



**THE**

# Big Busy

**A radical reset after the Katrina catastrophe is transforming the economy of New Orleans**



If anybody embodies today's economically resurgent New Orleans, it might be Michael Hecht.

Hecht is no musician. He's not a chef. And he's not a native. Hecht, the president and CEO of Greater New Orleans (GNO) Inc., the area's primary economic development agency, certainly doesn't talk like a typical New Orleanian. His descriptions of post-Katrina New Orleans as a "brand," a "product," even as "a private equity play" sound utterly incongruous with the city's freewheeling culture.

It's a culture that locals and visitors alike have loved for nearly 300 years. Traditionally, New Orleans' great charm—and challenge—was that nothing ever seemed to change. Lay eyes on a 150-year-old, filigreed "shotgun" cottage, and you know you are in New Orleans. It is a city of street-corner dive bars and

old-timey one-speed bicycles that glide over the flat terrain; of a world-famous indigenous cuisine; of a local trumpeter who barbecues chicken at his gigs. It's a place where a guy holed up amid Hurricane Katrina's floodwaters told the renowned chef John Besh that the red beans and rice Besh served him from a boat weren't as good as his mama's.

Hecht, 42, knows all this stuff. It's his job to sell the gumbo of music, food, and eccentricity that makes New Orleans extraordinary. In fact, Hecht describes the assets of New Orleans as historically underused, and they now rest in the hands of new management determined to maximize their value, much like a private equity deal.

Given New Orleans' storied indifference to outside currents, the city and Hecht—who talks in lists and concise paragraphs



## Q&A

**Tim Williamson**  
Founder of Idea Village

**So you and the city's few other Internet guys used to discuss why there wasn't more of a tech economy in New Orleans?**

Imagine you're looking at a city that was at the bottom in every single metric—that was declining economically, socially, morally. How do you reverse that change? Our answer was through entrepreneurial talent. What was needed was a new network. New Orleans had built an insular network.

**How did Hurricane Katrina affect that?**

The idea of restarting from nothing—with limited resources and limited information and tons of uncertainty—sort of brought out the entrepreneurial ethos of this community that was started in the 1700s, but that was lost. It was dormant. Then it was exposed. Closed networks were fractured. That changed the dynamics of decision making here. It was no longer what high school you went to.

**New Orleans's culture and sense of place seem genuinely to have spurred the economy. What's your take?** It's something deeper than music and food. There's a rhythm and ritual to living here. It's a very calendar-based city: Mardi Gras, Saints, Jazz Fest. You become connected to this community through the way you engage with others. You do it over and over. So when people leave, they miss that connectivity. It's remarkable that everyone takes off one day, on Mardi Gras Day, and shows up. We might not all like each other, but we show up. New Orleans can teach other cities how to connect, I think. We connect better. ■



might seem an odd match. But no more. Since Katrina flooded most of the city in August 2005, New Orleans has changed.

It had to, say local businesspeople and observers. “Katrina created a lot of debris, but it also swept away a lot of debris,” said Tony Gelderman, an attorney and real estate developer who has lived in New Orleans for 41 years. “It caused New Orleans, which was very, very insular, to be more receptive to outside ideas.”

**So far, so good**

There is more at work than an attitude adjustment. For various reasons, the economy in New Orleans since Katrina has reversed decades of decline and outperformed the nation and other southeastern metropolitan areas (see chart 1). The NOLA—locals' preferred nickname—metropolitan statistical area's real gross domestic product (GDP) grew an average 3.9 percent a year from 2008 through 2011, according to the most recent data available

from the U.S. Bureau of Economic Analysis. During the same period, U.S. GDP expanded less than 1 percent a year, and no other southeastern metro area topped 2 percent.

Undoubtedly, the more than \$100 billion in federal aid for post-Katrina rebuilding helped cushion New Orleans and south Louisiana from the Great Recession. Beyond that, though, tourism hit record levels last year, knowledge-based industries such as higher education and engineering are expanding, locals have started companies at a per capita rate 56 percent above the national average, wages have risen faster than elsewhere in the United States, and the demographic mix has shifted toward more higher-income households and fewer poor households. Finally, the New Orleans metro population as of mid-2012 had climbed back to 1.23 million, about 94 percent of its pre-Katrina level, according to the U.S. Census Bureau.

