New Orleans, LA
November 5-10, 2017
About the Urban Land Institute

- The mission of the Urban Land Institute is to provide leadership in the responsible use of land and in creating and sustaining thriving communities worldwide.

- ULI is a membership organization with nearly 40,000 members, worldwide representing the spectrum of real estate development, land use planning and financial disciplines, working in private enterprise and public service.

- What the Urban Land Institute does:
  - Conducts Research
  - Provides a forum for sharing of best practices
  - Writes, edits and publishes books and magazines
  - Organizes and conducts meetings
  - Directs outreach programs
  - Conducts Advisory Services Panels
The Advisory Services Program

- Since 1947
- 15-20 panels a year on a variety of land use subjects
- Provides independent, objective candid advice on important land use and real estate issues
- Process
  - Review background materials
  - Receive a sponsor presentation and tour
  - Conduct stakeholder interviews
  - Consider data, frame issues and write recommendations
  - Make presentation
  - Produce a final report
Thank You to Our Sponsors

LSU FOUNDATION

LSU Health NEW ORLEANS
Advisory Services Panel Study Area
The Assignment

• What is the highest and best use of Charity Hospital?

• How can the LSU Real Estate Facilities Foundation (REFF) and LSU Health Science Center realize the maximum benefit in outsourcing on the redevelopment of Charity to a private developer? Maximizing benefit means a use that would work together in synergy to the Medical District and the LSU Health Science Center, a use that would accelerate after development in the District, and a use that would be of financial benefit to the LSU Medical Foundation.
Panelists

- **John Walsh**, TIG, Dallas, TX
- **Carlton Brown**, Direct Investment Development, New York, NY
- **Norman Dong**, FD Stonewater, Washington, DC
- **Brandon Hill**, Fusion Advisory Services, Birmingham, AL
- **Eric Maribojoc**, George Mason University, Arlington, VA
- **Tom Murphy**, Urban Land Institute, Washington, DC
- **Liz Ogbu**, Studio O, Oakland, CA
- **Tyrone Rachal**, Urban Key Capital Partners, Atlanta, GA
- **Lynn Ross**, Spirit of Change Consulting, Miami, FL
- **Melani Smith**, University of Southern California, Los Angeles, CA

**Urban Land Institute Staff**

- Paul Angelone—Director, Advisory Services
- Grace Hill—Senior Associate, Meetings and Events
- Cali Slepin—Associate, Advisory Services
Presentation Overview

I. Preamble and Guiding Principles
II. Process and Leadership
III. Building Uses and District Linkages
IV. Project Development Finance
V. It’s Time!
1730
Charity Hospital is founded

1830s
Sisters of Charity take over the hospital

1939
Sixth Charity Hospital built on Tulane Ave

1970
Louisiana Department of Health (DHH) takes control of Charity

Pre-Katrina
Decision made to build a new hospital

2010
Final decision made around allocation of FEMA funding

2015
Completion of UMC; Previous RFP process for Charity Hospital

2017
LSU Real Estate Facilities Foundation completes internal cleanup; ULI Panel

1997
DHH transferred Charity Hospital to the LSU Health Foundation

2005
Hurricane Katrina hits; Charity Hospital evacuated 5 days after the storm
“Healing helps renew our faith in the process of becoming.”
WHAT THIS IS ALL ABOUT
Project: Charity Hospital
The redevelopment of the Charity Hospital building

District: Spirit of Charity Innovation and TIF District
The creation of a tax incremental finance district (not building) that encompasses Charity Hospital and the surrounding neighborhood
WHAT IS CHARITY HOSPITAL A PLACE FOR?

- All People
- Birth and Rebirth
- Caregiving
- Lasting Connections
- Healing
- Education
- Training
- Innovation
Guiding Principles for Charity Hospital and the Charity District

1. Spirit of Charity

- Charity Hospital is more than a building.
- The “Spirit of Charity” still lives on and must be incorporated in the redevelopment
Guiding Principles for Charity Hospital and the Charity District

2. Clear and Transparent Process
   - Intentional transparency with a clear framework for process.
   - Framework illuminates: key elements/milestones and timing; valuing input; understanding which aspects of the process and outcomes they can influence.

3. Inclusive and Equitable Process and Outcomes
   - Design, sustain and embrace an inclusive and equitable process that is outcomes oriented.
   - Existing local talent and wisdom adds value to the redevelopment process.
   - District achieves its maximum strength when benefits spread across all stakeholders.

