

2017, Dughman



Best Practices in the Disposition of City Owned Real Estate

Prepared for:

The New Orleans Business Alliance

May 2017

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SRED: 6020 Directed Research

Master of Sustainable Real Estate Development

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Acknowledgements

The impetus for this research occurred when I realized the value of the real estate that the City was holding onto and began to follow the news stories about City's failed attempts to get a number of high profile properties placed into commerce. As someone who genuinely cares about the economic outlook for New Orleans, I became curious to investigate what the issues were. Luckily I found several individuals who shared the same commitment to the city, desire to see this process improved, and who were willing to work with me on this research project.

Firstly, my partner on this project, Louis David and the New Orleans Business Alliance, whose organizational goal of business investment, quality of life and economic opportunity closely mirrors my own. Louis in particular was able to provide candid advice as well as a window into the City's priorities and policies regarding this topic.

Secondly Casius Pealer, who through his own work in the public sector has been able to ask questions that prompted me to provide a more coherent explanation of the issues at hand and keep my focus on viable solutions, rather than just restating facts.

Lastly, Judith Kinnard, Roger Ogden, Rory Dowling and Seth Knudsen, with who were willing to offer their advice and experiences in the subject matter and provide greater clarity than academic research alone would have granted me. Hopefully someone out there finds this work useful and that it results in the betterment of a place I care about.

Table of Contents

I. Introduction.....	4
II. Why is this Topic Important?.....	4
Budget Shortfalls.....	4-6
Jobs and Income.....	6
Responsible Government.....	6-8
Current New Orleans Real Estate Market	8
III. Current Disposition Process.....	8-10
IV. Obstacles to Successful Dispositions.....	10
Selection Committee	10-12
Evaluation Procedures	12-13
Transparency Questions.....	13-14
Lack of Centralized Land Policy and Competing Interests	14-15
V. Case Studies of Problematic Property Dispositions in New Orleans	15
2 Canal Place.....	15-18
542 Tchoupitoulas St. and 545 S. Peters St.....	18-19
12301 Lake Forrest Boulevard.....	19-21
VI. Recommendations.....	21
Land Banking.....	21-22
Data Availability.....	23
Procurement Process Improvement.....	23-24
Private Sector Involvement.....	24

I. Introduction

The City of New Orleans is sitting on a relative goldmine worth of real estate, with high value parking lots, municipal buildings, commercial and industrial property currently under its control. For example, 2 Canal Street, 12301 Lake Forest Boulevard, and 4400 Dauphine Street are currently assessed at \$35 million, \$51.7 million and \$87.9 million, respectively.¹ But being owned by the City of New Orleans is not the only thing these properties have in common: all three have been put out to bid for redevelopment in recent years and all three sit currently undeveloped. Clearly something is wrong. The purpose of this research paper will be to analyze the City of New Orleans's real estate disposition process in an attempt to establish both what the issues are, as well as ways the process can be improved, with the goal of getting high dollar City owned property back into commerce. Research will begin by establishing why improving the disposition process is so important, move onto an analysis of the City's current public bid process, identify some of the obstacles of this process through the examination of case studies, and conclude with recommendations for ways to improve it. Sources of reference will include a combination of academic research papers, newspaper articles, government publications and interviews conducted by the author.

II. Why Is This Topic Important?

Budget Shortfalls

¹ Orleans Parish Assessor's Office, (2017). Accessed May 5, 2017.
<http://www.qpublic.net/la/orleans/>

New Orleans is in dire need of cash. In 2012, problems within the police department resulted in a court-enforced agreement with the Justice Department that led to improvements and changes within police department policy. That consent decree is expected to cost at least \$55 million.² In 2013, a U.S. District Court Judge approved a second federal consent decree calling for sweeping changes at Orleans Parish Prison,³ expected to cost more than \$20 million annually. In 2015, a lawsuit brought by the fireman's union resulted in an agreement that will require the city to pay \$75 million in back pay, with \$20 million of that being required up front.⁴ That's just the lawsuits. The City of New Orleans is also faced with crumbling infrastructure that requires fixing to the tune of \$2.4 billion by 2016 estimates.⁵ With no clear path forward for how to pay for its budgetary woes, the City's real estate assets present an opportunity that is currently being squandered, especially in the form of real estate taxes not being collected since the City is not required to pay real estate taxes to itself. 4400 Dauphine Street alone, with a taxable assessment of \$87,904,000, is causing the City to lose out on \$12,932,436.48 annually, and that is for an unimproved, essentially blighted property. That valuation would go up significantly if it was in the hands of a private developer who improved it. By putting City owned real estate back into commerce, the City would gain a substantial source of income to pay off its lawsuit debts and infrastructure needs.