In many respects, economic data describe New Orleans as a city catching

up to the nation and other metro areas. For instance, inflation-adjusted average weekly wages jumped 19 percent in the New Orleans metro area from 2004 through 2012, vastly outpacing the national increase of 1 percent, according to the University of New Orleans Division of Business and Economic Research, the Louisiana Workforce Commission, and the U.S. Bureau of Labor Statistics (BLS). Orleans Parish's average weekly wage of \$992 in the fourth quarter of 2012 was roughly on par with Birmingham, Alabama's average. That wage trailed only Atlanta and Nashville in the Southeast and, by just \$8, the U.S. average.

And New Orleans in 2010 roughly equaled the national norm of residents aged 25 to 34 with at least a bachelor's degree, at 29 percent, according to the Greater New Orleans Community Data Center (GNOCDC). The arrival of more college graduates may have plugged a "brain drain" that long plagued New Orleans, the center reported.

Though residents remain acutely aware of the tremendous human toll Katrina exacted—which is still apparent in pockets of the city—interviews, studies, and news reports signal that a "newfound energy and optimism" have infused the Crescent City, said Allison Plyer, director and chief demographer of the GNOCDC.

Others have noticed. For decades, Louisiana had lost educated young people for lack of jobs—that aforementioned brain drain. The situation has begun to change. Fed by a growing digital arts and technology industry, along with a post-Katrina influx of Teach for America volunteers, New Orleans has become a heralded destination for college graduates. *Forbes.com* in 2011 named New Orleans America's leading "brain magnet," and in May 2013 ranked the Crescent City third behind San Jose and San Francisco for information-sector job growth. Also in December 2011, the *Wall Street Journal* dubbed New Orleans the nation's most improved city for business.

### A radical reset in the wake of disaster

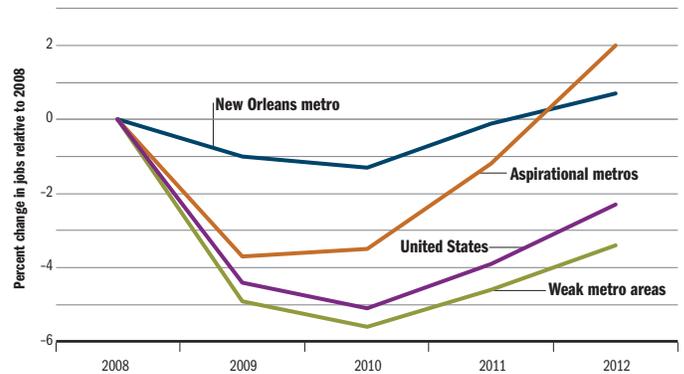
Perhaps radical change was to be expected. "New Orleans was like a morbidly obese person who finally had a heart attack that was strong enough to scare them, but not strong enough to kill them," Hecht said. "Katrina laid bare that this was a city and a region that had been in slow, decadent decline, probably since the '60s," when it was almost as big as Atlanta and Houston.

Tulane University sociologist Carl Bankston has pointed out that New Orleans was economically adrift for decades even before Katrina. "The storm," Bankston wrote in a 2010 paper, "simply exacerbated a long historical trend."

To illustrate the changes time wrought, consider that in the mid-1800s New Orleans was the nation's third-largest city and operated the second-busiest U.S. port. New Orleans remained among the country's 20 most populous metro areas until 1950. Yet leaders did little to diversify the city's 19th-century economy beyond its port, which boomed in tandem with the South's cot-

