

# **Bond Case Briefs**

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## **A Decade Later, New Orleans Mends Finances and Neighborhoods.**

When Matt Wisdom tried to round up investors for his three-D modeling company after Hurricane Katrina hit, people scoffed.

"They treated us like we were part of the developing world," said Wisdom, 43, chief executive officer of TurboSquid, which was founded before the storm. "The response we often got was, 'We'll invest in New Orleans, but we'll treat it like it is Estonia.'"

Today venture-capital funds with more than \$1 billion are lining up to provide money for entrepreneurs, and philanthropies, including the John D. and Catherine T. MacArthur Foundation, are providing grants for city projects.

"It's a sea change," Wisdom said. "We've become trendy."

New Orleans has rebounded from the costliest natural disaster in U.S. history, as tourists and tax collections near pre-storm levels and property values rise to new peaks. Beyond the determination of residents to return, recovery has been driven by billions of dollars in federal investment, including an improved levy system, state aid for local governments, loans to help businesses rebuild and bond ratings that top those before the storm.

"The city was literally under water for three weeks, so there were a lot of doubts," said Adrienne Slack, vice president in the New Orleans branch of the Federal Reserve Bank of Atlanta. "Now there is a focus on how the city can better position itself for the future."

### **Rising Graduation Rates**

The school system is being rebuilt with funds that include \$1.8 billion from the Federal Emergency Management Agency. Graduation rates have risen to 73 percent in 2013-2014 from 54 percent in 2003-2004, and the percentage of students who are proficient on all state tests for all grades increased to 62 percent from 35 percent.

The city has repaired infrastructure, even though fixing all the streets will cost an estimated \$9 billion. The Superdome — which sheltered thousands during the storm — has been renovated and now carries the Mercedes-Benz name. A new veterans' hospital is scheduled to open in December 2016, and the new \$1.1 billion University Medical Center New Orleans was designed with its emergency department and other mission-critical elements 21 feet above base flood elevation.

"Our vision is to make New Orleans a premier national and international health-care destination," said Michael Hecht, president of Greater New Orleans Inc., which promotes economic development. Part of that plan is a 1,500-acre district focused on biosciences research and medical care that will create an estimated 34,000 jobs.

"If adversity is the mother of invention, then Katrina was the biggest mother of all," Hecht said.

President Barack Obama is visiting the city today, to celebrate its progress but also note its continuing economic inequality, according to the White House.

## **80 Percent Submerged**

The Category 5 storm hit Louisiana and Mississippi on Aug. 29, 2005, with maximum winds of 125 miles an hour, according to the National Hurricane Center. Water surged as much as 28 feet above normal tide levels and destroyed levies designed to protect the city, which lies mostly below sea level. Floods covered 80 percent of New Orleans, and hundreds of thousands of the city's 455,000 residents eventually fled; by 2006 only 211,000 remained.

The day after the storm, Standard & Poor's warned it was reviewing ratings for the city and other local and state governments, which had about \$8 billion of debt outstanding. Similar announcements followed from Fitch Ratings and Moody's Investors Service.

Rating analysts had no way to predict when or how quickly the people and the tax bases would return, said Steve Murray, senior director with Fitch.

"This had never happened before to an American city," Murray said. "It was so unprecedented to have such a dislocation of the population."

State Treasurer John Neely Kennedy pushed the state to approve about \$200 million in borrowing for local governments to cover service on outstanding debt until their tax revenues recovered, along with additional matching funds. The money was instrumental in helping many avoid default, he said.

## **Opportunity Bonds**

The state also approved most of the \$7.8 billion of so-called Gulf Opportunity Zone bonds, passed by Congress, to help rebuild low-income housing and facilities for businesses. Billions more flowed in through grants from FEMA, the Department of Housing and Urban Development, and government and private insurance.

New Orleans has worked its way back up to investment grade after Moody's and S&P cut its credit ratings to junk; the main drivers have been reduced deficits and higher tax revenue. In March, S&P raised its rating to A- from BBB+ when Katrina struck. Moody's rating now is A3, compared with Baa1 when the storm hit; it said in an Aug. 24 report that the city is financially and structurally better prepared for storms than before 2005.

The New Orleans Aviation Board sold \$565 million in debt earlier this year primarily to fund construction of a new terminal at Louis Armstrong New Orleans International Airport. It will generate an estimated 21 percent increase in spending and support about 11,000 new jobs in the metro area, according to an economic-impact report released last year.

Challenges remain, including some that pre-date Katrina. The recovery has been uneven, with neighborhoods including the flood-ravaged Ninth Ward not coming back as quickly as others. Poverty and joblessness persist, especially among the black population. And crime continues to be a problem, although it is lower than it was in the 1990s.

## **Business Startups**

Even so, business startups in metro New Orleans have outpaced those for the U.S. in the years since Katrina. The three-year-average was 471 per 100,000 adult population as of 2012, compared with 288 nationwide, according to a report by The Data Center, which compiles statistics about greater

New Orleans and southeast Louisiana.

Three years after the storm, Patrick Comer relocated to the city from Los Angeles at the request of his wife, a New Orleans native.

“We made the decision to move there so we could contribute,” said Comer, 41, who started an online survey and data company in 2010. Lucid Corp. now employs more than 80 people and plans to open a London office this fall.

By 2014, the most recent year for which data are available, the population had rebounded to 384,000, and the value of real estate had risen 56 percent compared with 2005. Retail sales totaled a record \$6.5 billion, and 9.5 million visitors came to the city, the second highest since a record 10.1 million in 2004.

New Orleans received a MacArthur grant to reduce incarceration rates in its jails that could provide as much as \$2 million for implementation. It also is among the first municipalities to participate in “What Works Cities Initiative,” a program to help enhance the use of data to improve residents’ lives from Bloomberg Philanthropies, established by Michael Bloomberg, majority shareholder in Bloomberg News parent Bloomberg LP.

“I thought it would take 20 years to get back to where we were,” said TurboSquid’s Wisdom, who helps entrepreneurs raise capital as a board member of the New Orleans Startup Fund. “Instead we’ve moved ahead.”

## **Bloomberg**

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