The Commerce Building Redevelopment: The Acquisition and Redevelopment of a Historic Building in Downtown Baton Rouge, Louisiana

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I. Executive Summary

II. Introduction

III. Overview of Downtown Baton Rouge
   a. Downtown Development District
   b. History of Downtown Baton Rouge
   c. Current and Pending Developments

IV. Demographic Analysis
   a. Primary Market Demographics
   b. Rental Housing Market Analysis
   c. Retail Market Analysis

V. Mixed-Use Developments
   a. The Rise of Mixed-Use Developments
   b. The factors that make a Mixed-Use Development Successful
   c. The Challenges of Mixed-Use Developments

VI. The Redevelopment of 333 Laurel
   a. 5thfloor Company
   b. Property Overview
   c. The History of 333 Laurel
   d. Redevelopment Plan
   e. Financing of 333 Laurel

VII. Conclusion

VIII. Appendix

IX. Bibliography
I. Executive Summary

This case study focuses on the acquisition and redevelopment of the historic Commerce Building in Downtown Baton Rouge, LA. My studies will focus on the history of Downtown Baton Rouge, a demographic analysis of the area, an overview of mixed-use development in today’s marketplace, and specific details about the project.

The Commerce Building has sat vacant on the corner of 3rd Street and Laurel Street in Downtown Baton Rouge since 2008. The developer for the project, 5th Floor, was able to acquire the building in August of 2012 and plans to utilize State and Federal Historic Tax Credits as well as New Market Tax Credits as a source of equity for the $26 million renovation for the building. The development team plans to redevelop the vacant office building into 92 residential units and 12,460 square feet of commercial space.

This project will more than double the amount of residential units in Downtown Baton Rouge and will provide a local grocery store that Downtown Baton Rouge currently lacks. Over the past 25 years, Downtown Baton Rouge has seen over $1 billion in investment. However, there are only 65 residential units in the area. Downtown Baton Rouge has approximately 32,000 daily workers and a growing nightlife scene. The redevelopment of the Commerce Building will create a true 24/7 urban environment for Downtown Baton Rouge.
II. Introduction

The Commerce Building is a 175,000 square foot former mixed-use building located at 333 Laurel Street on the corner of Laurel Street and 3rd Street in Baton Rouge, LA. The building was built in 1955 and was home to United Companies as the primary office tenant while McRory’s and Three Sisters retail stores occupied the ground floor and basement until the late 1980s. As businesses began to move to the suburbs, the occupancy rate of the building began to decline and the building eventually became vacant in 2008. The building was acquired by 5th floor in August of 2012 and they plan to redevelop it into 92 multifamily units and 12,460 square feet of commercial space. The geographic location of Downtown Baton Rouge, the large amount of recent investment in the area, and the lack of urban living options in Baton Rouge make the project very attractive to the developer.

Downtown Baton Rouge is home to 32,000 daily workers and 1,398 businesses. It is approximately eight miles south of Southern University which has an enrollment of approximately 8,000 students and 500 faculty members. Three miles to the south is Louisiana State University which has an enrollment of 26,000 students and a faculty of 1,500. The central location between two of the state’s major universities and the large daytime population make Downtown Baton Rouge a great area to invest in.

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2 Iarocci, A (p. 6).
Over the past twenty-five years, there has been over $1 billion invested in development projects in Downtown Baton Rouge. The main attractions in Downtown Baton Rouge are The Belle of Baton Rouge Casino, The Hollywood Casino, The Baton Rouge River Center, and 3rd Street. As these developments have taken place, several hotel flags have returned to downtown as well as many bars and restaurants.

With all of the investment made in downtown, the development of multifamily housing has been very minimal over the past two decades. There are currently only 65 residential rental units in the Downtown Baton Rouge market. The redevelopment of the Commerce Building will add an additional 92 units and 123 parking spaces for its residents. The project will be the first multifamily project of its size in Downtown Baton Rouge and will begin to create a true urban environment for the neighborhood.

III. Overview of Downtown Baton Rouge

A. Downtown Development District

Downtown Baton Rouge is located west of Interstate 110, north of Interstate 10, and east of the Mississippi River and south of Capitol Park. Downtown Baton Rouge is easily accessible from Interstate 10 and is approximately one hour east of Lafayette and one hour west of New Orleans.

The market supply of residential units in Downtown Baton Rouge is approximately 65, which are 100% occupied. Downtown Baton Rouge is home to approximately 1,398 businesses.

