



BGR Report

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New Orleans Business & Industrial District Millage Proposition

The Proposition

On February 2, 2002, the voters of New Orleans will consider a proposition to authorize the extension of the property tax millage for the New Orleans Business and Industrial District (“NOB&ID” or the “District”). Specifically, the ballot proposition asks voters:

“Shall the New Orleans Business and Industrial District (the “District”) be authorized to levy an ad valorem tax in an amount not to exceed Twenty Two and Seventy Nine One Hundredths (22.79) mills upon all taxable real property (except property occupied in whole or in part as a residence by an owner thereof) situated within the boundaries of the District, as provided for and described in La. R.S.33:4702 H and La. Const. Art. 7, Sec. 23, as amended (collectively, the “Act”), for an additional ten (10) years, beginning with the year 2002 and ending with the year 2011, the proceeds of said tax to be for the sole and exclusive use and benefit of the District?”

The District is currently authorized to impose a special ad valorem tax on real property of up to

22.79 mills. Voters renewed the millage for ten years in 1991. During 2000 NOB&ID received \$298,184 from the millage.

The special tax is levied only within the NOB&ID boundaries; however, citywide voter approval is required. The approximately 7,000-acre District's boundaries are, roughly, the Intracoastal Waterway, the Industrial Canal, the CSX Railroad tracks, and the Maxent Canal.

A vote against the property tax will not eliminate the District itself. The Board of Commissioners will continue and will have the powers they currently hold under state law. The tax is, however, the only recurring source of revenue for NOB&ID, other than uncertain rent payments.

The Mission

NOB&ID (originally known as the Almonaster-Michoud Industrial District (A-MID)) is a special taxing district created under state law for the purpose of providing services and improvements within the District. Its purpose encompasses acquisition, construction, improvement, maintenance and operation of special projects, capital improvements, and facilities within the District.



NOB&ID was established to facilitate landside development as a complement to ten new wharves that the Port of New Orleans proposed to build under the Centroport plan. It was assumed that shipping-related businesses then located in the Warehouse District and uptown would relocate to follow the port. Centroport was abandoned in the early 1980s.

In 1996 NOB&ID commissioned a Master Plan Update. The plan called for reorienting the District's recruitment effort from heavy industrial to light industrial and commercial development. A basic component of the master plan is the development of a 66-acre Enterprise Park to accommodate offices, light industry, distribution centers, and high tech companies.

Governance

A 12-member board of commissioners governs NOB&ID. Board members must reside in New Orleans east of the Industrial Canal and be qualified voters of New Orleans. There is no requirement to own property or have a business headquartered in the District.

Two-thirds of the members are appointed directly by elected officials:

- Two by the Mayor,
- Two by the State Senator for District 2,
- One by the Representative of District 100,
- One by the Representative of District 101,
- One by the Representative of District 103,
- One by the City Councilmember for District E.

The New Orleans East Business Association, the New Orleans East Economic

Development Foundation, the Eastern New Orleans Area Council of the Chamber of Commerce, and the National Business League, New Orleans Chapter each have one appointment.

Prior to amendments to the state law enacted in 1995, the City had appointive and oversight authority of NOB&ID. Pre-1995 legislation provided that nine appointments be made by the Mayor with Council approval. In addition, the City Council had “such powers and control as are necessary to govern the district.” The City Council had authority to enact rules for the conduct and operation of the NOB&ID board of commissioners.

A 2001 report by UNO's Center for Economic Development entitled “Strategic Development Plan for the New Orleans Business and Industrial District Enterprise Park” suggested that more members should be selected by the business community. The political nature of the board appointments was mentioned to BGR several times in interviews and given as a reason for past partisan wrangling among board members. The consensus seemed to be that board behavior has improved, but that more business representation is still desirable.

NOB&ID's plans must be reviewed by the City Planning Commission and approved by the City Council. The annual budgets have been presented to the City Council, but NOB&ID has not been sending their plans to the City Planning Commission for review in recent years.

The District's designation as a state enterprise zone enables businesses in the area to take advantage of tax incentives. Some portions of the District have also been designated as City enterprise zones. These designations are independent of the property's location in a special taxing district and would continue in effect even if NOB&ID were dissolved by the legislature.

The District

According to a 1992 article entitled "The Almonaster-Michoud Industrial District: Impact on the New Orleans Economy" by Dr. Timothy Ryan of UNO, NOB&ID was home to 105 firms with a total of 9,217 employees, 38.6% of whom lived in Orleans Parish. The 1996 NOB&ID Master Plan Update reported 115 enterprises in the District. Companies moving into the District during the last 15 years have tended to be light industrial or commercial rather than heavy manufacturing.