² Sadie Gurman, *Federal Overhauls of Police Departments Bring Mixed Results*, Associated Press, April 5, 2017.

³ Naomi Martin, *Federal Judge Approves Orleans Parish Prison Consent Decree*, The Times Picayune, June 6, 2013.

⁴ Jeff Adelson, *New Orleans firefighters deal: City to pay full \$75M in back pay; union agrees to pension concessions; new tax in the works*, The New Orleans Advocate, October 18th, 2015

⁵ Katherine Sayre, *Mayor Mitch Landrieu puts streets, drainage atop \$871 million city projects budget*, The Times Picayune, October 17, 2016.

Jobs and Income

Residents of New Orleans are by and large poor and underemployed. Current census figures (2011-2015) show that 37% of the population of the City of New Orleans is making less than \$25,000 a year per household, and 60% of the population is making less than \$50,000 a year per household.⁶ From 1964 until 2003, New Orleans lost the majority of its high wage jobs, between 58-76% depending on the industry, in the mining, manufacturing, trade, and transportation/utilities industries. The jobs that it did gain were in the service and hospitalities industries, which are much lower paying.⁷ Despite the fact that job creation is a stated priority of the current administration, by allowing valuable real estate to sit undeveloped due to failed procurements, the City is missing out on the opportunity to alleviate some of its employment and income pressure by creating high paying jobs during construction as well as upon project completion.

Responsible Government

The City of New Orleans also has a PR problem when it comes to private citizens' view of public officials, and for good reason. Statewide, "...between 2002 and 2011, Louisiana convicted 403 government officials of crimes "involving abuses of the public trust," according to DOJ data. This amounts to 8.76 convictions per 100,000 people, the highest rate in the country. Of the state's three federal court districts, the Eastern had by far the most convictions at 247. The district

⁶ Decennial Census and American Community Survey, *Household Incomes*, (2011-2015). Accessed via Policy Map, May 5, 2017.

⁷ Frailing, K. & Harper, D.W. (2007). "Crime and Hurricanes in New Orleans." In D. L. Brunnsma, D. Overfelt, and J.S. Picou (Eds.), *The Sociology of Katrina: Perspectives on a Modern Catastrophe*. (51- 70). Lanham, MD: Rowman and Littlefield.

encompasses 13 parishes including Orleans..."⁸ In Orleans Parish between 2010 and 2014 alone, the convictions of former Mayor of New Orleans C. Ray Nagin, former New Orleans Chief Technology Officer and Executive Assistant to Mayor Nagin Gregory Meffert, former Director of the Management Information Systems Anthony Jones, Ex-Chief Financial Officer of the Housing Authority of New Orleans Elios Castellanos, former Chief Operation Officer of the Housing Choice Voucher Program Dwayne N. Muhammad, former Executive Director of New Orleans Affordable Homeownership (NOAH) Stacey Jackson, ex-Orleans Parish School Board (OPSB) President Ellenese Brooks-Sims, and ex-OPSB Business and Human Resources Manager/Financial manager Kelly A. Thompson resulted in over \$6.6 million worth of embezzlement and mismanagement charges.⁹ In their interviews of public officials regarding post-Katrina procurement process and related corruption charges, Atkinson and Sapat accurately point out that "because an environment existed where enforcement of rules and regulations did not occur, the result was, in the view of the interviewees, damage to procurement fairness and transparency. As one respondent noted, "the corrupt environment had resulted in a place that was perceived as hostile to business."¹⁰ Restoring the public's opinion of the City of New Orleans as trustworthy will mean that more people will be willing to do business with them.

⁸ Lauren McGaughy, *Louisiana's rate of public corruption convictions highest in nation, report says*, The Times-Picayune, September 4, 2013.