4. Financial Feasibility + Stewardship
   - The effort must be financial feasible not only in the redevelopment, but in the ongoing maintenance and operations.
   - Creative financing tools and governance structures utilized for redevelopment as well as to capture the additional value created by the revitalization for quality, ongoing stewardship.
   - Spirit for Charity Innovation and TIF District.

5. Flexibility
   - A clear plan that embraces the indeterminate.
   - Allow room for the unexpected and unanticipated ideas that may be generated during the planning process and implementation.
Guiding Principles for Charity Hospital and the Charity District

6. Public Use and Community Benefit

- Redevelopment must include some aspect(s) that are clearly for public use and designed for ongoing community benefit.
- Many possibilities: a museum or other memorial honoring the legacy of Charity Hospital; a municipal program; public art in the building or other throughout the district; multi-purpose community meeting spaces; a prominent public space; and workforce training programs.

8. Partnership and Collaboration

- Collaborative, competent partnership is essential.
- Establish a new “Community Quarterback” entity.
- No Partner Engagement = No Action

7. Connectivity

- Must be considered, planned and implemented with a deep awareness of the surrounding neighborhoods.
- Unique opportunity to catalyze connectivity in district and across the city.
- Connectivity includes safety, streetscape, public spaces, access and walkability.

9. Quality Design and Construction

- Quality Design & Construction equals
  - Basic Service for All
  - Opportunities for Productive/Valued Spaces
  - Connectivity
  - Definition to Signature Space
10. Strategic Plan

- Discussions/Vision → Strategic Plan
- No Plan = No Action
- Plan built around the Guiding Principles identified by the ULI Panel in this report.
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IV. Project Development Finance

V. It’s Time!
Process

The “Six Sigma Approach” resulting in:

- Increased emphasis on strong and passionate management leadership and support

- Clear focus on equitable, measurable and quantifiable financial returns

- Commitment to making timely decisions based on data and statistics vs. assumptions and guesswork

- Incorporating feedback loops from all parties to the process to assure outcomes consistent with the project’s goals while engaging in a collaborative process
Charity Hospital Project Objectives

- Collaboration
- Employment
- Strategic Uses
- Adaptive Reuse of the Facility
- Preservation
- Public Engagement
- Honoring History
- Resiliency
- Energy Performance
- Building Healthy Places
Process

Building Healthy Places - Healthy Communities Movement

Living and Working Conditions in Homes and Communities Influence Health

Factors influencing health

- Economic and social opportunities and resources
- Living and working conditions in homes and communities
- Medical care
- Personal behavior
- Interactions between genes and our experiences

HEALTH

Source: Robert Wood Johnson Foundation.
Process

Building Healthy Places

Health Care vs. Health Outcomes

- 2011, Orleans Parish 60th out of 64 parishes in County Health Rankings
- 2015, Orleans Parish moved to 42nd
- 2012, 25.5-year difference between the ZIP codes in New Orleans with highest/lowest life expectancies
- 2008-2010, African Americans 3x more likely to die of diabetes; 2x to die of kidney disease and HIV
- 2012, whites in New Orleans had median income almost 2x African Americans.
### Process

#### Building Healthy Places

| **Physical Activity** | mix of land uses  
multigenerational play and recreation  
street networks at human scale  
enticing streetscapes  
bike and pedestrian infrastructure  
visible stairs |
|-----------------------|---------------------------------------------------------------|
| **Healthy Food and Drinking Water** | include a grocery store  
host a farmers’ market  
promote healthy food retail  
support onsite gardening and farming  
enhance access to drinking water. |
| **Healthy Environment and Social Well Being** | ban smoking  
support indoor air quality/high-quality lighting  
minimize noise pollution  
increase access to nature  
social engagement thru space provision  
adopt pet friendly provisions |
| **Certification Programs** | Well Building, Fitwell |
Process

Early Action Items

1. CHARITY HOSPITAL
   – Stabilize the Building – Short Term
   – Develop a Project Organizing Committee

2. SPIRIT OF CHARITY INNOVATION & TIF DISTRICT
   – Establish a Charity District Management Committee
Process

Early Action Items- Charity Hospital

1. **Stabilizing the Building and Protecting the Public Right of Way – Short Term**
2. Develop a Project Organizing Committee
Process