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7 Iarocci, A, (p. 15).
that employ approximately 32,299 daily workers.\textsuperscript{8} The downtown employment base has been very stable due to Baton Rouge being the state capital which results in a very large public administration employee base. Downtown Baton Rouge has a large population of young professionals who have placed themselves on waiting lists for downtown apartments.\textsuperscript{9}

The heart of Downtown Baton Rouge is only 3 miles away from Louisiana State University that has an enrollment of over 26,000 students and 1,500 faculty members. There have been multiple coalitions that have been working to develop infrastructure that will create a public transit system that will run from LSU campus to Downtown Baton Rouge by way of Nicholson Drive.\textsuperscript{10} This will allow a system many faculty members and students to live downtown without the necessity of a vehicle. Approximately 6 miles to the north of Downtown Baton Rouge is Southern University which maintains an enrollment of 8,000 students and approximately 500 faculty members. With Downtown Baton Rouge located between these locations, it could provide an easy alternative to on campus living.

B. History of Downtown Baton Rouge

Downtown Baton Rouge began to form in 1719 with the early establishment of a French military post.\textsuperscript{11} In 1811, East Baton Rouge Parish was formed and centered on modern-day downtown. The downtown area was home to City and State governmental offices throughout the

\textsuperscript{9} Iarocci, A, (p. 15).
city’s history. Downtown Baton Rouge has served as the State Capital of Louisiana since 1849 with the exception of a few years during the civil war.12

Until the late 1960s, the Downtown Baton Rouge was home to most of the area’s largest retailers, including stores such as D.H Holmes, Sears, Rosenfield’s, J.C. Penney’s, Woolworth, Kress, Montgomery Wards, Rider’s, Welch & Levy, and others.13 Like in many other cities in the 1960s, many of these retailers made a shift from the Downtown Baton Rouge to suburban shopping centers in outlying areas. As a result of this trend, the Downtown Baton Rouge began to decline. The growth of Baton Rouge over the past 50 +/- years has moved toward the south and southeastern portions of the Parish, with growth reaching into neighboring Livingston and Ascension Parishes in the 2000s. Though several national retailers and restaurants have made recent attempts to relocate to Downtown Baton Rouge, no major chains have returned.

Even though Downtown Baton Rouge is no longer the primary retail corridor of the region, substantial development has been occurring. According to the Downtown Development District, over $1 billion in new construction has been completed in the past 25 years.14 Some of these key developments include the following:

**Baton Rouge River Center:** The Baton Rouge River Center, originally named The Riverfront Centroplex, was originally a 30,000 square foot municipal auditorium with 7,000 square feet of meeting space that was constructed in the late 1970s.15 In 2004, the centroplex received a $31.8 million upgrade and expansion. Phase I included a 70,000 square foot

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exhibition hall and a 26,150 square foot grand ballroom. Upon completion of the expansion, the complex was renamed the Baton Rouge River Center and began to be marketed as a convention center. Since the completion of Phase I the River Center has hosted many events, including the United States American Bowling College tournament twice. This event brings an estimated $100 million to the local economy. Phase II of the expansion included an additional 30,000 square foot exhibition hall space, a new loading dock for the theater, an event room/sports bar, additional meeting rooms and a galleria space. Phase II was completed March 15, 2012.

*Cafish Town*: In 1984, a 7.5 block area in the southwestern end of Downtown was renovated and revitalized into a marketplace known as Catfish Town. The project was anticipated to be a $30 million retail/office center with 70,000 square feet of office and over 100,000 square feet of shopping space and restaurants. The project was unsuccessful for about two years, never fully leased, and eventually foreclosed on.

*Casinos*: In 1994, the Catfish Town site was purchased by Jazz Enterprises to redevelop the site into a multimillion-dollar casino named Belle of Baton Rouge. Shortly after acquiring the site, Jazz Enterprises was absorbed by Argosy Casino. Argosy spent about $60 million re-engineering the docks into a large glass atrium to attract restaurants, bars, and other entertainment venues. Many of the restaurants not affiliated with the casino were unsuccessful.

