

NON-FLOOD PROTECTION ASSET MANAGEMENT AUTHORITY  
MINUTES OF THE COMMERCIAL REAL ESTATE COMMITTEE MEETING  
NOVEMBER 4, 2010 – 2:00 P.M.

The regular monthly meeting of the Commercial Real Estate Committee of the Non-Flood Protection Asset Management Authority was held on Thursday, November 4, 2010 at 2:00 p.m., in the Lake Vista Community Center, 2<sup>nd</sup> Floor, 6500 Spanish Fort Blvd., New Orleans, Louisiana after due legal notice of the meeting was sent to each Board member, the news media, and a copy of the call was posted.

The meeting was called to order by Chairman Trask at 2:00 p.m., and led in the Pledge of Allegiance.

The roll was called and two out of four members were present thus not constituting a quorum. Authority attorney Mr. Metzger advised that the meeting may proceed however no votes on recommendations to the Board can be taken.

**PRESENT:**

Chairman John Trask  
Commissioner Stanley Brien  
Commissioner Wilma Heaton

**ABSENT:**

Commissioner Joe Hassinger

**STAFF:**

Sharon Martiny, OLD  
Rob Aucoin, OLD  
Dawn Wagener, OLD  
Vince Caire, OLD  
Tony Grego, OLD  
Nina Hebert-Marchand, OLD

**ALSO PRESENT:**

John Paul Massicot  
Wesley Mills  
Steve Nelson  
Robert E. Smith Lupo  
Charles Curtis  
Albert Pappalardo  
Gerald Metzger  
Chancellor Victor Ukpolo

**APPROVAL OF AGENDA**

Chairman Trask offered a motion to adopt the agenda. The motion was made by Mr. Brien, seconded by Chairman Trask and unanimously adopted.

## **PRESENTATIONS:**

### **1. Dr. Victor Ukpolo, Chancellor of Southern University of New Orleans 12.6 Acre site (former Naval Reserve Space)**

Chancellor Victor Ukpolo of Southern University of New Orleans detailed SUNO's Master Plan that envisions a new Student Life Center and a parking facility for the students. He stated that the Master Plan calls for significant new construction on the property allowing SUNO students a more permanent and activity driven campus. Chancellor Ukpolo stated that SUNO was very much interested in the 12.6 acre site, formerly the Naval Reserve site. Mr. Capo and Mr. Pappalardo met with the Chancellor and Representative Badon on this issue last week. Mr. Pappalardo referred to the site as the former Naval Reserve site located near before the Seabrook Bridge which housed the Naval Reserve unit. The facility was returned to the District and the government's lease was cancelled. The predecessor Board attempted to secure funds through the Second Congressional District Representative for demolition due to issues with respect to asbestos because of the age of the building. Katrina came along and did further damage to the structure and the structure has been demolished. The Corps received right of entry to the site and has used the site for a staging area. Once the Corps is done with this site it will revert to us for our complete use. It is an asset of the Non-Flood Division and an asset of this Authority. Mr. Capo and I met with the Chancellor and Representative Badon at the Chancellor's office when he indicated that Southern University in New Orleans has an interest in acquiring the site.

Chairman Trask asked if there was a proposal to consider at this point. Mr. Pappalardo advised that with the new legislation that enables this Authority, there are constraints on what you can do with the property and how you can dispose of it and/or what you must do in disposing of property or alienating property. At that point, legal counsel will have to investigate.

Chairman Trask questioned when the Corps is set to relinquish the property and Mr. Pappalardo stated that he and Mr. Capo went to the site and it is used very sparingly for the storage of materials in conjunction with work that is being done under the Seabrook Bridge.

Ms. Heaton then inquired as to potential financing. Mr. Ukpolo responded that the Capital Financing Program enabled the construction of the student housing referred to earlier and he will be looking to that program for additional funding of the Student Life Center. At this point, all parties agreed to continue to discuss the matter.

AT THIS TIME A QUORUM WAS PRESENT WITH THE ARRIVAL OF MS. HEATON

### **7. Report on Current Commercial Issues**

Mr. Capo reported on the first item under Current Issues, the Pontchartrain Express Ferry Boat which received approval on the Mandeville side. The Pontchartrain Express Authority boat is being contemplated to ferry commuters from the North Shore in Mandeville, to the South Shore over a long term basis. Discussions with Captain Shield began several months ago relative to locating a site on the South Shore. The site identified that we believe would work is the site of the old Hong Kong restaurant and the site adjacent to that. There are three sites there, site 7E, 8E and 9E on the official Levee Board drawings which encompass approximately 19,000 square feet. Captain Shield and Mr. Charles Curtis put together a lease in the amount of \$3.00 per square foot on an as-is basis. It is contemplated in the lease that the entire site will be cleaned up, the old Hong Kong will be removed, new pilings and a new dock will be put in. A small terminal building to allow the passengers to embark and disembark, coffee

and donuts and a small restaurant would be allowed under the lease. We have tendered a draft lease to the Captain. He has received Mandeville approval and has until the 21<sup>st</sup> of this month at which time our offer to lease is null and void and withdrawn. We are waiting to see if he is interested.

## **2. Peninsula Condominiums Lease Extension**

Mr. Pappalardo advised the committee on the Peninsula Condominiums Lease Extension. He stated the ground lease on which the Peninsula Condominiums had been built expires December 31, 2035. That may seem like a long time to request a lease extension, however when a condominium is sold FANNIE MAE financing is a vehicle whereby people purchase those sites and typical financing for that is the 30 year loan. The 25 year lease remainder will not allow the sale of the condominiums because you can't get a 30 year loan if you only have a 25 year ground lease and the property reverts back to the ground owner at the expiration of the lease. We have been discussing the methodology as to how to push this lease forward. We are in general agreement on methodologies but have failed to agree on the actual price. Because of the age and design of the product and the impediment of this lease, we have a product that is very difficult to sell.