Chart 1

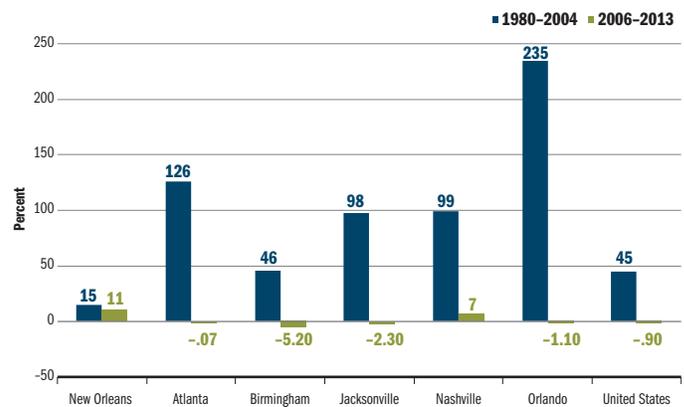
### Job Loss and Recovery, 2008-12



Note: "Aspirational metros" include Orlando, Nashville, Raleigh, Charlotte, Austin, Houston, and San Antonio. Cities with weak metropolitan numbers include 57 cities with poor economic and quality-of-life statistics.  
Source: U.S. Bureau of Labor Statistics, Greater New Orleans Community Data Center

Chart 2

### Nonfarm Employment Growth in the Southeast, 1980-2013



Source: U.S. Bureau of Labor Statistics

ton trade. Similarly, 20th-century New Orleans relied on old standbys such as tourism, the port, shipbuilding, and energy—sectors whose employment dwindled in the late 20th and early 21st centuries.

The result was an economy in neutral. Between 1980 and 2004 the New Orleans metropolitan area's nonfarm employment increased just 15 percent, a third the rate of job growth nationally, according to the BLS. New Orleans fared still worse next to regional peers. Orlando's job growth was 235 percent from 1980 to 2004, while Atlanta's was 126 percent. Jacksonville and Nashville both doubled employment (see chart 2).

## Vanishing Wetlands Vital to New Orleans

Flying over south Louisiana, you see a striking geometric pattern of diagonal canals slicing through the wetlands.

Most of those straight-edged waterways were cut for access to petroleum drilling facilities. Those canals are but one reason—the main one being the construction of hundreds of miles of levees along the Mississippi River—why some 2,000 square miles of Louisiana’s coastal wetlands, an area about the size of Delaware, have been lost to open water since 1932, researchers have found.

If the rate of wetlands loss that happened between 1985 and 2010 continues, “the region would lose wetlands by an area the size of one football field per hour,” according to a research paper by scientists from the U.S. Geological Survey’s National Wetlands Research Center, the National Wildlife Federation, and Warren Pinnacle Consulting.

This steady loss of wetlands happens out of sight of New Orleans. But it is critical to the metropolitan area, according to many experts. Indeed, coastal wetlands loss is “perhaps the most daunting issue New Orleans faces,” says the Greater New Orleans Community Data Center’s (GNOCDC) *New Orleans Index at Eight*, published in August and the latest in a series of reports on the area’s fortunes since Hurricane Katrina.

### Flood protection, economic linchpin

Louisiana’s wetlands protect the New Orleans region from flooding and serve as breeding grounds for the largest commer-

cial fishery in the lower 48 states, according to the National Oceanic and Atmospheric Administration (NOAA). Manmade levees and flood walls alone are insufficient storm safeguards without the natural defenses of healthy marshes, natural ridges, and barrier islands, the GNOCDC notes. Nationwide, coastal wetlands provide more than \$23 billion annually in storm protection, according to NOAA. “Additionally, the metro area’s three largest economic drivers (tourism, oil and gas, and shipping) and the fishing industry (especially in parishes outside the city) rely on a robust coastal landscape to protect their infrastructure, assets, and resources,” the *Index at Eight* says.

Much of the damage to Louisiana’s coastal environment is traceable to human activity, said Mark Davis, senior research fellow and director of the Tulane Institute on Water Resources Law and Policy. Many economic benefits, of course, have flowed from that activity, such as jobs in the energy industry and flood protection that’s allowed development and agriculture along the Mississippi River.