⁹ Lydia Voigt and William E. Thornton, *Disaster-Related Human Rights Violations and Corruption*, American Behavioral Scientist Vol 59, Issue 10, pp. 1292 – 1313, June 17, 2015

¹⁰ Atkinson, C. L., & Sapat, A. K., AFTER KATRINA: COMPARISONS OF POST-DISASTER PUBLIC PROCUREMENT APPROACHES AND OUTCOMES IN THE NEW ORLEANS AREA. *Journal of Public Procurement*, 12(3), 356-385, Fall 2012.

Real Estate Market

The last reason that it is crucial to improve the public property disposition process for the City of New Orleans, is due the current value of the real estate market. In the single family market, "...home prices in New Orleans have soared 46 percent in the decade since Hurricane Katrina, a real estate boom focused on the city's historic and lakefront neighborhoods. Most of the growth has occurred in the past five years."¹¹ Though the market appears to have cooled since the second half of 2016¹² it has not dipped, and the City is still left with property that is almost 50% more valuable than it was just 12 years ago. While data for commercial and industrial property were not available, it is assumed for the purposes of this paper that those sectors have seen similar increases. This represents a real opportunity for the city to make money through sale, lease or increased tax revenue.

III. Current Disposition Process

Disposition of publicly owned real estate in New Orleans is governed by the Bureau of Purchasing Procurement Procedures (Purchasing), which itself must comply with both State and Federal Procurement statutes. While Purchasing can employ a number of methods by which to enter into an agreement with the private sector, such as Micro Purchases, Small Purchases, Formal Sealed Bids and Unique and Non-Competitive (Sole Source) bids, the process most commonly associated with the disposition of real property is a Procurement by Competitive

¹¹ Katherine Sayre, *Katrina recovery syncs with urban living trend, driving up New Orleans home prices*, The Times Picayune, August 25, 2015.

¹² Richard Thompson, *New Orleans' real estate market showing signs of cooling, data signal*, The New Orleans Advocate, March 7, 2017. Accessed online May 2, 2017. http://www.theadvocate.com/new_orleans/news/business/article_f513766a-02bc-11e7-ba44-af5d619fa409.html

Proposal, also known as either a Request for Qualifications (RFQ) or Request for Proposals (RFP). “The technique of competitive proposals is normally conducted with more than one source submitting an offer, and either a fixed price or cost-reimbursement type contract is awarded. It is generally used when conditions are not appropriate for the use of sealed bids,”¹³ such as when there is some deliberation required in order to choose between potential awardees.

The first section of the Purchasing manual provides an alignment between the Federal Methods of Procurement and methods of procurement which the City of New Orleans follows.

Guidelines specifically relevant to this paper are:

- Proposals must identify all evaluation criteria along with a ranking of their importance
- The proposal reviewers must have a written method for conducting their evaluation as well as sound reasoning for why they select the winner
- Contracts will be awarded to the winner whose proposal is “most advantageous” to the City, including, but not limited to price

The second section of the Purchasing manual outlines the specific step-by-step procedures which must be followed to ensure that New Orleans procurements follow federal, state, and local guidelines. Relevant steps from that section are:

- The Chief Procurement Officer (CPO) shall establish a Selection Committee with relevant subject matter experts. The committee must consist of five individuals including:
 - The manager of the requesting department, or designee
 - The first deputy Mayor – Chief Administrative Officer (CAO), or designee
 - City employee who will manage and monitor the contract
 - Professional from within local government who possesses expertise in the relevant field
 - The Chief Financial Officer (CFO), or designee

¹³ City of New Orleans, Bureau of Purchasing Procurement Procedures, Version 4.0, February 20th, 2017. Accessed April 16, 2017. <http://www.nola.gov/purchasing/documents/cno-bureau-of-purchasing-procurement-procedures-v-1/>

- All meetings of the Selection Committee shall be open to the public and conducted in accordance with Louisiana Open Meetings Law
- The Selection Committee shall first review the technical proposal and provide a rating accordingly
- Upon completion of the technical proposal review, the Selection Committee shall open and review the separate price proposals
- The Selection Committee shall then take the proposal rating and proposed price into consideration to determine which proposal provides the best value to the city
- If the Selection Committee determines that the lowest priced proposal does not provide the best value to the City, the Committee shall explain the reason(s) for its decision in writing

Although the Procurement by Competitive Proposal guidelines are intended to ensure that the process is completed openly and fairly, in compliance with local, state and federal guidelines, and to ensure that City of New Orleans gets the best financial deal possible, the process itself is sometimes the cause for unsuccessful real estate dispositions. In the next section, some of those causes will be unpacked.