Early Action Items - Charity Hospital

1. Stabilize the Building – Short Term

2. Develop a Project Organizing Committee
   1. LSU Real Estate and Facilities Foundation Leads
   2. Selects a consultant and develops the RFQ and RFP
   3. Reaches out to local and national pool of developers
Early Action Items - Charity Hospital Innovation + TIF District

1. Establish a Charity District Management Committee

- The Spirit of Charity Innovation and TIF District
  - Convener—LSU Foundation
  - Chair
  - State/City
  - Universities, Colleges, and Education Institutions
  - Business Leaders and District Major Employers
  - Downtown and Regional Economic Entities
  - Neighborhood & Community Development Organizations
Process

Early Action Items – Spirit of Charity Innovation + TIF District

1. Strategic Plan for the District
   – Incorporates all existing plans of member organizations
   – Addresses District redevelopment/economic development strategies/procedures

2. Ongoing Responsibilities
   – High quality management of public space, pop up spaces, permanent spaces, curated with selected events, transportation/access/connectivity strategies, infrastructure improvements, parking strategies, shared building and land assets strategies, District user needs, shared grant pursuits, educational/informational programming, District marketing

3. Tax Increment Financing (TIF) District Formed
   – Collect incremental tax for the District vs. Project based tax
   – Infrastructure, retail, research, technology, housing
   – Leverage opportunity
Downtown New Orleans Existing Districts with Proposed TIF District

Spirit of Charity
Innovation + TIF District
Presentation Overview

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What Is Possible

The Village at Grand Traverse Commons in Traverse City, Michigan (formerly Traverse City State Hospital)
Flexibility is key as the market, financing sources, and partners change over the project life.

Collaborative strategy overrides developer transactions.

Charity Hospital: Potential Use Suitability Chart

- **Commercial Multi-tenant Office**
- **Hotel**
- **Medical: Hospital**
- **Market-Rate Multifamily**
- **Medical: Wellness**
- **Education and Workforce Development**
- **Institutional Uses**
- **Museum Uses**
- **Retail**
- **Technology/Research & Development**
- **Workforce Housing (80%-150% AMI)**

Colors indicate suitability:
- **Green**: Most Immediately Suitable
- **Yellow**: Potentially Immediately Suitable
- **Red**: Not Immediately Suitable
Potential Uses

Intentional Linkages

City / Opportunity Linkages

Neighborhood Linkages

Adjacent Property Linkages

Charity Hospital
Potential Uses

Linkages to Adjacent Properties

- There are opportunities for **strategic linkages** with adjacent properties to create **synergies** to **amplify development efforts** to accomplish important goals for the immediate area.

- **Innovation economy placemaking** for software / technology anchors to compliment the efforts in the biomedical space
  - Alignment with City’s economic development efforts
  - Introduces a creative class that seeks adaptive use real estate and creative ecosystem
    (e.g., Philadelphia University City – City Center Innovation District, Atlanta BeltLine)

- Opportunities for creating **open, public greenspaces** for all of New Orleans
  - Another concept of effective **placemaking** / **placekeeping** is to leverage this unique opportunity to program recreational areas for the entire City
  - Possible **Duncan Plaza expansion** and **activation** measures to bring energy and life into the downtown area
    - Possible “**Memorial Space**” honoring Charity Hospital’s contribution

- Efficient Use of Parking and Transit-Oriented Development
Potential Uses

Linkages to Adjacent Neighborhoods

- Create intentional strategic linkages with adjacent neighborhoods to allow access for surrounding residents and stakeholders
  - Residential Neighborhoods
  - CBD
  - Entertainment area (Mercedes-Benz Superdome / Smoothie King Center)
  - BioDistrict New Orleans

- Potential broader draw depending on anchor uses for tourist and visitor attraction

- The point is to program direct access and structural linkages for the benefit of an audience broader than the immediate adjacent users
Potential Uses

Linkages to Adjacent Neighborhoods
Potential Uses

Linkages to City and Opportunity

• Use Charity Hospital redevelopment to **enhance opportunity and equity** for all City residents
  - The City of New Orleans must be intentional in using this opportunity to create assets and value for all residents
  - The economic development efforts of the City must be strategically linked to the positive outcomes of the City’s current and future **workforce**
  - Educational and training initiatives must be leveraged to provide employment opportunities (K-12 students, college and non-profit workforce development efforts)
    • **Workforce development training** (GE Software Engineering Apprenticeship Program (SWEAP), FastStart linkages, other pre-existing locally directed programs)
    • **Job placement efforts**
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Project Development Finance

Public Benefit and Financial Viability

• Cost of redeveloping Charity Hospital relative to prevailing lease rates for residential and office space creates financial challenges.