Mr. Massicot informed the Commissioners that a recent sale of a 2,850 square foot unit sold for what a 1,750 sold just before Katrina which gives an idea of where we are now. The property is aged, it is outdated and more work needs to be done to upgrade, especially the balconies which have taken a toll. Until we can get the lease extension it will be very hard to convince the owners to actually make those kinds of investments. Several units are a second home for people and there are 3 units that are never occupied.

About 2 ½ million has been put in the property for Katrina damage. Assessments since Katrina are in the neighborhood of \$400,000 to \$500,000 out-of-pocket or about \$20,000-\$25,000 per homeowner.

Mr. Pappalardo stated that Louisiana law requires a market value for anything that is transferred. The difficulty is this was the first condominium project on the Lakefront and the style is multi-level and not in vogue today. These units are 40 years old with a 40 year old design and it limits the acceptability on the market place. We want to see the extension. We want to see a vibrant neighborhood over there, but at the same time we have to be able to show to the state that we did not give the property away. Mr. Pappalardo will work with Mr. Metzger and Mr. Curtis to see if there is any possible way we to do this on an up front cash payment and then a payment over time.

Ms. Heaton asked for a time line to have a recommendation for the board and stated that the sooner an agreement can be made it would be better for all parties. Mr. Pappalardo stated that it all about what will pass the legal test. The new legislation that enables this Authority until 2012 has a bearing on what can be done until that time.

Mr. Massicot advised that they have actually shopped among the lenders to see if there would be a cash payment that would be required for the lease extension if we could finance it and we can't. It literally has to be each individual owner has to come up with the assessment. As an Association, we can't make any kind of arrangement at all for financing. We shopped it and they just don't write it. It has to be individual owners. In all candor, there is always 1 or 2 that are going to drag their feet because of their particular circumstances. That concluded the discussion on the Peninsula condo's lease extension.

### **3. Lease Proposal for New Basin Canal Vacant Land.**

Mr. Pappalardo stated that this is an informational item. This site is located immediately south of Landry's Restaurant. It is approximately 58,000 square feet. That includes land and water bottom. It is immediately south of Landry's and north of the Benson boat dock. It is the last large piece of undeveloped land on the New Basin Canal. We have been in contact and discussions and they have a Letter of Intent signed between Mr. Capo through the Authority of Mr. Jones and Lakeview Landings, LLC to occupy that land and put two separate and distinct improvements on the site. The first would be a restaurant and the second would be a fuel dock. The individuals, who are Lakefront residents and have been for all of their lives, have done a survey and found that there is a need for another fuel dock to service Orleans Marina and the Municipal Yacht Harbor. You may recall that for many years there were two fuel docks out there, the fuel dock and the Chevron and Gulf station which were located next to the former Hong Kong. We signed this Letter of Intent back in March and they proceeded to meet with FEMA and the Regulatory Authority for the City and that whole situation has taken longer than they could have possibly imagined, primarily because of the fuel situation and FEMA requirements with respect to flood elevations. They have been reporting regularly to Mr. Capo and the last conversation was a week ago at the Board of Directors meeting of the Authority. One of the principals, Mr. Aphrodite's attended the meeting to observe the Board meeting. One of the conditions of the lease, if you look at the photo that I have given you and notice that is the one spot on the New Basin Canal where there is no bulkhead. The bulkhead at that location collapsed many years ago and subsequently it has eroded beyond the normal line that it would be. One of the conditions of the lease is that they repair that and they get a credit against their rent for the first two years.

Ms. Heaton asked if the lease has already been confected.

Mr. Pappalardo explained that there is no lease, and only a Letter of Intent based upon discussions between the parties. Mr. Jones was not party to those discussions, but he approved it. This site is one that we would love to get into commerce. Mr. Lupo was on the old Levee District and we had some astronomical costs just for the bulkhead prior to Katrina. We have a Letter of Intent which we will be happy to share with you that sets forth the terms and conditions of the proposed lease. We did not feel that it was appropriate and the developers were not in a position to sign a lease until such time as they were able to get the necessary approvals from the regulatory authority and FEMA with respect to a fuel dock. If this comes to pass we are going to have another fuel dock which will be a boom to not only your marina but to visiting boats and the Municipal Yacht Harbor and we will have another restaurant there to service the boating community.

Chairman Trask asked for more information on the type of restaurant it would be. Is it a night time club or is it like Landry's?

Mr. Pappalardo advised that they intend to shut the restaurant down at 9:00 at night, and maybe 10:00 on the weekends.

Mr. Pappalardo further advised that they are planning a fuel dock and a day store that sells soft drinks, beer, and items for boats. They do want a restaurant there but the restaurant is not the driver of the deal, the fuel dock is. We bifurcated the rent in the Letter of Intent to provide for more of an industrial type of rent on the portion that is going to be occupied by the fuel dock and the day store and the commercial rent is going on the other portion fully understanding that this is not like any other site on the New Basin Canal.

Chairman Trask inquired about the potential for live music; and stated that his neighbors might have a concern with music.

Mr. Pappalardo advised that we write into every lease along the New Basin Canal that any disturbance could potentially be a violation of the lease and a default provision.

There were no public comments.

#### **ANNOUNCEMENT OF NEXT REAL ESTATE COMMITTEE MEETING**

Mr. Capo announced that the next meeting is scheduled for Thursday, December 2 at 2:00 p.m.

#### **ADJOURNMENT**

Commissioner Brien called for a motion to adjourn, seconded by Chairman Trask and unanimously adopted.

The meeting adjourned at 2:55 p.m.