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17 Davenport, C. (p. 6).
19 Davenport, C. (p. 6).
due to the competition with the casino amenities. In 2005, Columbia Sussex, bought the casino and renamed it back to the Belle of Baton Rouge.\(^{20}\)

In 1994, a group affiliated with Carnival Cruise Lines, developed a riverboat gaming facility on the northern end of Downtown along the Mississippi. The project has maintained stable cash flow and has changed ownership (at the corporate level) twice. The most recent group acquired the casino and renamed it Hollywood Casino.\(^{21}\)

**Hotels:** In the early 1980s, the only three hotels in the downtown area were the Inn on the Lake, the Capitol House, and one budget motor hotel known as General Lafayette.\(^{22}\) The Capitol House was located at the end of Florida Street and was considered the premier downtown hotel. Due to its age and the construction of new hotels along I-10, the hotel deteriorated and eventually closed in 1984. Ten years later, the hotel was purchased by the owners of Lady Luck Baton Rouge. The group failed to secure a gaming license and was sold to Bob Dean of Dean Properties in 1997.\(^{23}\)

In March of 2001, Argosy Gaming completed the construction of the 300-room, 10-story Sheraton Baton Rouge Convention Center Hotel.\(^{24}\) The total cost of the project was around $20 million.\(^{25}\) As part of the project, Sheraton took over the management of the 50,000 square foot atrium which is now home to an exercise center, a pool, a business center for hotel patrons,

\(^{20}\) Davenport, C. (p. 6-7).
\(^{21}\) Davenport, C. (p. 7).
\(^{22}\) Davenport, C. (p. 7).
\(^{23}\) Davenport, C. (p. 7).
\(^{24}\) Rhorer, D. (2013, April 11).
\(^{25}\) Davenport, C. (p. 7).
10,000 square feet of meeting space, a 150-patron restaurant as well as additional space for small retail and lounge tenants.\textsuperscript{26}

The phase I expansion of the Baton Rouge River Center Convention Center played a major role in the decision for Argosy to develop the hotel. The hotel is one block from the Sheraton and combination of the two has attracted many events to downtown.

In mid-2004, a group led by Camm Morton of Commercial Properties Development Corporation purchased the Capitol House from Bob Dean. CPDC utilized several State and City subsidies to renovate the hotel into a 293-room, upscale, Hilton Capitol Center in 2006. Dean also owned the former King Hotel which he sold in 2006. The hotel underwent a $25 million renovation and opened as the 93 room Hotel Indigo in 2009.\textsuperscript{27}

\textit{Capitol Park:} In the 1980s and 1990s, many of the state agencies were leasing spaces in outlying areas of Baton Rouge and throughout the downtown. In the late 1990s, the State of Louisiana began to develop a plan to consolidate all of the agencies into a central location. In 2002, construction of a total of 4.2 million square feet of office and parking garage space began on 250 acres. The total of 560,000 SF of office space included in the project opened in 2006. Capitol Park moved more than 7,000 state employees into the new office buildings. About 3,000 of the workers were relocated from outside of downtown.\textsuperscript{28}

\textit{Shaw Center for the Arts:} The Shaw Center for the Arts is partially built in the former parking garage for the Auto Hotel. The facility is the result of the alliance between the City of Baton Rouge, the State of Louisiana, Louisiana State University and the Baton Rouge Area

\textsuperscript{26} Davenport, C. (p. 7).
\textsuperscript{27} Davenport, C. (p. 8).
\textsuperscript{28} Rhorer, D. (2013, April 11).
Foundation. The facility includes the 17,000 square foot LSU museum of Art, the 325 seat Manship Theater, classrooms for the LSU school of Art. A portion of the ground floor of the Shaw Center is leased to Capital City Grill and there are rooftop terraces on the 4th and 6th floors. The 4th floor terrace is for private events and the 6th floor is leased to Tsunami. The building provides remarkable views of the Mississippi River and Downtown Baton Rouge. In 2008, the American Institute of Architects named the Shaw Center for the Arts building among its 2008 Honor Award recipients. It was one of 28 buildings recognized for excellence in exterior and interior architecture, as well as urban design.

**New Private Office Buildings:** In 2007, a 5-story, 77,000 square foot LA Capitol Federal Credit Union office building on the southwest corner of Main Street and North 7th Street was completed. A year later, local developer Mike Wampold completed construction of II City Plaza. The 12-story, 257,000 square foot building included a 7-story parking garage on the site of the parking lot for I City Plaza. II City Plaza is a Class A office building and was pre-leased to tenants such as Regions Bank and Phelps Dunbar laws firm. It is now 85% leased with its newest tenant Kean Miller laws firm. In early 2012, Louis DeAngelo, a local restaurateur, opened Zoila, a café with a large dining room and a patio seating area on the ground floor.

