

NON-FLOOD PROTECTION ASSET MANAGEMENT AUTHORITY
MINUTES OF THE COMMERCIAL REAL ESTATE COMMITTEE MEETING
THURSDAY, OCTOBER 3, 2013 – 1:30 P.M.

The regular monthly meeting of the Commercial Real Estate Committee of the Non-Flood Protection Asset Management Authority was held on Thursday, October 3, 2013 at 1:30 p.m., in the Lake Vista Community Center, 2nd 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.

Commissioner Trask called the meeting to order at 1:50 p.m. and led in the Pledge of Allegiance.

The roll was called which constituted a quorum.

PRESENT:

Chairman Greg Ernst
Vice Chair Robert E. Smith Lupo
Commissioner Eugene Green

ABSENT:

Commissioner John Trask

STAFF:

Louis Capo, Executive Director
Sharon Martiny, Non-Flood

ALSO PRESENT:

Gerard Metzger – Legal Counsel
Al Pappalardo – Real Estate Consultant
Chuck Dixon – Marina Director

APPROVAL OF AGENDA

Commissioner Lupo offered a motion to adopt the Agenda, seconded by Commissioner Green and unanimously adopted.

APPROVAL OF PRIOR MINUTES

Commissioner Lupo offered a motion to approve the minutes of the Commercial Real Estate Committee minutes from July 11, 2013, seconded by Commissioner Green and unanimously adopted.

OPENING COMMENTS

Chairman Ernst stated that the Commercial Real Estate Committee members have a great deal of expertise and will make this a very solid Committee. This meeting is to gather information on the issues that face this Authority.

NEW BUSINESS

1) Discussion of current properties that are not under lease and the efforts to place these properties back into commerce

Al Pappalardo, Real Estate Consultant, advised that the Management Authority's condition has greatly improved with everything on the New Basin Canal being leased on a long term basis. There are two new restaurants and the Authority entered into a Cooperative Endeavor Lease with the Lake Pontchartrain Basin Foundation that resulted in the Lighthouse being restored.

There is one vacant area with no water frontage located between the New Basin Canal, Orleans Marina, Peninsula Condominiums and Sailboat Bay. Approximately 40% of that area is utilized as a dry storage dock operated through Orleans Marina. This area contains developable land outside of flood

protection that can be put to commercial or residential use at some point in the future. The area housed the Trade Winds Bar that came down in the 1980's. Before this property could be developed the new restaurants along New Basin Canal should be given approximately one year to get established as it is not known how the Biggert-Waters Act will shape out. The way the Act is written is that FEMA, through NFIP, can increase insurance rates up to 25% per year for properties presently insured and grandfathered in.

Mr. Pappalardo addressed Orleans Marina and advised that several boathouses located on W. Roadway have been taken back by the Authority. The best advice would be to demolish the improvements and rebuild open slips which could be redeveloped from the ground up by new boathouse tenants. Additionally, there is a group of very old boathouses (41-46) in which two of the six are occupied and in a dangerous condition. These boathouses are unsalvageable and will cost approximately \$3 million to rebuild the six boathouses. These boathouses date back to the 1940's and are the oldest in the Marina.

The 12.6 acre former Naval Reserve facility is on the east and outside of flood protection. The zoning is multi-family, but is currently being utilized as green space by the community. Mr. Pappalardo advised to keep the property out of commerce for recreational use. If the property were developed it would be subject to the new FEMA constraints that resulted from Hurricane Katrina. Chairman Lupo noted that the property is outside of flood protection and fits into the concept of green space from Seabrook to West End.

Mr. Pappalardo addressed the Airport and advised that the Lakefront Terminal is available for lease. An agreement for the restaurant at Lakefront Airport should be in place by the November Airport Committee meeting. To date, the Board has approved three leases in the Terminal Building. The Gulf Coast Aviation lease was signed and the money is in the bank. Additionally, a lease has been approved with Robichaux Law Firm and that lease will be signed today.

Mr. Robichaux leased 612 square feet and has reserved the right to request an additional 70 square feet. Mr. Davis will assist Mr. Robichaux with the build out of the 70 square feet request. Constable Boissiere agreed to lease office space and that lease is also out for signature. Presently there is 21% rented and 77% vacant office space on the first floor that does not include the restaurant. On the second floor 16.3% is leased and 83.7% is available which does not include 1,600 square feet reserved for the Airport Director. There is 6,500 square feet of office space available on the second floor and 4,426 square feet of office space available on the first floor. Mr. Pappalardo advised that rent for Constable Boissiere and Gulf Coast Aviation ground floor offices is \$24.89 per s.f., which includes a pass through of \$5.39 for electricity, flood and property insurance. Office space on the second floor is \$17.49 per square foot, which ranks with Class A space on Poydras Street in the CBD. Flightline First submitted a Letter of Intent requesting Office 125 on the ground floor to use in conjunction with Southern Airways Express; the new commuter airline. The Airport Committee will bring the matter before the full Board subject to Flightline providing additional requested information. Some logistical issues will be discussed regarding the common area when the restaurant holds special events in the lobby and atrium. This can possibly be resolved by draping off the party and utilizing the corridor to the porch on the east side by the chair lift.

All Airport leases will be brought before the Airport Committee for approval because those rent monies stay within the enterprise of the Airport. The Marina properties are brought before the Commercial Real Estate Committee with the exception of the boat slips, which are brought before the Marina Committee.

