD. Mr. Green then commented that the ten-year period is probably not needed and there is no “but-for” to provide an explanation. At this point, Ms. Cambria stated that the RSD is unsure how this matter will unwind after the five-year period and is, therefore, requesting the 10-year period. Mr. Flower then stated that the property would not be on the tax rolls if it remained a public school even during that period. Mr. Green added that for the record, he is not willing to forego the CBA and the BFA because there is nothing “immaterial” about the project. Ms. Cambria stated that the RSD would reinvest the \$2.9M in Developer’s Fees back into the planned future projects of the RSD.

In an effort to support his belief, Mr. Thompson stated that he understood Mr. Green’s concerns and that his initial impression was of curiosity, concern and reservation. He understood that Drew, as a school, is automatically exempt. However, after getting an explanation that by engaging the private entity into the project allowed the RSD to get an additional \$3M which serves to offset the costs of future projects. Knowing this, he changed his position, realizing this would be a benefit to the children. This is the only legal way for the RSD to get back monies and to reinvest. Mr. Green stated that he appreciated Mr. Thompson’s perception and appreciation. However, he stated there is a lot of money on the table in this project with no way to require the IDB’s goal for 40% local hire. Mr. Thompson interjected that Mr. Green is correct but the RSD cannot impose IDB requisites and targets under federal law which requires no targets imposed locally. Mr. Flower interjected that he could not understand how the City could accept such a mandate which it has as one of its own mandated targets and that the IDB struggled so hard to get these targets accepted and approved. Mr. Saizan stated that he had the same concern as Mr. Green.

Mr. Philipson then stated that he would take a different stand. “We may be missing the 40% local hire which I don’t want to let go but this is an exception. Why? We know there are shortfalls in our education system. Finally, thanks to RSD and its efforts, the shortage is building to educate. How many applicants/corporation do we know that are trying to move their companies to New Orleans. A key factor for getting jobs is education which we want for the children. The City agreed to the exception in this case. We’re not trying to set any precedent; we have an obligation to the community to make education better in

order to bring commerce to the city. Mr. Green stated, with all due respect, having held seats on a number of boards, he knows the importance of education and the benefit to the children. He does not see, however, why the CBA and the BFA should be waived and this is the first of a possible additional five projects to come before the board. For one thing, he does not see why revenues do not exist in this project and the maintenance fee seems unreasonably high; not counting the almost \$3M going directly to the RSD, adding that the request for the PILOT is twice the amount of time it takes before getting the property reverted back into the hands of the RSD. Mr. Philipson asked that the Board to bear in mind that any money earned by the RSD will be put back into the education pool, stating he hated to use the chair to disagree but the IDB would not be setting a precedent for profit in this instance. Mr. Green stated that he would like to see that in writing and know what the budget will be for the schools.

Mr. Bordelon noted that this project is in cooperation with the Orleans Parish School Board which passed its furtherance with a unanimous vote, and, the State Bond Commission also passed the project unanimously; the project has passed all levels of scrutiny; approval of the exemptions and the granting of a PILOT are the last pieces to the puzzle. The redevelopment of the school is a benefit to the City.

Mrs. Edith Jones reminded the Board that Dr. Ronald French, at the IDB's November board meeting, requested that the IDB establish policy(ies) addressing projects such as this one and that has not been done yet. She added that it would be prudent to have these policies set by the IDB first, especially in light of the request for the waiver of the already established policies (i.e., CBA and BFA). She, too, expressed interest in knowing the benefit that will be derived by the private investor and the RSD. She reminded the Board that the voter, the citizens of New Orleans, have no input how the RSD operates. This is a very different approach as to how the IDB has viewed previous projects. She, too, stated that she is not ready to turn over school facilities and other benefits to a private entity. Mr. Thompson sought clarity on the phrase "benefit to private investor", adding the benefit is the \$3.1M to the public school system. Mr. Bordelon stated that Mr. Thompson's understanding was correct. The school system, as a State agency, must find streams. This is one vehicle. The project for Federal aid, requires the engagement of a private investor. Mrs. Jones stated that she does not believe that a private investor invests in any project based on the goodness of its heart; that there must be some other gain. Mr. Bordelon stated that this project is not typical but as a state agency this part is necessary.

Mr. Wolf suggested that Mr. Bordelon address the Drew Elementary, LLC relationship/partnership, which is wholly owned by the Finance Foundation which is not a private business, making money on this project. Mr. Wolf stated that he understands and appreciates the purpose as the LLC is not a money-making entity. Ms. Cambria added that U. S. Banc Corp is the named private investor. They get no fees only tax credits as they enter as a partner. U. S. Banc Corp is buying the tax credits only. U. S. Banc Corp is not involved in the management of Drew.