Some of the largest employers in New Orleans are located in the District. The Michoud Operations of Lockheed Martin Space Systems Company occupies 832 acres of property owned by the National Aeronautics and Space Administration and employs 2,400 people. The U.S. Dept of Agriculture's National Finance Center employs 1,800. Together the ten largest entities in the District employ 7,230 people. Only three of the ten employers moved into the District after it was established in 1979.

Public entities own about 25% of the District's approximately 7,000 acres. More than half of the development of the District is on the

government-owned land. Public entities pay no property tax to the District.

The District is divided into four zones with varying suitability for future development. The high ground that resulted from deposit of spoil from excavation of the Intracoastal Waterway and Michoud Canal has mostly been developed, while the lower land that would require wetland permits and mitigation, drainage, water and sewer lines is not developed.

Viewed west to east:

Area 1 encompasses 1,230 acres, which begin at the Industrial Canal and includes the area of the Jourdan Road Terminal and the McFrugal's building. That building has been vacant since a fire in 1996.

Area 2 contains 1,860 acres of multiple small parcels, most with low-lying land. The area includes the City's Gentilly Landfill and numerous illegal dumpsites. NOB&ID staff and consultants agree that topography, environmental regulations, and legal hurdles make most property in Area 2 expensive to develop. Over 1,000 acres remain undeveloped.

Area 3 holds 1,970 acres, one thousand of which are owned by NASA and used by Lockheed. Another federal agency, the Department of Agriculture, leases property nearby. The Enterprise Park (66 acres owned by NOB&ID, which includes the Enterprise Center building) is also located in Area 3. Most employers moved into Area 3 before the establishment of the District. Approximately 200 acres remain available for development.

Area 4 consists of 2,170 acres. Although the area is developed along the Michoud Canal and Industrial Parkway Blvd., the easternmost section encompasses low-lying undeveloped tracts blighted by illegal dumpsites. The area has an access flaw: there is only one way in or out, an at-grade crossing of the CSX railroad tracks. A hazardous materials accident at one of the plants in Area 4 or on the tracks while a train were blocking access could prevent evacuation. The terrain, lack of infrastructure, and environmental regulations make this area relatively expensive to develop. The site does have the advantage of being a large area under a limited number of owners.

Performance and Recent Projects

NOB&ID has a lackluster reputation in providing services in the District. Unlike the Downtown Development District, NOB&ID does not have sufficient revenue to contract with the City for enhanced services. Its role is limited to advocacy and coordination of efforts. Very little support for services comes from the City. The Mayor has directed the Sewerage & Water Board to clean the roadside along Almonaster Avenue and sporadic clean ups, such as a recent sweep of abandoned automobiles or cleaning a dump site, are arranged by NOB&ID with the City or the Washington Parish Correctional Institute.

Transportation infrastructure enhancements include the construction of an exit ramp from I-10 to serve the McFrugal's site and the construction by the State of the I-510 interchange at the intersection of Almonaster and Old Gentilly Road. The interchange, which includes an above-grade crossing of the CSX

tracks, has improved access to the eastern half of the District and facilitated trucking-related growth at NOB&ID.

Additional infrastructure improvements are needed in the District. These include new roads, an above-grade crossing of the railroad tracks in area 4, improved drainage, sewerage, and water, more reliable energy, and high speed internet access. The City's 2002 capital budget includes \$90,000 for streetlights on Old Gentilly Road and Industrial Parkway. The 1995 Bond issue provided \$5 million for NOB&ID street projects.

The District's economic development function has tended to focus on business recruitment rather than retention. NOB&ID assisted the City in attracting and building the McFrugal's facility. NOB&ID proposed a motor speedway project and, most recently, two stadiums. With assistance from NOB&ID in navigating the City permit process, a \$15 million auto salvage facility has just moved into the District. Business retention efforts in the past two years have involved expansions of Royce Instruments Corp. and the Folger Coffee Company. NOB&ID secured a \$1 million grant from the State and a \$350,000 grant from the City to build an electric substation for Folger Coffee on land donated by the company.

More in keeping with the traditional concept of a business and industrial district, NOB&ID has moved into the business park arena. In 1995 NOB&ID purchased and moved into a 100,300 square foot building on 20 acres formerly owned by Allis-Chalmers. The building, named the Enterprise Center,

housed 12 small firms by 2001. Folger Coffee leased 80,000 square feet of the Enterprise Center as warehouse space.

NOB&ID vacated the Enterprise Center building in 2001 so that Royce Instrument Corp., which leased a smaller building in NOB&ID, could move in to accommodate expanded operations. A portion already under lease to Folger Coffee would be taken later. All the tenants except Folger Coffee were forced to leave at their own expense. None relocated in the District, although all did stay in eastern New Orleans. Royce's plans have at least temporarily fallen through.

NOB&ID is now treating as rent from Royce the grant from the City to NOB&ID that was to reimburse Royce for improvements to the almost 40 year old building. If Royce cannot resume rent payments this summer and Folger Coffee, as is likely, does not renew its lease in June, the District will have the expense of the building but no lease revenue. (See budget below.)