Mr. Pappalardo advised that Customs expressed an interest in returning to Lakefront Airport. Customs prefers the old post office space further east which is 2,000 s.f. and has an outside entrance and a private restroom. This will be a business decision by the Airport Committee and the full Board as U.S. Customs pays no rent and requires the building owner to build out the facility because Customs feel they are important to an airport by providing a benefit to aviation. The FAA agreed that Customs' space can be leased for zero dollars. The Authority would lose \$37,500 per year for the 2,000 s.f. and the build-out would be another \$250,000 which the Authority does not have the money for. The Authority could get that money back through fuel flowage fees. The business decision is if the FBOs want Customs at the Airport and agree to front the build out for Customs.

Mr. Capo noted that the previous Customs office was very small and had no full-time presence. Customs now requires a holding cell and an interviewing cell. Mr. Pappalardo advised that Homeland Security now requires that Customs have 2,000 square feet. The federal real estate world has changed due to Homeland Security and terrorism. The question is: At the end of the day is it beneficial for Lakefront Airport to have U.S. Customs? The Authority could give up rent if fuel flowage made up for lost rent, but is it worth the Authority to expend this money when international flights arrive in Terrebonne, MSY and Gulfport. Customs contacted Mr. Pruitt and toured the preferred area at Lakefront Airport which is worth approximately \$38,000 per year in rent.

Mr. Pappalardo stated that the Authority had the choice of leasing Customs a space in the Terminal Building. It is a service to the FBOs, the air traveler and is an aide to the aviation public. It is the custom all over the United States that Customs, who is a sister agency of the FAA, does not pay rent. Mr. Capo noted another option is an FBO could host Customs and give them space in their leasehold. It is important for the FBOs to have Customs in their leasehold because they would have all of the flights landing at their facility.

There is 28,000 s.f. of commercial land at South Shore Harbor where the Bally's facility was located. When Star Casino built the Bally's facility the facility was built on an obsolete flood elevation below what should have been built at that time. Upon settlement with Bally's the Authority got the land and building back. The Authority has explored opportunities regarding the use of that building. This was prior to the Bigger Waters Act. Flood insurance would be prohibitive for the operator of the facility and individual retail or restaurant tenants would be prohibitive to insure shirts, t-shirts, caps and boat items that would be sold as contents insurance would be prohibitive. If inquiries on the building continue the Authority should consider selling the building and re-leasing the property. The possibility of raising the floor level three or four feet would accomplish what was necessary for the flood insurance issue, but the Authority does not have the money to do that. The building will cost approximately \$500,000 to tear down and is not under any insurance policy.

There is 15.7 acres of peninsula built with South Shore Harbor in the 1980's. The plan was to have boat slips attached to the peninsula along with a development, including hotels, stores, recreation and entertainment. South Shore Harbor was developed prior to two important real estate taxes in the history of real estate. In 1987 we had the 1986 tax reform law which gutted developmental real estate and Louisiana had the oil bust which sucked the money out and affected that yachting community because all of the yacht brokers went Florida and Texas. It was like a recession in the boating community which affected development of South Shore Harbor and the North Peninsula. With riverboat gaming in the 1990's South Shore Harbor was deemed to be a great location for a boat and the Star Casino (Bally's) was built generating revenue of approximately \$5 million per year.

An individual recently inquired about the perimeters of leasing the north peninsula for a multi-use development. This request will be brought before this committee to determine whether to go out with an RFP to develop the peninsula. There are no utilities on the north peninsula and to provide utilities for a 15 acre site would require massive electrical and water costing approximately \$13 million as utilities have to come through the Airport. The construction cost to provide the utilities is massive in itself.

The only other property that is negligible is the old Levee District police station by Elysian Fields. Commissioner Heaton advised there may be a possibility to secure funding to rebuild the station. The area is residential and could not be leased for commercial use as the zoning was lost. The neighborhood has expressed a desire for police presence in that area; they do not want a commercial development.

The Lake Vista Community Center is 1,540 s.f. and includes one vacancy, a space on the east side of the building and another space in bad condition that leased until renovations are made. There is also a space with soil subsidence and slab differential that will not be an easy fix and will require mud jacking as the interior slab is sinking. Chairman Ernst thanked Mr. Pappalardo for the very comprehensive, informative report.

2) Discussion regarding issuing n RFQ/P for the north peninsula at South Shore Harbor

Mr. Pappalardo advised that putting out this RFQ/P will require due diligence and determining which market you want to hit. The individual should get the information available on the site without the Authority making promises that the site will be available to him. Informal meetings should be held with these individuals. If it looks as if there may be an agreement the individuals can be brought to this committee.

Commissioner Lupo questioned the appeal process if the architect rejects house plans. Mr. Capo informed if architects do not agree on house plans, the appeal would be brought to the Executive Director. The property owners association does not have any authorization regarding house plans. The Authority has strict conformance to the building restrictions with no mechanism for a variance. When plans are approved the Authority issues a Letter of No Objection to the homeowner advising that the plans are in compliance with the building restrictions. The Authority does not have the resources to inspect houses during construction. Mr. Metzger advised that the building restrictions could be amended through a mechanism in the Civil Code. Property owners get together and vote. The building restrictions could be amended and brought up to modern standards.

ANNOUNCEMENT OF NEXT MEETING

Chairman Ernst announced the next scheduled Commercial Real Estate meeting is Thursday, November 7, 2013 at 1:30 p.m.

ADJOURNMENT

Due to lack of a quorum, there was no motion to adjourn and the meeting ended at 2:55 p.m.