IV. Obstacles to Successful Dispositions

Selection Committees

According to the Bureau of Purchasing Procedures guidelines, the selection committee tasked with evaluating the proposals and choosing the winner is composed via a strict set of guidelines. While the committee members may come from a diverse set of departments, the fact is that they are all city government employees, and what's more, all of their jobs derive from the Mayor's office. If the Mayor's preference for a particular proposal has been made clear, are the committee members truly going to be able to perform their duty with integrity? If they select a proposal that goes against the Mayor's preference, would the committee members then they have to worry about their job? While the logic for choosing City of New

Orleans makes sense in the context of minimizing the possibility of ulterior motives or vulnerability to bribery, a selection committee composed entirely of Mayoral subordinates is perhaps not diverse enough.

Another issue with the selection committees is the fact that if the person from city government required by the Purchasing guidelines is not available, a designee may be chosen. This opens up the possibility that a selection committee member may end up being whoever the original designee is able to find with the availability to serve on the committee. This exact scenario happened to Judith Kinnard, a Professor of Architecture at Tulane University and a past selection committee member who was interviewed as a part of this research. Ms. Kinnard was asked to serve on the selection committee for the North Terminal construction project for the New Orleans Airport in place of someone else who was not available, and although she had semi-related experience having taught architecture for 22 years, she had no aviation, airport construction, or city government experience.¹⁴ Furthermore, according to Ms. Kinnard, the selection committee received a massive amount of information in a relatively short time. Overwhelmed with information she did not have time to process and forced to grapple with making a decision about a topic “much outside of her area of expertise,” in her own words, the selection committee’s first choice resulted in a letter of protest being filed alleging scoring anomalies.¹⁵

“On May 14, anomalies occurred in scoring costs. ‘Two of the members of the review committee, Laverne McSwain and Judith Kinnard, each gave the two proposers the full complement of 10 points related to cost, though the separate proposals on cost were not

¹⁴ Judith Kinnard, interview by author, New Orleans, April 5, 2017

¹⁵ Jeff Adelson, *Losing bidder for huge airport construction project files protest*, New Orleans Advocate, June 14, 2014

identical,' ... Based on its higher projected costs, Parsons Odebrecht should have received fewer points, according to the Hunt-Gibbs group... 'Had either Ms. McSwain or Ms. Kinnard properly scored the cost component in the original evaluation on May 14, correctly awarding more points to Hunt Gibbs Boh Metro than to Parsons Odebrecht in that category, there would not have been a deadlocked tie...'”¹⁶

The result of the letter of protest was a reissue of the RFP¹⁷ and eventually a reversal of the top two proposal scoring, with the winner from the first RFP eventually losing the contract to the original second place bidder in the end. In addition to wasted time in between while the RFP was reissued and reevaluated, the City incurred legal costs.

Evaluation Procedures

Judith’s experience with the North Terminal selection committee also highlights another obstacle to a successful bid process, which is the evaluation procedures that the selection committee are required to follow. The first issue is the grading sheet which results in a point score that determines the winning proposal. In addition to bid price, point categories on the grading sheet also include the submitter’s relevant experience, quality of past work, and commitment to hiring Disadvantaged Business Enterprises (DBEs). In other words, the selection criteria are intended to be cumulative, with no preference for one category. However, in the case of the first failed RFP, the losing bidder was able to successfully call for a reissue based on cost.¹⁸ So is the grading sheet intended to be cumulative or does overall bid price trump the cumulative scores of the other criteria? This inconsistency in the case of the North Terminal

¹⁶ Susan Buchannan, *Choice of an airport construction team is delayed*, The Louisiana Weekly, June 2, 2014

¹⁷ Jeff Adelson, *Board hits reset button on N.O. airport contract*, New Orleans Advocate, June 11, 2014

¹⁸ Susan Buchannan, *Choice of an airport construction team is delayed*, The Louisiana Weekly, June 2, 2014

once again resulted in lost time between the two RFPs as well as legal fees on the part of the City.