**Redevelopments:** In recent years, many historic downtown buildings have received renovations and expansions. The former Gordon’s Jewelers building located at 232 Third Street has been converted into offices and condominium units. Stonehenge Capital also recently

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30 Shaw center for the arts. (2013).
31 Davenport, C. (p. 9).
32 Davenport, C. (p. 9).
35 Davenport, C. (p. 9).
36 Davenport, C. (p. 9).
renovated the former Acadian National Life Building at 236 Third Street for owner-occupancy. The Belisle Building, located at 350 Third Street, was renovated by MAPP Construction from a 2-story historic building to a 3-story modernized building while preserving the historic façade. The ground floor is leased to a martini bar while the 2nd and 3rd floor operate as their offices.

In 2005, Donnie Jarreau and Bobby Waters converted the former All Star Suites Inn on Third Street into the Riverview Condominiums. Prior to Hurricane Katrina, more than half of the 98 units had sold at prices of $100,000.00 for one-bedroom units and $180,000.00 for two-bedroom units. Many of the remaining units were leased to FEMA contractors and sold at higher prices to investors.

After Hurricane Katrina, two buildings on the corner of Main and Thirds Streets were purchased by Cyntreniks Group, LLC from Bob Dean. For several years, Dean intended to demolish the building, but was unable to due to a demolition moratorium imposed by the Metro Council. Cyntreniks Group LLC spent $15 million redeveloping the property as the Kress Third & Main Building, a mixed-use building with retail/restaurant on the ground floor, office on the 2nd floor, and 19 residential units on the 2nd, 3rd, and 4th floors. Three of the units were sold as residential condos and the remaining units are leased as apartments.

City-Parish Government: East Baton Rouge Parish announced in late 2004 that they would construct a new courthouse adjacent to the former administrative building used by the Sheriff’s and DPW’s offices along North Boulevard. The administrative building has been demolished and the agencies moved into the Municipal Building that had previously housed both

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39 Davenport, C. (p.10).
40 Davenport, C. (p.10).
41 Davenport, C. (p. 10).
city-parish government and the 19th Judicial District. When this $110 million project was completed in 2010, all of the City-Parish services moved into the Municipal Building and it was renamed City Hall.42

After the completion of the courthouse in 2010, Baton Rouge’s Riverfront Master Plan began in 2010. Phase I of the master plan called for construction of a new Town Square along North Boulevard. The North Boulevard Town Square is bound by River Road to the west and Fifth Street to the east. This area was previously unusable with no tree cover but, it has transformed into outstanding green space development that has linked together the city’s cultural and civic attractions. The North Boulevard Town Square is available for special event use; including weddings, concerts, corporate functions, and farmer’s markets.43

In addition to Town Square, Galvez Plaza was also redesigned. The redesign of the plaza included a sloped lawn and permanent stage with a $1 million stage canopy. Both of these projects were completed in spring of 2012.44

Residential Housing: In 2009, a 12-unit apartment complex, known as One Eleven was completed adjacent to the Shaw Center. The building has office on the first floor and apartments on the top three floors. The units range from 735 to 1,180 square feet and rent for approximately $1,300 to $2,000 per month. Many of the other redeveloped downtown buildings provide housing on the upper floors. Some of these buildings include; the Mayer Building (8 units), the

In October 2011, Commercial Properties Development Corporation purchased a site located at 438 Main Street to develop a 22-unit apartment building. The building was recently completed and has 17 affordable units and 5 market-rate units. The 1 and 2-bedroom units rent between $300 and $1,100 per month. The total construction costs for the project were $4.7 million, with $3.5 million coming from a Federal housing program.

_Retail/Restaurants:_ Many developments in recent years have resulted in new retail development downtown. Several new restaurants, bars, coffee shops, have opened up as well as the opening of a medical spa, an urgent care clinic, and a new YMCA facility. Several lunch counters and small retail stores have also opened on the ground floors of the state office buildings. The Main Street Market hosts a weekly farmers market on Saturdays that attracts many customers downtown on the weekend.

The opening if several bars and restaurants along Third Street have contributed to the growing nightlife of downtown. These establishments include Stroube’s Chop House (a steak house), The Roux House (a live music club), Happy’s Irish Pub, Lucy’s Bar & Grill, Schlitz & Giggles (a pizza restaurant and bar), Boudreaux & Thibodaux’s (a 2-story bar), M-Bar (a martini bar), The Wine Loft (a wine bar), Punchers (a bar/pool hall), The Office (an upscale bar), and The Little Village (a long-established popular Italian restaurant that relocated to Third Street).