In 1999 NOB&ID used a state grant to purchase 46 undeveloped acres adjacent to the Enterprise Center and across the road from the new National Center for Advanced Manufacturing at Michoud, a partnership of UNO, Lockheed, and the State. NOB&ID plans to develop the combined property as a business park. A \$1.5 million state grant is being used to do a site plan, to apply for Army Corps of Engineers' environmental permits, and to clear the land. It is estimated that it will take another \$6 million to install roads and utility infrastructure before any tenant buildings can be erected. Funding has

not been secured. A potential anchor tenant is the USDA's National Finance Center. The facility is reportedly considering moving its operations and 1,800 jobs from its current building in NOB&ID to the Lakefront.

NOB&ID has made one loan and that has not gone well. NOB&ID was awarded \$414,253 from the City of New Orleans, Economic Development Trust Fund in 1996 which NOB&ID, in turn, provided as an unsecured loan. The recipient made payments that totaled \$56,770. No payments have been made since May 2001.

In 1997-1998, NOB&ID initiated a study of a speedway project that was derailed at the State Bond Commission when bond commissioners and the public learned that a state legislator owned a 10% interest in the proposed site outside the District. In 2001 NOB&ID commissioners revived the project (after the legislator divested his interest in the site) and sponsored a move to transfer project development to the Superdome Commission.

NOB&ID staff recently announced that NOB&ID has asked the state for \$9.76 million to build a multi-purpose stadium on 12 acres in the District near the intersection of I-510 and Old Gentilly Road. NOB&ID has submitted a second request for \$6.25 million to build a soccer stadium at an as yet to be determined location.

NOB&ID's 2002 Budget

The NOB&ID budget for 2002 includes the current year's portion of city and state grants for an electric substation at the Folger Coffee expansion site and for site preparation of the Enterprise Park. The General Operations

**NOB&ID Budget
2002**

Revenues

Enterprise Park Project	\$1,156,000
Folger Coffee Project	675,000
Property Tax	296,000
Interest Income	2,200
Rental Income	467,025
Tenant Fees	1,000
Other Income	2,500
Total	\$2,599,725

Expenditures

Enterprise Park Project	\$1,156,000
Folger Coffee Project	675,000
Salaries and Related	359,500
Rent	133,546
Office Supplies and Related	108,929
Marketing and Promotion	97,000
Legal	25,000
Insurance Excluding Health	17,750
Sanitation	15,000
Travel	5,000
Motor Vehicle	3,000
Service Fees	2,000
Real Estate Consultants	2,000
Total	\$2,599,725

portion of the budget is \$768,425. In 1997 the equivalent operations budget was \$370,916. Salary expenses increased 50% over six years. Five people are on staff. Millage revenues alone are not even enough to support a staff of this size.

If the ballot proposition is defeated, NOB&ID will continue to exist under state law as it has since December 31, 2001, when the dedicated millage expired. The District will have to operate with only self-generated revenues, such as rent of the Enterprise Center, or from

grants. Staff will have to be cut to two people. Proposed capital improvements for the Enterprise Park or the proposed sports facilities will continue to be dependent on grants.

Viability of NOB&ID

The proposed millage renewal is to support a political subdivision that has as its purpose the economic development of the area included in the District. Unfortunately, there are serious constraints on development.

The December 2001 UNO report for NOB&ID notes a number of underlying problems that must be addressed before NOB&ID can succeed. The combination of existing industrial parks upriver from New Orleans and the slow growth of business development in the New Orleans metropolitan area, especially since the oil bust of the mid-80s, have made NOB&ID a hard sell. Remaining as problems are the higher property taxes in Orleans Parish compared to nearby business parks plus the burdensome NOB&ID district millage, required wetlands mitigation, the high cost of developing unstable soil, limited infrastructure financing resources, and the perception of a non-user-friendly business climate in New Orleans. The UNO report also cites the "image of political patronage" as a NOB&ID weakness.

On the plus side, as the Elmwood and St. James business parks become built out with remaining parcels more expensive, firms may look to eastern New Orleans for sites. The District has multimodal access to highways, rail, water, and air transportation. The Lockheed/UNO partnership and Folger Coffee expansion are encouraging. Royce Instrument Corp. might resume its expansion. The NOB&ID special taxing district provides the

“ability to leverage resources from the public and private sectors.”

The strengths and weaknesses cited in the UNO study are generally similar to those cited by NOB&ID firms that participated in a 1992 survey. Respondents gave high marks to transportation access, suppliers and raw material availability, and utility access and cost. Labor related factors were considered somewhat favorable. Unfavorable ratings were given to taxes and workers compensation and other insurance costs.

BGR Position:

BGR is taking no position on the proposition.

New Orleans Business & Industrial District