Transparency Questions

A third issue highlighted by Judith's experience on the North Terminal committee is precedence given to transparency. Given the State of Louisiana and the City of New Orleans' track record with corruption discussed earlier in this paper, the motivations behind the City's desire for full transparency are clear. If everyone can see and hear what is being discussed, the possibility of allegations of corruption are minimized. According to Judith, full transparency in the case of the Procurement by Competitive Proposals process meant that during the period when the proposal submissions were being discussed, no private conversations were allowed and the entire discussion period was observed by an audience of attorneys, the proposal submitters, the press as well as members of the public. In Judith's opinion, the lack of chance to ask questions and discuss the proposals privately was a stressor on the selection committee members, which she felt like affected her ability to make the best possible selection.¹⁹ Since there is value to the argument for both full transparency as well partial transparency, it is not clear what the solution should be. For the purposes of this paper, the question will end at recognizing that the issue exists.

Lack of Centralized Land Policy and Competing Interests

¹⁹ Judith Kinnard, interview by author, New Orleans, April 5, 2017

The last obstacle to successful real estate dispositions that this paper will investigate is the fact that there are numerous departments in New Orleans that are holding onto undeveloped property, including, but not limited to:

- City of New Orleans
- New Orleans Redevelopment Authority
- New Orleans Building Corporation
- Sewerage and Water Board
- French Market Corporation
- Port of New Orleans
- Downtown Development District
- Algiers Development District
- New Orleans Public Belt
- State of Louisiana
- Housing Authority of New Orleans
- Orleans Parish School Board
- Industrial Development Board
- Orleans Parish Sherriff

This list represents a variety of entity types, including city government, state government, community improvement agencies, public benefit corporations, business improvement districts, city charters, boards, and port authorities. Each of these entities has a different mission statement, different motivations for how to manage the real estate under their purview, and although they are all at least quasi-governmental, they do not all have the same leadership or regulatory requirements. Coordinating a centralized plan for land management or disposition is therefore extremely difficult.

Furthermore, all of these organizations are proprietary with information about the property they control. In almost every case, a complete record of each entity's real estate is not available on the Orleans Parish Assessor's Office website, and employees were reluctant to share information about such in the course of this research.

V. Case Studies

In order to further demonstrate some of the issues with the Procurement by Competitive Proposal Process, this paper will now analyze several case studies in New Orleans which have resulted in failed dispositions.

2 Canal Place

Located at the foot of Canal Street next to the Mississippi River and considered by some to be one of the most valuable pieces of property in the City, the 33 story 2 Canal Place, also known as the International Trade Mart and later the World Trade Center (WTC), has been the subject of no less than four attempts at redevelopment. A 1998 bid process, then managed by the WTC, resulted in an award to a development team who intended to turn it into a Westin Hotel.²⁰ After years of problems, including financing difficulties, a failed tax increment financing (TIF) creation which was declared a misuse of public funds, allegations of cronyism and Hurricane Katrina, the deal finally died in 2006. The project was put out to bid again in 2007 by the WTC and proposals were received from eight teams of developers who were given 30 days to submit their plans and 120 days to secure financing. The winning bidder's deal eventually fell apart in 2008 due to being unable to secure financing.²¹ In 2012, control of the property's redevelopment process was transferred to Mayor Mitch Landrieu's administration and put out to bid a third time using the Procurement by Competitive Proposal method. Once again, the

²⁰ Deon Roberts, *City signs lease to convert World Trade Center into hotel*, City Business New Orleans, December 22, 2003

²¹ Greg Thomas, *Tall Order: Can anybody figure out how to make the city's most valuable real estate live up to its promise? Efforts to revive the first World Trade Center keep stalling*, Gambit, August 9, 2010

deal fell apart due to financing issues and negotiations were ended by the City.²² The most recent attempt at redevelopment, which was put out to bid in 2014, is currently moving forward with the winning bidder's hotel project, though that deal was much delayed due a lawsuit brought by a losing bidder who alleged inconsistencies with the City's selection criteria.

Through all of these failed bid attempts, 2 Canal Place highlights the fact that one issue plaguing the process is a lack of clarity describing the City's desired outcomes in the RFP.