C. Current and Pending Developments

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45 Iarocci, A. (p. 15).
There are several projects in Downtown Baton Rouge that are currently underway or in the planning stages. Some of the projects have not secured financing and there are no established timetables for some projects.

The southeast corner of Lafayette and Main Streets was purchased for construction of a 137-room Hampton Inn & Suites. The program has been approved as a TIF (tax increment financing) district. This allows a portion of the sales taxes from the hotel to go toward the construction costs. The project is currently under construction and expected to be completed in 2013.47

Publicly-owned areas between Government Street and North Boulevard are ongoing. Repentance Park which is bordered by the River Center, City Hall, and Old State Capitol, is undergoing a $3.5 million renovation to better connect it to Galvez Plaza.48

The East Baton Rouge Parish Library has plans to build the New River Center Library branch at the site of their existing branch which is east of Galvez Plaza and north of City Hall.49

The Downtown Development District has proposed projects that include a greenway connecting downtown parks and City Park as well as the development of Desoto Park which is south of Hollywood Casino along the Mississippi River.50

Architect Trey Trahan has plans to renovate the Jumonville warehouse located on Lafayette Street across from the Hilton. Early plans for the building include a mix of retail,
office, and residential use. However, the building is currently for sale and no timetable for this development has been established.\footnote{51}

**IV. Demographic Analysis**

**A. Primary Market Area Demographics**

The primary market area for the subject property, 333 Laurel, Baton Rouge LA, is defined as the southwest portion of Baton Rouge. The Census Tracts (as defined by the U.S. Census Bureau) within the subject’s defined Trade Area include Census Tracts #22033001200 - #22033002802, #22033003801, #22033003804 - #22033003805, #22033004005 - #22033004015 and #2203300800 - #22033005300. The subject is in Census Tract #22033005200.

*Household Analysis:* According to the 2010 U.S. Census figures, the primary market area for the subject property was home to 45,157 households and the average household size was 2.33 persons per household. This represented an 11.6% increase in the total number of household from the 2000 U.S. Census (41,356) and a 30.4% increase from the 1990 U.S. Census.\footnote{52}

*Population Analysis:* The 2010 U.S. Census shows that there was a 5.9% increase in population from 2000 (101,499) to 2010 (107,492) in the trade area. According to Cook, Moore, and Associates, the population growth rate for the area is expected to continue at a similar pace. The median age for the trade area was 29.2 (compared to 34 for the Baton Rouge MSA). The overall population for the subject’s trade area is expected to continue increasing over the next several years.\footnote{53}

\footnote{51} Rhorer, D. (2013, April 11).
**Income Trends:** The 2010 U.S. Census shows that households earning between $100,000 and $149,000 has increased 28.75% since 2000 in the trade area. This represents the greatest increase in income levels for the trade area followed by those earning $35,000 to $49,999 (17.6% increase) and those earning between $50,000 and $74,999 (11.1% increase). This is mainly due to the fact that as the population gets older, the earnings potential increases.\(^{54}\)

In 1990, approximately 63.7% of the households in the trade area earned less than $35,000 per year. This number decreased to 51.5% by 2000 and to 48.4% according to the 2010 U.S. Census. Also, between 2000 and 2010 all households earning below $24,999 decreased. This further supports the conclusion that the dynamics of the neighborhood have been significantly changing since the 1990 Census. The projections for the subject’s trade area are all positive, with the historical trend over the past 10 years expected to continue.\(^{55}\)

The 2010 U.S. Census shows that the median household income for the subject’s trade area was $36,615, a 9.3% increase from $33,499 in 2000. The per capita income increased 12.1% from $22,123 in 2000 to $24,790 in 2010 and the average household income increased 6.7% from 53,153 in 2000 to $56,726 in 2010.\(^{56}\)

**B. Rental Housing Market Analysis**

*Primary Market Area Rental Housing Demand:* From 1990 to 2000, the population of the Primary Market area increased by 13.4% (89,523 to 101,499) and the number of households increased by 16.9% (35,393 to 41,356). From 2000 to 2010, the population increased by an additional 5.9% (101,499 to 107,492), with the number of households increasing by 11.6%

(41,356 to 46,157). Even though the growth rate has slowed from the previous census, the primary market area should still see strong growth over the next few years.\textsuperscript{57}

