

Ready To Dance Again

By Beth Karlin

Jan 1, 2007 12:00 PM

Along a stretch of Mississippi waterfront, developer Sean Cummings has a vision for a new New Orleans.

The builder of boutique hotels wants to make New Orleans an international destination again. This time, with a music hall, cruise ship terminal, cultural establishments and retail.

Cummings has signed a deal with the Port of New Orleans to develop land near General Growth Properties' Riverwalk Festival Marketplace. He has hired renowned architects Daniel Libeskind and Frank Gehry to design master plans in a competition to create a center "of lasting significance."

The four-mile parcel of land Cummings has selected, most of it six feet above sea level, is not far from the French Quarter.

"It is, arguably, the sexiest parcel of land in the country and New Orleans is one of our most beloved cities," says Cummings, the founder of Ekistics Inc., a New Orleans-based development firm.

But, a continuing series of problems plagues Cummings' vision in New Orleans and underscores the uncertainty of the Crescent City's long-term future, even as retail shows signs of rebirth.

In December, St. Paul Travelers insurance said because of higher risks it would not renew commercial policies for small and medium-size businesses in New Orleans. (It covers about 14 percent of that business in the city.)

At the same time, work to rebuild and strengthen the levee slowed after the Army Corps of Engineers completed patching broken structures and the project to strengthen the levee beyond pre-Katrina level ran short on funds.

And, there remains a dearth of habitable homes for residents who want to return after fleeing Katrina and for transient workers needed to help rebuild the city.

Risk Management Solutions (RMS), an international consulting firm that provides risk assessments and services, cites the future of New Orleans "will undoubtedly be more hazardous than in the past."

Hemant Shah, president and CEO of Newark, Calif.-based RMS, identifies three troubling factors: the city is sinking due to thick sediments accumulating along the Atlantic Ocean's basin; accelerated climate change in making the sea level rise, and the level of Atlantic basin hurricane activity has increased in recent years.

These conditions have far-reaching implications, not just for New Orleans, but, also for coastal cities along the Gulf Coast and those up and down the eastern seaboard. Abroad, waterfront towns are also affected by the rising tide.

"Coastal cities around the world face similar risks due to rising sea levels and increasing storm intensity associated with climate change," says Shah. "It's a parable for our time."

To encourage rebuilding, the U.S. federal government is providing assistance to developers building in the Gulf States. (See box on page 28.)

Funding for Cummings development is expected to come from a combination of philanthropic contributions, private investors and government subsidies.



In addition to tax incentives, Louisiana can issue \$7.9 billion in tax-free private activity bonds to developers, according to a spokeswoman for the Louisiana Economic Development Corp. Developers can also receive a 50 percent accelerated depreciation bonus in the first year.

City limits

Venture a half-hour outside of the metropolitan area and you can almost hear the sound of cash registers ringing at numerous construction sites where retail will be at the core of new projects.

Marked growth in bedroom communities around New Orleans, safe from the ocean's fury, has spawned waves of development. Baton Rouge, 90 miles northwest, and Slidell, about 35 miles northeast of New Orleans, will each be home to a new retail center.

St. Tammany Parish, where Slidell is located, has gained about 40,000 new residents since Hurricane Katrina. The median income in Slidell was nearly \$43,000 as of the 2000 Census. And, eastern Baton Rouge has grown by as many as 50,000 residents to an estimated 460,000, according to the Chamber of Commerce.

"Because of population shifts, people are figuring out where best to locate," says Lewis Stirling III, executive vice president and partner with Stirling Properties. The Covington, La.-based developer, has four power centers under way or on the drawing board in Baton Rouge, Bossier City, Lafayette and Covington.

The city of New Orleans has lost almost 200,000 residents since 484,674 people were counted in the 2000 Census compared with 287,000 residents now.

"Though sad for others, Katrina was a boon to us," says Doron Valero, president of Equity One Inc., who has centers in Slidell and Baton Rouge. "Business is going gangbusters," he says.

Occupancy rates at the Equity One centers are closing in on 100 percent increasing from the low 90's, says Valero. Among its new tenants: appliance stores and furniture stores that supply residents and contractors who are renovating homes in the hurricane-devastated areas. There's a boon in restaurants too, serving workers and residents.

In perhaps the most ambitious project in years, Jim Wilson and Associates Inc. and Creekstone are jointly planning a mixed-use center in Denham Springs, near Baton Rouge. "It's an area that experienced a lot of growth since the storm," says Will Wilson, vice president of development for Jim Wilson and Associates. "All of a sudden it's coming into it's own."

Juban Crossing will have 1.3 million square feet of retail including a lifestyle center, power component, residential and office space. The Montgomery, Ala.-based firm is looking for two department stores, a multiplex and a big wholesaler to anchor the development.

Colonial Properties also has a big development outside New Orleans.

North of Lake Ponchartrain, Colonial is building the 1.1-million-square-foot Pinnacle Nord du Lac center in Covington, La., also in St. Tammany Parish. It's scheduled to open in spring 2008.

Pinnacle Nord du Lac, anchored by a 479,000 lifestyle center, is on high ground, relatively safe from a Katrina replay. Tenants will include Dillard's, Kohls, Williams-Sonoma, Barnes & Noble, Bonfish, Pei Wei and Panera Bread.

Levees separating Lake Pontchartrain and several canals from New Orleans were breached by the surge from the Category 3 hurricane, subsequently flooding 80 percent of the city and many neighboring parishes for weeks.

Land set high above sea level is at a premium, since it represents the safest terrain.

"We stay away from low-lying areas," says Richard Yeilding, senior vice president of retail development for Colonial.

Some of these projects were planned even before Katrina and all before the flood maps were issued by the Federal Emergency Management Agency (FEMA) in June. Those maps were confusing, as FEMA rushed to get them out, developers say, and, anyway, they already knew where the high ground was.

No Big Easy

Back in New Orleans, the prognosis isn't as optimistic.

About 20 percent of the members of the Louisiana Retailers Association have not rebuilt their businesses and aren't likely to,

says Jessica Elliott, director of government affairs. "Tourism needs to build," says Elliott.

The 80 percent of store owners who have reopened their doors are banking on a boost in tourism for business, which they desperately need. Those do not include surviving grocery stores, which are thriving because of local demand and having fewer competitors.

These are mostly mom-and-pop shops, whose owners, Elliott says, lack the funds to start over again and can't afford the insurance that has increased twelve-fold in some areas, according to developers.

This results in numerous small parcels of real estate left on the market, mostly in low-lying areas.

The picture isn't entirely bleak. Progress is being made on various fronts.

Since the return of conventions to New Orleans with the 17,000-member American Library Association Conference in June 2006, the city has hosted more than 60 major meetings for corporations and associations, according to the New Orleans Convention and Visitors Bureau.


The return of conventions is a major boost to the city. Before the storm, it depended on the hospitality industry for 35 percent of its annual operating budget and 85,000 city jobs.

There are other positive signs signaling a possible New Orleans rebound. In September, Saks Fifth Avenue reopened in Canal Place

At General Growth's Oakwood Mall, on the west bank of the Mississippi, anchor Dillard's and Sears have reopened. However, a Macy's never did.

Meanwhile, Stirling is in the entitlement phase of what could be the first new retail project in New Orleans since Hurricane Katrina. In March, the developer anticipates breaking ground on a 25,000 square-foot Borders in uptown New Orleans.

In all, it's a bit of a mixed bag, but things are definitely moving forward from the uncertainty of a year ago.

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