Regarding the 2012 RFP, the Bureau of Governmental Research

“...described the city's RFP as vague and ambiguous. Specifically, she was critical of the selection criteria and their unclear connection to the RFP's goals as well as open-ended language concerning the use of public subsidies. The request, issued in January, says the redevelopment “should be” privately financed, which is at best a lukewarm suggestion and hardly a requirement. The RFP also says developers “should be prepared” to pay the New Orleans Building Corp. to use the site, but offers no structure for such an arrangement. The RFP also listed nine goals for the project, among them a call for a “world-class civic space” and “appropriate commercial uses” for the property. Beyond that, there were no indicators as to what constitutes a “world-class” or “appropriate” development.”²³

Without clear instructions about what they want, the City has left the door open to too many possibilities, and the resulting bid processes have returned varied proposals that have proven difficult to compare. For instance, in 2012, they imposed “no limitations as to the type of redevelopment or use of the space” and specifically welcomed demolition of the 1960s office tower as an option. One of the bidders responded to that request with a proposal to tear down

²² Richard Webster, *World Trade Center redevelopment deal fell apart over financial concerns*, April 30, 2014.

²³ Greg Larose, *Flaws undermine WTC redevelopment plans*, Bureau of Governmental Research, July 2, 2013. Accessed online May 6, 2017. <http://www.bgr.org/news/archives/flaws-undermine-wtc-redevelopment-plans/>

the building and replace it with an unspecified “iconic structure” akin to the Gateway Arch in St. Louis,”²⁴ while two others proposed keeping and renovating the historic structure.

The RFP language also leaves the door open for uncertainty regarding the financial returns that the City will see from the respective bidders. The 2014 bid process resulted in bidders proposing a number of different ways that the City would see returns from the project, including full upfront payments, half upfront and half upon completion payments, annual payments, prepaid rents, annual rents, net profits, and gross profits.²⁵ The diversity of financial returns made an ‘apples to apples’ comparison extremely difficult, not to mention the fact that some of the financial returns cannot even be accurately predicted as they rely on unknown future market conditions like rent and profits. This ambiguity regarding financial returns also resulted in a lawsuit for the 2014 bid process that has delayed the project even to this date.²⁶

542 Tchoupitoulas St. and 545 S. Peters St.

Two parking lots located at the intersection of Poydras and Tchoupitoulas Streets in the Central Business District are another example of a failed Procurement by Competitive Proposal Process. A May 2015 RFQ and subsequent RFP was released by the Canal Street

²⁴ Jaquetta White, *City issues new RFP for former World Trade Center site*, The New Orleans Advocate, October 15, 2014. Accessed online April 17, 2017. http://www.theadvocate.com/new_orleans/news/politics/article_2fff0700-82c0-54b4-b790-0e674c1867c0.html

²⁵ Jaquetta White, *Companies sweeten their bids to New Orleans for right to redevelop World Trade Center building; big decision coming this week*, The New Orleans Advocate, March 23, 2016. Accessed online April 17, 2017. http://www.theadvocate.com/new_orleans/news/politics/article_6a901723-d87f-5246-bc1c-cbb611d1a7e5.html

²⁶ Katherine Sayre, *Four Seasons developers say World Trade Center project moving forward despite lawsuit*, The Times Picayune, March 23 2017. Accessed online April 17, 2017. http://www.nola.com/business/index.ssf/2017/03/world_trade_center_four_season_4.html

Development Corporation seeking " 'first-class commercial and/or mixed-use projects' that include 'luxury residential, retail or other professional office use, with entertainment components and other related amenities. The proposed plan should also include a plan to address the parking needs for the proposed use.'"²⁷ After receiving 5 responses, the selection committee narrowed the respondents down to three. "Each proposal differs slightly in its scale and vision for the area adjacent to the Central Business District, though each envisions at least one hotel on the property. Only one proposal includes plans for apartments."²⁸ Once again language in the RFP was not specific enough. After asking the three respondents to go back and revise their proposals in an attempt to provide the selection committee with more information that they should have asked for the first time, only one proposal responded. That proposal too was scrapped after negotiations failed "requested documents and plans were not submitted timely and acceptable lease terms could not be reached."²⁹

12301 Lake Forrest Boulevard

The last example of the City's public disposition process gone wrong is this 224-acre site in New Orleans East, operated as a Six Flags Jazzland amusement park from 2000 until Hurricane Katrina closed operations in 2005. After filing for bankruptcy in 2009, the Six Flags parent