According to the U.S. Census data, the ratio between owners and renters has remained fairly stable. In 1990 approximately 16,635 of the homes were owner occupied while 18,758 were renter occupied. In 2000, the amount of owner occupied homes increased to 19,866 while number of renter occupied homes was 21,490. From 2000 to 2010, owner occupied homes increased to 21,310 and renter occupied homes increased to 24,847. Based on this data, it appears that there is a consistent demand for rental units in the defined trade area with 53.83% of the population occupying rental units.\textsuperscript{58}

The median household income for the Trade Area was $33,499 in 2000 and the average household income was $53,153. The median household income has increased to $36,615 and the average household income has increased to $56,726 in 2010. Both of these figures are expected to increase further by 2015\textsuperscript{59}.

Based on the steady increase, the Trade Area is projected to have 25,647 Renter Households by 2014. If you deduct that number by the amount of Renter Households reported in the 2000 U.S. Census (21,490) it represents an increase in Rental Housing Demand by 4,157\textsuperscript{60}.

From this number, all if the units completed since 2000 and those expected to be completed prior to the end of 2014 must be deducted. A total of 4,175 apartment units have been

completed since 2000 and an additional 801 units are currently under construction or in the advanced planning stages.\textsuperscript{61} However, allowances for depleted units must be added.

According to the Marshall Valuation Service, a nationally published and recognized cost service, the expected useful life of a typical garden apartment is 50 to 60 years.\textsuperscript{62} These estimates are based on appraiser’s opinions and studies of actual morality, condition of survivors, and ages at which major reconstruction or change of occupancy has taken place.\textsuperscript{63} The rental units needed to satisfy the anticipated growth should be added to the allowance for depletion of existing units. Nancy Chung, a former analyst with the U.S. Department for Housing and Urban Development (HUD), provided a basis for projection of depletion.\textsuperscript{64}

Chung indicated that HUD typically applies an allowance of 0.5\% per year, based on the number of housing units, in projecting depletion of housing units. In 2010, a total of 46,157 housing units existed in the subject’s trade area.\textsuperscript{65} Based on a depletion allowance of 0.5\% per year, this equates to an annual allowance of 46,157 units x 0.5\%=231 units per year for the subject’s trade area. Of these 231 units, approximately 53.8\% should be rental units which equates to a depletion of 124 rental units per year (231 total units x 53.8\%). To account for years 2000 to 2014 a total of 1,739 units are removed in the first year of the analysis (124 units x 14 years=1,739 units).\textsuperscript{66}

When adding these units back to the housing demand, it creates an effective demand of 920 units. However, it cannot be assumed that the market is has a 100\% occupancy. Therefore, to

\textsuperscript{62} Davenport, C. (p. 25).
\textsuperscript{63} Davenport, C. (p. 25).
\textsuperscript{64} Davenport, C. (p. 26).
\textsuperscript{66} Davenport, C. (p. 26).
account for vacancy, an allowance based on 7% of the needed unit supply is added to the effective demand (920 units x 7.0% vacancy= 64 units). After adding these units back to the demand, the effective demand indicates that there is a need for an additional 984 rental housing units.

In order to qualify for tenancy in middle to upper-income units, a household must earn more than $35,000 per year. According to the 2010 U.S. Census, approximately 51.6% of the primary market area would qualify for middle to upper-income units. This indicates that there will be a need for an additional 507 rental housing units (984 units x 51.6% of the population) targeting middle to upper middle-income households in the subject’s Primary Market Area by the year 2014.67

_Downtown Market Rental Housing Rental Rates:_ The market supply of residential units in downtown Baton Rouge is approximately 65, which are 100% occupied. Downtown Baton Rouge is home to approximately 1,398 businesses that employ approximately 32,299 daily workers.68

The rental rates for 1-bedroom units downtown ranged from $900 to $1,875/month ($1.45 to $2.00/square foot), with an average of $1,481/month or $1.67/square foot. The rental rates for the 2-bedroom units ranged from $1,050 to $2,650/month ($1.14 to $1.55/square foot), with an average of $1,840/month or $1.40/square foot.69

The rental rates for the downtown market are slightly higher than the available “upscale” properties in other portions of Baton Rouge. Rental rates for 1-bedroom units outside of

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67 Davenport, C. (p. 27).
69 Iarocci, A. (p. 15).
downtown ranged from $955 to $1,295/month ($1.15 to $1.51/square foot), with an average of $1,093/month or $1.34/square foot. The rental rates for the 2-bedroom units in other areas of Baton Rouge ranged from $1,230 to $2,000/month ($1.08 to $1.53/square foot), with an average of $1,540/month or $1.29/square foot.\(^{70}\)

All of the properties in the downtown market are not good comparisons to the “upscale” properties in other areas of Baton Rouge because they are smaller complexes. The downtown area does not have a larger “upscale” complex that is similar in size of the subject property.