Mr. Flower again asked for clarification as to why the RSD could not meet the 40% local hire guideline and stated that this part of the proposal is particularly disturbing to him since the Board fought so hard to get this approved. Why would the Feds say you cannot impose a local requirement? Ms. Cambria stated that FEMA funds are involved which precludes any targets on local hire and DBE participation, adding that the RSD and the Orleans Parish School Board tried to put in target language but it did not work. Mr. Thompson stated that he believes such a requirement is to stem and graft or corruption.

Mr. Wolf then addressed Mrs. Jones question re "policy waivers". He provided background information which reminded the Board of the IDB guidelines how they were hammered out with the City, resulting in the 40% local hire goal and the 35% DBE good faith effort participation. He further reminded the Board, there are different projects that come before the IDB; there is no cookie cutter, while schools are not commercial enterprises, as are most of the IDB-related applications which are submitted by privately owned businesses, those type projects are not subject to the same Federal guidelines as entities such as the RSD.

Because of the Federal dollars involved, Federal guidelines preclude imposing these targets. This is an example of one of those deviations from the norm. He added that he is not attempting to be an advocate of the issue at hand. It is solely up to the IDB Board. The documents, he stated, are ready for consideration, a copy of which is included in the each member's folder.

Mr. Ray Cornelius, bond counsel also with Adams and Reese, added that from an observation standpoint, and as background, when the Board created the policies such as the production of the CBA and the BFA and the local hire and DBE requirements, no one contemplated any public being submitted. The IDB was only looking at private developers and how they took advantage of the lower costs, lower interest rates, etc. to promote economic development in New Orleans. Properties that are acquired by the IDB are transferred into the name of the IDB so the property can have tax exempt status. He mentioned that both Darrell Saizan and Eugene Green have been a part of these evolutions as either long-time board members and/or their involvement in the City's stand on economic development. Now the Board is seeing a public request and may see more. The State Bond Commission and the City has their own responsibility. The question, therefore is, "Do you want to apply the same procedures on public entities as you do on private, handling with the same restrictions?" In answer to a question regarding HANO as the first public entity, Mr. Cornelius responded, that with housing, there is a much clearer private developer, created to take advantage of the tax laws. As compared to the current situation, this is not comparing "apples to apples but rather, , apples to oranges". He added that he, as counsel, could not express his personal opinion. He is not trying to influence Board decision.

Mr. Saizan stated that he would like to see a letter from the Urban League that provides evidence of what is being done to reach out to DBEs here in the City. There is a lot of work out there (construction related) and it seems to be going to businesses outside of the City. Mr. Bordelon stated that they could add the DBE Directory.

Ms. Sombra Williams was then introduced. Specifically, she stated that the Urban League, Orleans Parish School Board, Bright Moments etc., meet weekly. They share the list of DBE businesses created by the City, Sewerage and Water Board, the Airport. The Urban League provides information to the RSD. There are currently two sub-prime contractors that have contracts in excess of a \$2M. This project has been going on for 2 ½ years. A lot has been going on. Everyone is welcome to the meeting being held on January 31 at Xavier University at 10AM.

With no other Board questions or concerns being addressed, the President opened the floor to public comment. Mr. Steven Kennedy was then recognized. He stated that he appreciated the discussions that were had but was troubled when talk of economic development excluded this project. The Federal government offers the best tax credits. The Board should be aware of the benefits of the tax credits, especially when a project is using various tax credits. He was curious as to why the RSD did not use the State's tax credits of 26% along with the Feds 20%? His second question was with regards to construction. This project appears to be a 40-year loan from the Orleans Parish School Board to the U. S. Banc non-profit that was created, at a 1% interest rate. The interest is tax deductible. When you look at the financial structure, they don't pay anything. He stated he would hope and suggest that the vote be deferred until further understood. He believed the Board should not set a precedence on the issues raised by Mr. Flowers' and Mrs. Jones' i.e., the 40% local hire and DBE participation targets. As a DBE, himself, with a real estate advisory/consulting firm, he hopes there will also be required participation at the back end of these deals where businesses like his could possibly benefit. He again asked for deferment of the vote.

Mr. Philipson asked Mr. Wolf to respond. Mr. Wolf stated that over the years, the IDB never interjected into the financing of a project or on how these entities arrange their financing. In this instant case, the RSD is trying to leverage their financing by using federal tax credits to get \$3M. As a requirement by the Feds, the property has to be owned by a private entity. Financial structure, interest rates, etc. are not an IDB

involvement. Those concerns should be addressed by the School Board. Ms. Cambria added that this project will take advantage of State tax credits; and that, with regards to local hiring, the end tenant will have 80% of its employees living in Orleans Parish. Mr. Kennedy added that the RSD Pro Forma doesn't show State tax credits being applied for and questioned why it is not shown. (Mr. Philipson then recognized disturbance being created by one of the attendees, having asked the guest to sit with the rest of the guests for the second time, requesting her to discontinue or maligning of the presenters). Mr. Kennedy stated that the IDB is a public forum and again questioned why the RSD Pro Forma did not reflect its use of State tax credits. Mr. Wolf then suggested that he take up his concerns with the RSD.

