



NOVOGRADAC

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## Opportunity Zones Development Will Help Revitalize Downtown New Orleans

**CAROLINE GALLEGOS, STAFF WRITER, NOVOGRADAC**

A property in New Orleans will be transformed into housing for medical students and retail space using opportunity zones (OZ) financing. The former Warwick Hotel near downtown New Orleans has sat vacant and blighted since Hurricane Katrina in 2005.

When renovations are complete, the development will be used by Tulane University to provide 154 apartments for graduate students, researchers, physicians, faculty and other affiliates of its expanding downtown campus. The development will also add ground-floor retail space, including a full-service restaurant, coffee shop, grab-and-go food options, patio space and lounge seating. Renovation of the long-dormant building began in March with demolition, abatement and construction slated to finish no later than August 2021.

“We looked at potentially acquiring the property a few times, but it didn’t fit into our investment thesis at the time and the equity just wasn’t there,” said Cullan Maumus, development director for New

Orleans Redevelopment Fund (NORF). “Once we launched our OZ fund in 2019, this is one property that really checked all the boxes for us. With the addition of the OZ incentive and the ability to earn historic tax credits, the acquisition of this property became much more viable. We analyzed the project from a development standpoint, looked at other future developments in the area and started looking at what would be a best fit.”

This is NORF’s third fund and its first to use OZ funding. NORF previously focused on capital from historic tax credits (HTCs) to rehabilitate neighborhoods in New Orleans. The strategy of acquiring properties eligible for HTCs that are located in OZs has proven to be win-win for the

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community and provides compelling tax benefits to investors with capital gains.

With the success and proven record of more than 50 completed properties, NORF is expanding to other markets throughout the Southeast such as Houston, Dallas, San Antonio, Memphis, Tenn., and Birmingham, Ala. The company is raising capital for its fourth private equity real estate investment fund, NORF 4 Opportunity Zone Fund, which will also focus on HTC-earning projects in OZs.

“We looked back on our portfolio and about 80 percent of our developments were also located in OZs,” said Maumus.

### Hurricane Katrina Impacts

The former Warwick Hotel is adjacent to City Hall and has been a reminder of the work the city still has to do after Hurricane Katrina.

“When you’d walk out of City Hall, you’d see the blighted building,” said Maumus. “We see the development as

being a catalyst for the development that will be going on in this neighborhood. The timing shows positive traction in the neighborhood and has the opportunity to show growth potential and activate the entire area.”

The neighborhood is filled with development opportunity and already has some development lined up, including the development of Charity Hospital.

“Charity Hospital was operating downtown prior to Katrina,” said Maumus. “After the hurricane, the hospital relocated and left this incredibly large asset vacant. It has taken a long time for the state and city to have a plan and a developer. We see this area as one of the last dense urban pockets in New Orleans requiring large-scale development from what was left by Hurricane Katrina.”

The surrounding area has been affected by high rates of homelessness, given its central location and proximity to resources. NORF is eager to enact positive change in the area.

“The city lost nearly half of its population to relocation after Hurricane Katrina,” said Maumus. “Huge parts of the city were basically abandoned because properties

*Image Courtesy of 1315 Gravier Owner LLC*  
**A property in New Orleans will be transformed into housing for medical students and retail space using opportunity zones financing.**

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*Image: Courtesy of 1315 Gravier Owner LLC*  
**The former Warwick Hotel near downtown New Orleans has sat vacant and blighted since Hurricane Katrina in 2005.**

were ruined, and property owners couldn't come back because it wasn't feasible to rebuild without changing the infrastructure of the entire neighborhood."

"This project symbolizes the future of Tulane and the future of New Orleans in so many ways," said Tulane University president Michael Fitts in a press release. "We would not be Tulane in any way, shape or form without New Orleans. This project is bringing Tulane symbolically to a new level and is the beginning of the expansion into our downtown campus."

**Timing and Diligence**

The COVID-19 pandemic presented unexpected challenges for NORF.

"We closed our financing for construction at the end of March," said Maumus. "We were against a pretty hard deadline already to make sure we meet our committed project delivery date. We were ready to start construction and the pandemic hit. Had it not been for the OZ capital, the strength and commitment of our investors and the strength of the underwriting, I'm not sure this property would have made it to closing. It was good timing on our part."

When the market started facing uncertainty, NORF and other development partners worked diligently to make sure they didn't miss any closing dates.

"We are more than committed to assuring that we will be a partner in redeveloping the city of New Orleans, particularly in the central business district," said New Orleans mayor LaToya Cantrell in a press release. "I want to thank all of you who have stood your ground with Tulane. I cannot think of a better time in the midst of a pandemic, where we are putting our health care professionals first." ❖



*Image: Courtesy of Albert Architecture*  
**The former Warwick Hotel is adjacent to city hall and has been a reminder of the work the city still has to do after Hurricane Katrina.**

**1315 Gravier Development**

**FINANCING**

- ◆ \$35.1 million construction loan from Hancock Whitney Bank
- ◆ \$9.6 million historic tax credit (HTC) bridge loan from Midland States Bank
- ◆ \$4.7 million in opportunity zones (OZ) equity from NORF 3 Opportunity Zone Fund LLC and other OZ partners
- ◆ \$1.4 million in HTC equity from Twain HTC Fund XLV LLC

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