C. Retail Market Analysis

*Current Downtown Retail:* In recent years, there have been various developments that have resulted in new restaurants, bars, and coffee shops as well as an urgent care clinic and a new YMCA facility located on the ground floor of a State parking garage. In 2002, Main Street Market opened near several new State office buildings and provides numerous lunch counters and small retail spaces. The Main Street Market is also host to a weekly famer’s market on Saturdays.

Third Street has become very popular in recent years and has experienced a growing nightlife scene. Businesses that have opened along Third Street include: Stroube’s Chop House (a steak house), Roux House (a live music club), Happy’s Irish Pub, Lucy’s Bar & Grill, Jimmy Johns, City Bar, Schlitz & Giggles (a pizza restaurant and bar), Boudreaux & Thibodaux’s (a 2-story bar), M-Bar (a martini bar), The Wine Loft (a wine bar), Punchers (a bar/pool hall), The Office (an upscale bar) and The Little Village (an Italian restaurant).\(^{71}\)

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\(^{70}\)Iarocci, A. (p. 15).

\(^{71}\)Rhorer, D. (2013, April 11).
The retail rent comparables in the downtown area range from $15.00/square foot to $20/square foot, all with equivalent “triple net” lease structuring.\textsuperscript{72}

**IV. Mixed-Use Development**

**A. The Rise of Mixed-Use Development**

The concept of mixed-use developments in the United States dates back to the mid-1600s. In Margaret Crawford’s book, Building the Workingman’s Paradise: The Design of American Company Towns, she described how some of the first “model towns” blended industry and housing. In her book, she observed that: “In 1930 the Bureau of Labor Statistics estimated that more than two million people were living in company towns. But shortly after, the effects of the Depression and changes in labor laws decreased their number, and the company town gradually disappeared from the American landscape.”\textsuperscript{73} Following the Depression, the availability of inexpensive automobiles allowed workers to become independent of the company which ultimately resulted in suburban sprawl.\textsuperscript{74}

After fifty years of suburban sprawl, the development cycle is swinging back towards urban living. Mixed-use developments are playing a major role in the shift back to urban living. Professors William Lucy and David Philips argue in their 2006 book, Tomorrow’s Cities, Tomorrow’s Suburbs, that there is already evidence of the resurgence of cities and the decline of

many suburbs. They go on to say that the company towns of the 19th century are now the model for mixed-use development today.

In the summer of 2006, the International Council of Shopping Centers (ICSC), the National Association of Industrial and Office Properties (NAIOP) and the National Multi Housing Council (NMHC) surveyed their members to understand what mixed use means today and to explore what might be the factors for success with those projects.

The consensus definition of Mixed-Use Development, endorsed by BOMA, ISCS, NAIOP, and NMHC, is: “A mixed-use development is a real estate project with planned integration of some combination of retail, office, residential, hotel, recreation or other functions. It is pedestrian-oriented and contains elements of a live-work-play environment. It maximizes space usage, has amenities and architectural expression, and tends to mitigate traffic and sprawl.”

The second purpose of the survey was to identify the driving forces that have caused the increase in demand for urban living and to assess the future demand of mixed-use development. The three main reasons for the increase in demand of mixed-use development identified in the survey were: the live-work-play environment in a single location is convenient; rising land prices are making more density necessary; and the format is being encouraged by local public agencies. Of the 1,004 respondents, 93% felt that the mixed-use concept would continue to grow in the future.

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76 Niemira, M. (p.1).
77 Niemira, M. (p.1).
Mixed-use developments have grown in popularity because they can create additional value and outperform standard single-use developments. A successful mixed-use development can increase office and retail prices, rents and occupancy rates as well as accelerate absorption rates if the uses complement each other correctly. The retail tenants may be willing to pay a higher rent because the increased traffic generated by compatible and complementary uses. A convenient location of dining, retail, and entertainment may attract residents and hotel guests. However, some locations are not well suited for mixed-use developments, and careful consideration must be given to the financial feasibility of each specific project.\(^7\)\\n
B. Factors That Make a Mixed-Use Development Successful

When creating a mixed-use environment, there are many factors that must be considered in order to achieve financial success. These factors can be grouped into the following categories: economic and market, financial, physical, design, and public issues.