Thirty percent of the nation’s seafood comes from the region, supporting about 32,000 jobs, and 30 percent of the oil and 12 percent of the gas produced in the United States crosses the fragile Louisiana wetlands, said R. King Milling, a former director of the Atlanta Fed’s New Orleans Branch and chairman of America’s Wetland Foundation and the Louisiana Governor’s Advisory Commission on Coastal Protection, Restoration, and Conservation.

Energy exploration and production employ more than 50,000 people in Louisiana, according to the U.S. Bureau of Labor Statistics. “The successful delivery



of product is absolutely dependent upon the functionality of pipelines, holding tanks, compressors, and gas processing plants, all of which are dependent upon the protection historically supported by what is now a depleting ecosystem,” Milling said. “That infrastructure cannot withstand direct assaults of the Gulf.”

### A glimpse of good news

Amid the concerns, there is good news. Since Hurricane Katrina and the 2010 BP oil spill, the state of Louisiana and the city of New Orleans have placed renewed emphasis on water management and coastal restoration. The New Orleans metro area has launched “the most extensive, comprehensive water management planning that it has done in generations,” Davis said. Furthermore, New Orleans economic developers hope the city’s experience in managing water and coastal resources will cultivate expertise that could be exported to other cities via consulting and engineering projects.

“Prior to Katrina the future of New Orleans and the coast were far more certain—they were decidedly unsustainable,” Davis wrote in *Resilience and Opportunity: Lessons from the U.S. Gulf Coast after Katrina and Rita*, a book published by the Brookings Institution in 2011. Now, there is hope. “As long as the jury is out, you have a chance,” he said in August. “My first thought is to point out that I still live here and think it makes sense to.” ■

With few new jobs to attract people, New Orleans’ population barely budged. In mid-2005, the MSA population was 1 percent larger than in 1980, according to census data. Meanwhile, the populations of Atlanta and Miami-Fort Lauderdale more

than doubled; Jacksonville and Nashville grew by more than 70 percent (see chart 3 on page 11).

In 1994, the *Economist* magazine reported that Louisiana was economically lagging the rest of the Sunbelt, not least because



## Michael Hecht

CEO of Greater New Orleans Inc.

**You call New Orleans an asset that historically had great fundamentals but poor management. What do you mean?**

Those fundamentals are three—the river, energy, and culture—three things nobody can ever replicate because God’s not making any more of them. Ironically, those very riches are what allowed us to be so decadent. We were merely toll takers on the river, and we were sitting on top of oil and gas, and so it was the curse of riches. Now it’s like we’ve brought in new management, and we’re managing the asset better, extracting the value out of it.

**Is there resistance to this “new management”?**

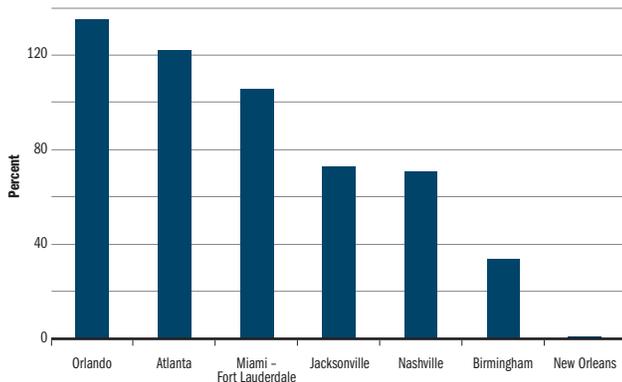
No. There was resistance before. I personally as a yuppie have never been more welcomed than I’ve been in New Orleans. The level of intellectual and, particularly, emotional feedback and support I get is extraordinary. Probably about nine out of 10 people who are in New Orleans now are here by choice. We’re all bound by this homesteader mentality; we want to justify our decision. And I think that’s a real competitive advantage for us.

**How is New Orleans’s traditional image affecting economic development?**

One of our challenges is broadening the brand, having people appreciate New Orleans not just as one of the most culturally rich places in the country, but actually as one of the best places to start a company or start a family, which objectively it is today. But that flies in the face of “the Big Easy” and “the City That Time Forgot.” And so there’s a big rebranding stone to have to push on this. ■

Q&A

Chart 3  
Population Growth in Selected Southeast Cities, 1980–2005



Note: Growth rates are for metropolitan statistical areas.  
Source: U.S. Census Bureau

of “stupefyingly bad leadership.” The same publication in 2000 said Louisiana politicians “were assumed to greet anyone who tried to do business in the state with a wink and an upturned palm.”