²⁷ Richard Webster, *Piazza d'Italia is city's next focus for redevelopment; proposals wanted*, The Times Picayune, May 12, 2015. Accessed online May 8, 2017.

http://www.nola.com/politics/index.ssf/2015/05/piazza_ditalia_is_citys_next_f.html

²⁸ Jennifer Larino, *3 proposals picked as finalists in Piazza d'Italia redevelopment*, The Times Picayune, September 11, 2015. Accessed online May 8, 2017.

http://www.nola.com/business/index.ssf/2015/09/3_piazza_ditalia_proposals_pic.html

²⁹ Katherine Sayre, *Piazza d'Italia lease negotiations for Hard Rock hotel scrapped*, May 10, 2016. Accessed online May 8, 2017.

http://www.nola.com/business/index.ssf/2016/05/piazza_ditalia_lease_negotiati.html

company transferred ownership to the City of New Orleans.³⁰ At the request of then Mayor Ray Nagin, the property was transferred from the City to the Industrial Development Board (IDB) with the hopes of making a future development easier since the IDB has the ability to issue bonds and approve property tax breaks in order to foster development.³¹ That same year, an unsolicited bid by a would be Nickelodeon branded theme park was received, though that deal eventually fell through due to financing concerns on the part of the City. In 2011, the City released a Procurement by Competitive Proposal bid process whose scoring categories placed an emphasis on “financial feasibility, financial capacity and return on investment. Those three categories combined to make up 60 percent of the final score. The other categories were quality and performance history, conceptual development, and commitment to working with disadvantaged business enterprises.”³² Despite receiving 8 responses to the RFP, only two included what the selection committee considered viable financial plans. The winning bidder, who had planned to develop the site into an outlet mall, eventually backed out due to the fact that another outlet mall was built further West at the Riverwalk next to the French Quarter, and the Six Flags site was deemed unable to compete. The most recent attempt to unload the property was a 2017 offer for bids to purchase the property outright

³⁰Nick Sim, *Deal paves way for Nickelodeon park on former Six Flags New Orleans site*, Theme Park Tourist, October 12, 2009. Accessed online May 9, 2017.

<http://www.themeparktourist.com/news/20091012/485/deal-paves-way-nickelodeon-park-former-six-flags-new-orleans-site>

³¹ Kathrine Sayre, *Former Six Flags park in eastern New Orleans might be sold or auctioned*, The Times Picayune, March 9, 2016. Accessed online May 9, 2017.

http://www.nola.com/business/index.ssf/2016/03/six_flags_new_orleans_east.html

³² Jaquetta White, *Former Six Flags site could become new amusement park or upscale outlet mall*, Times Picayune, November 29, 2011. Accessed online May 8, 2017.

http://www.nola.com/business/index.ssf/2011/11/field_narrowed_for_six_flags_r.html

along with a viable development plan, though none of the three bidders were selected due concerns about their financial capability to carry out their proposals.³³

The reason the Six Flags RFP process derailed was an entirely new circumstance than has been discussed in this paper previously, and that is the IDB should never have been managing the disposition process. Despite the fact that the previous Mayor's office originally requested that the IDB take control the land, and despite attempts to get the City of New Orleans to take the land back, the City has stated that they do not have the capacity to do so or the money to pay for security or upkeep. Bewilderingly, though they have refused take ownership of the land back from the IDB, the City has repeatedly tried to tell the IDB how to manage the disposition process from the rear seat, sparing with them over the IDB's 2015 attempt to court firms who might be able to market the land to national developers³⁴ and as of May 9, 2017 negotiating a deal to allow the City's department of Economic Development to manage future disposition attempts while the IDB continues to foot the bill for maintenance and security.³⁵ Although it does make sense to have a City department with actual experience in economic development managing the disposition process, as opposed to a board in charge of issuing bonds and granting tax breaks, the fact that the City has refused to play the role of

³³ Katherine Sayre, *Mayor asks for more time on Six Flags decision*, The Times Picayune, March 17, 2017. Accessed online May 9, 2017.

http://www.nola.com/business/index.ssf/2017/03/six_flags_new_orleans_east_sal_2.html

³⁴ Jessica Williams, *3 groups spar over right to redevelop Six Flags property; public board unimpressed*, The New Orleans Advocate, February 14, 2017. Accessed online May 9, 2017. http://www.theadvocate.com/new_orleans/news/politics/article_949995be-f2ed-11e6-a22b-4febe09a3695.html