• Calibrate balance of market-rate and below market-rate functions to ensure the financial viability of the redevelopment project.

• Potential availability of government subsidies and other financial assistance allows for more below market public benefit functions to be housed in the building.
Project Development Finance

Scenario One: Consolidate Municipal Functions with Unprogrammed Space

- Assumes consolidation of City Hall and Courts functions, with approximately 300,000 sf of unfinished vacant space.

- Unprogrammed space can be used to house below-market and/or public benefit functions.

- Assuming zero rents from public benefit functions, the project requires a subsidy of $65MM to become financially viable.

- Additional market-rate tenancy (e.g., university functions) could improve financial viability and reduce the need for public subsidy.

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Project Development Finance

Scenario Two: Municipal Consolidation with Multifamily Residential

- Assumes consolidation of City Hall and Courts functions as before
- Allows for multifamily residential in the balance of the space
- Increased occupancy through a combination of uses of the building dramatically reduces or eliminates the subsidy required near zero

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**Project Development Finance**

**Scenario Three: Alternatives to Municipal Consolidation**

- Should municipal consolidation not be viable, commercial office use provides another alternative

- Tech and research office tenancy at a 68 percent occupancy rate would require a significant subsidy of $50.4 MM

- Economic development incentives may expand the potential tools and resources to attract firms with high-growth potential

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Project Development Finance

Other options for mitigating the subsidy requirement

- Proceeds from disposition of vacant municipal properties upon relocation to new facility
- Potential reprogramming of capital funds for legacy facilities
- Combination of complementary programs separately planned by multiple institutions / organizations
- New Markets Tax Credits for specific tenant uses
- Municipal Credit Enhancement
- Payment in Lieu of Taxes (PILOT) for Private-Use Property
- Other Economic Development Incentives
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Bold Decisions

- Guiding Principles
- Organization Structure
- Strategic Vision
- Creative Financing
- Public Private Partnerships
- Uses
- Leadership
TIF District Map

Leadership

- Charity Hospital Success
- A Charity District Strategy
- Creating of a TIF District
- Align Responsibilities and Authority
OUR MISSION

• 3CDC is a non-profit, real estate development and finance organization focused on strategically revitalizing Cincinnati’s downtown urban core in partnership with the City of Cincinnati and the Cincinnati corporate community. Our work is specifically focused on the Central Business District and in Over-The-Rhine.

• 3CDC manages The Cincinnati Equity Fund (CEF) and the Cincinnati New Markets Fund (CNMF). These investment funds play an important role by providing financial aid in downtown development activities.
Over-the-Rhine Neighborhood

Before

After
The South Side Works was a steel mill
Now you can go to the movies, eat, shop, live, work...
The mixed-use site masterplan has reconnected the neighborhood to the river.

Development Cost: $850 Million
TIF Proceeds: $21 Million
Other Public: $128 Million
Private Investment: $701 Million

Public investment funded site remediation, roads, parking garages, bridges, trails, and parks.
Innovation Economy

- Vibrant Place
- Attracting Talent
- Research Funding
- Entrepreneurial Culture
- Early Stage and Venture Funding

- University of Pittsburgh: $861 million
- Carnegie Mellon University: $242 million

Source: Dow Jones VentureSource, Innovation Works, Pitchbook, and Thomson Reuters ThomsonOne Database
From Vacant Nabisco Building to Google Offices
Retail Development in East Liberty
Where will the new roads lead?
WHAT HAPPENS NEXT?

Jan 2018
Start of Early Action Period

Mar 2018
RFQs Received

Apr 2018
Begin Community Engaged RFP Process

Jun 2018
Start Development Process

Jan 2018
- Stabilize Charity
- Issue RFQ

Feb 2018
- Review RFQs
- Shortlist Developers

Jun 2018
- RFP submissions
- Select Developer

Dec 2017
ULI Panel Report received and publicly disseminated

Today
- Convene Committee
- Team Building

Jan 2018
Start of Early Action Period

Feb 2018
RFQs Received

Jun 2018
- Develop Strategic Plan

Jun 2018
Implement Strategic Plan