The Developer was then asked to provide the Board with a breakdown on its current DBE participation, i.e., who, (African American, Latinos, Female, etc.).

Mr. Philipson asked for further questions or discussions. The guest who had been creating some disturbance, identified as Deirdre Lewis, interjected that such Charter Schools are not in white neighborhoods where there are white children. She stated that such schools are being built in black neighborhoods. How is this RSD project servicing the children? She identified the project and the RSD as a flimflam.

After Ms. Lewis' commentaries and there being no further comments from the public, Mr. Philipson requested a motion for approval of the waiver of the CBA and the BFA for RSD Projects and approval of the PILOT requested for the current project. By vote, there were 6 yeas (one with comment), 2 nays and 1 abstention. The vote passed. The comment added to the vote was by Mr. Saizan who stated that he would vote this time but he was not clear on how the RSD was recruiting. He requested that it be broken down by the RSD and the Urban League.

STARLIGHT STUDIOS

Mr. Wolf advised that the Developer requested to defer this matter on the agenda until the next IDB Board meeting.

DEEP SOUTH STUDIOS

This matter was addressed by Mr. Wolf, who provided as background that last year, Deep South Studios made a presentation before the Board of its proposed project which would be located on the West bank in Algiers. The Developer comes before the Board now with a Lease Agreement which helps to construct the \$63M project. Mr. Wolf advised that the PILOT proposal is similar to that which was approved in the Starlight matter (a project for a studio on a smaller scale). The PILOT is for a ten-year PILOT with increased payments each year which is similar to the Domain projects. The Deep South Studios proposal includes the 40% local hire requirement with penalty if the Developer fails to reach the goal; and, it includes the 35% DBE best-effort participation. He explained that the project will not close immediately. The Developer wished to nail down the approved PILOT which would aid in the financing of the project with potential EB-5 participants.

Mr. Scott Niemeyer approached the podium for questions and comments by the Board. There were none. Mr. Philipson then offered the matter for public comment. There was none.

By motion of Mr. Green and seconded by Mr. Theodore Sanders, the Board voted unanimously to grant the PILOT as proposed. (See copy of proposal and lease language attached as part of these minutes.)

Mr. Green asked if there were any other matters upon which a Board vote was required as he had to leave for another meeting that he had scheduled. Mr. Philipson agreed revamp the agenda to accommodate.

BUDGET

Mrs. Susan Good presented the proposed 2015 Budget, advising there was one small change. The employer contribution to the health insurance cost increased by an approximate \$64 per month for a total of \$764 for the year, increasing the line item from \$3,266 to \$3,967. She further advised that employees' salaries were increased by the 1.7% CPI adjustment approved by the Board and that the authorization to implement same was given to Payroll RX, effective the first of the year. Also she advised there may be an increase in rent. She then placed the matter to the Board for questions. There were none.

By motion of Mr. Thompson and seconded by Mr. Saizan, the Board voted unanimously to approve the Budget as presented.

ELECTIONS

Mr. Thompson opened by stating he appreciated "continuity" and having said that, he nominated the re-election of the current Board officers, i.e., Alan Philipson as President, Allison Randolph as Vice President and Susan Good as Secretary Treasurer. There were no other nominees. By motion of Mr. Thompson, seconded by Mrs. Laura Brown, the Board voted unanimously for re-election of all officers.

Mr. Philipson stated he was glad to work with the 13 qualified members of the Board. He is committed to moving forward for the future of the children of New Orleans as it is a "win-win". The children of New Orleans deserve better schools. He then commended the Board for its vote for the RSD today. Mr. Green added that he, too, looked forward to working and serving on the Board but with regrets he had to leave.

FINANCIALS

Mrs. Good then presented the November 2015 financials. She advised that year-end figures are not in yet. The December report would be presented, along with the year-end report, at the next meeting.

ADMINISTRATIVE REPORT

Ms. Sharon Martin, IDB Administrator, advised that a copy her report was included in each Board member's folder and could be read when convenient.

There being no new or old business, a motion was offered by Mrs. Jones and seconded by Mr. Sanders, for adjournment. The meeting adjourned at 2:03 P.M.

Susan P. Good, Secretary/Treasurer