³⁵ Katherine Sayre, *Future of Six Flags now in Landrieu administration's hands*, The Times Picayune, May 9, 2017. Accessed online May 10, 2017.

http://www.nola.com/business/index.ssf/2017/05/six_flags_new_orleans_landrieu.html

disposition manager until now is confusing. The debate over who is best to manage the disposition of Six Flags perfectly illustrates the fact that there are perhaps too many cooks in the kitchen when it comes to City owned property disposition and that none of the entities currently managing the process is the ideal one.

VI. Recommendations

Having painted a picture of the reasons why the property disposition process needs to be improved, explained the current process and the problems it causes through case studies in New Orleans, this paper will make recommendations for what the City needs to ensure success in the future.

Land Banking

One of the main tools that cities across the nation have employed to combat vacant land and incentivize its development is the creation of land banks, or the adoption of land banking strategies. There is no standardized model for what a land bank is. According to Heins and Abdelazim in their report for the *Center for Community Progress*, “the purpose of a land bank is to acquire title to problem properties, eliminate the liabilities, and transfer the properties to new, responsible owners in a transparent and efficient manner that supports community-based plans.”³⁶ Another definition, given by Frank Alexander also for the *Center for Community Progress*, is “process or policy by which local governments acquire surplus properties and

³⁶ Heins, Payton A. and Abdelazim, Tarik, “Take it to the Bank: How Land Banks Are Strengthening America's Neighborhoods,” (pages 19-20) for the *Center for Community Progress* (November 2014).

convert them to productive use or hold them for long-term strategic public purposes.”³⁷ It is not always necessary to create a separate land bank, as other public agencies like redevelopment authorities or community development agencies can accomplish the same goals. Land banks currently exist across the country, and have been highly successful in cities like St. Louis, Atlanta, Cleveland, Flint, Minneapolis, Detroit, Syracuse, Memphis and more.

The purpose of creating a land bank here in New Orleans, or of tasking one of the existing real estate related departments with performing a land banking function, would be to centralize the City’s strategy around land disposition since as shown in this paper, having those powers spread out among various department without standardized practices is not working.

Data Availability

In the course of this research, lack of data on who controlled what land and where presented a real problem. One possible solution is to create a centralized, online repository of information about land being held by various departments, so that each department is aware of what everyone else has. New developments in open source software could be especially beneficial, allowing all of the various departments to access a single database and edit it in real time. The database should include the following information about each parcel of land

- Ownership Entity
- Address
- Neighborhood
- Square #
- Lot #
- Lot Size
- Nature and Condition of Improvements

³⁷ Alexander, Frank, “Land Banks and Land Banking, Second Edition,” (page 23) for *The Center for Community Progress* (June 2015)

- Environmental Concerns, if any
- Assessed value
- Disposition Status

Additionally, each parcel should be mapped on open source mapping software using GIS technology, so that neighborhood trends can be easily observed.

Procurement Process Improvement

As demonstrated by the case studies in New Orleans, the procurement process itself is flawed in several ways. Through the course of this research, the following changes became necessary.

First, there needs to be greater diversity on the selection committees. Having some representatives from the local government is of course prudent, but having the entire selection committee made up of persons under the authority of the Mayor's office allows for the possibility of Mayoral influence. Representatives from the private sector, academia and the non-profit world would do well to diversify the committee.

Furthermore, experience in the relevant field of the property type being disposed of should be required in order to have the most capable and efficient selection process. This way, there will be less danger of the committee members becoming overwhelmed with the amount of information they are required to decipher in a relatively short amount of time.

There also needs to be clearer language used in the RFPs themselves, including both a prioritization on the part of the City on what kinds of proposals they are looking for, i.e. hotel development vs. multi-family housing vs. retail, etc., as well as clearer language used to describe the details that they want to see on the proposals. Vague descriptors and qualifying words should not be included without a definition.

Private Sector Involvement

Lastly, there needs to be more involvement from the private sector. While government is important for the purposes of maintaining impartiality, they are generally not real estate experts. Land valuation methodology, appraisals, financial analysis, legal structure, and evaluation of the relevance past projects would be better performed by a third party.