Some south Louisiana officeholders have been jailed since Katrina, contributing to changing perceptions of the state and New Orleans.

### Seeing New Orleans transform

Count Matt Schwartz among those whose perceptions changed. Schwartz and his partner and fellow Tulane University alumnus, Chris Papamichael, started a real estate business, the Domain Cos., in New York in the early 2000s. They moved to New Orleans after Katrina to develop mixed-income residential complexes. “Then we

started seeing a transformation of New Orleans,” Schwartz said.

Between 2000 and 2012, the number of Orleans Parish households earning under \$35,000 annually declined by a third, according to census data gathered by the New Orleans Business Alliance. At the same time, the number of households earning \$75,000 or more climbed about 25 percent. Schwartz and Papamichael also saw

new streetcar lines, rebuilt levees, other infrastructure projects, and post-Katrina redevelopment tax breaks.

Then real estate developers saw a \$2 billion medical complex going up. Project organizers predict the complex will create 20,000 direct permanent jobs. Because of construction projects such as this, Domain shifted toward higher-end development. The firm’s first such New Orleans project, a planned \$200 million condo and retail project in the central business district, began construction of its first phase this June.

Developer Gelderman’s thinking is similar to Schwartz’s. He and his wife, Katherine, are converting a 175-year-old building into apartments with monthly rents up to

Continued on page 15



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\$6,000, according to news reports. Investments like these in New Orleans have soared from “almost zero to some pretty big numbers,” Schwartz said.

### Stemming the flow of the young

Developers are intrigued by changing demographics in NOLA that resulted from an array of forces. One is New Orleans’ start-up boomlet, fueled by efforts like Tim Williamson’s Idea Village. A native New Orleanian, Williamson graduated from Tulane in the 1980s and then, like many of his college-educated friends, left New Orleans. After helping a media conglomerate launch Internet operations in several cities, Williamson came home in the late 1990s.

He found little tech activity. So Williamson and a group of partners set out to establish a nonprofit to help entrepreneurs, but they struggled to find support and money. Williamson recalled incredulously that the head of the city’s chamber of commerce declined even to endorse the concept, asking “What if it fails?”

When Williamson’s group finally enlisted its first investor, the investor’s motivation wasn’t about entrepreneurship or start-up investment. Rather, the investor told Williamson she’d back him if he could help generate the sort of jobs that might bring her daughter and her daughter’s three children back to New Orleans.

“The clarity of that was brilliant,” Williamson said, pounding a table for emphasis. “The community was sick of its kids leaving.”

Now 11 years old, the Idea Village says it has supported New Orleans en-

trepreneurs who have created more than 2,000 local jobs.

### Starting up, starting over

As Williamson and many have observed, New Orleans after Katrina became a start-up city, or certainly a start-over city. Yet few important things come easy in the Big Easy (a nickname locals rarely use). Questions include: Will the momentum last? Is the economy diverse enough, or will reliance on old industries eventually sap the newfound energy? Can New Orleans retain its unique character as it changes? How will the region’s vanishing wetlands affect the metropolitan area in the future? (See the sidebar on page 10 for more details.)

Crime and poverty remain problematic. For most socioeconomically disadvantaged New Orleanians, life has not improved despite the city’s economic gains, the GNOCDC’s Plyer pointed out. The larger point, though, is that New Orleans has made substantial progress since it marinated in a toxic soup left by Katrina.

“There’s some level of confidence everyone has that ‘I did it.’ They did something remarkable,” Williamson said. “Whether they opened a business, got their house rebuilt, or helped their grandmother or their school, when you get down to it, everybody thinks, ‘I did something I didn’t think I could do.’” ■

*This article was written by Charles Davidson, a staff writer for EconSouth.*

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