*Economic and Market Factors*: Each use in a mixed-use development must attract a significant level of market demand on its own. The uses need to be compatible and complementary to create synergy among them. Synergy among the difference uses increases both the investment value and the market value of the project.

Synergy is achieved in a mixed-use development in many ways. Each use should be able to generate revenue from the other uses on the site.\(^7\) The residents and workers in the development may use the on-site retail facilities and the office and retail users may live in the

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79 Rabianski, J. (p. 8).
residential units. This creates the idea that each use is an amenity for the other uses. The office
users need restaurants and hotels in close proximity to attract tenants. Hotels will then benefit
from the visitors to the office space. The combination of uses provides a place for supply to meet
existing, unfulfilled demand in the geographic market area.

While the development should create synergy among its different uses, it must also
generate and maintain strong linkages to other land users as well as consider the competition
with external projects. The retail and restaurant must also provide service to potential customers
living or working in close proximity to the project. With that being said, there must be a demand
for the restaurant and retail services. If the building is near a highly successful super-regional
mall, surrounded by power centers, community centers, and a lifestyle center, it may lead to high
retail vacancy even though the office and residential uses are successful. Each use must be
analyzed in regard to its own market analysis. 80

Financial Factors: As mixed-use developments become more popular, banks are
adapting to provide capital to these types of projects, but that does not mean that there are not
complicated issues that make it more difficult to finance a mixed-use development than a single
use project of equivalent size. 81 There are many factors that make the financing of a mixed-use
development more difficult. Mixed-use developments require a longer development period and
can require substantially more equity than a single use development. 82 The larger requirements of
equity limit the number of development firms that have the resource to pursue a mixed-use
project. 83 It also becomes more difficult because each use must be underwritten separately. As a

80 Rabianski, J. (p. 9-10).
81 Niemira, M. (p.1).
82 Rabianski, J. (p. 10-11).
83 Rabianski, J. (p.10-11).
result, investors providing the initial equity understand mixed-use development as a higher risk development and require a higher return.

*Physical Factors:* There are many physical factors that must be taken into consideration when planning to develop a mixed-use project. First and foremost, the site or building must be the appropriate size and shape to accommodate all of the elements of the development. It would be advantageous if the site is easily accessible by automobile and has an abundance of parking, but access to other modes of transportation is important as well. Other modes of transportation create a convenient and attractive pedestrian traffic and create synergy between the uses as well as between adjacent properties. It is important that the project is highly visible and has attractive streetscapes. This will draw in pedestrians from other businesses in the area. If physical features can be factored into the development, it will make the project attractive to all of the users whether it is residential, retail, or office.

*Design Factors:* When developing a mixed-use project, the site or building must be based on a master plan. The two biggest issues that must be addressed in the master plan are parking and place making. Parking can provide benefits to the mixed-use development but it can also create additional costs. A mixed-use development allows you to reduce the total amount of parking because the parking demand for different uses peaks at different times during the day. Even though this is the case, the users require standard parking ratios. For example, retailers normally require five spaces per 1,000 square feet of gross leasable area and residential users want their own parking separated from the retail. If the parking is designed right, it will make the project the more attractive to the end users.

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84 Rabianski, J. (p.12-13).
85 Rabianski, J. (p.12-13).
Mixed use development is all about place making. The best definition for place making is “the creation of vibrant, pedestrian-friendly areas with a mix of complementary land uses. In terms of retail, place making means shopping or dining that is less about selling and more about creating an experience.” When attempting to create a place, the design should be sensitive to the area’s history and future and try to tie the design features into it. The common areas are important design features to make a “place.”

Besides parking and place making there are many other design factors that must be considered. Some of these include: noise abatement by separation or soundproofing between uses, fire retardation measures through construction techniques, odor suppression, commercial loading areas hidden from sight, connectivity of pedestrian and cycling among the uses.86

Public Issues: Many mixed-use developments require Public/Private Partnerships to achieve financial success.87 The plans for the mixed-use development should highlight transportation and infrastructure use including but not limited to, water, waste treatment, school capacity, etc. The development team should conduct economic and fiscal impact studies to highlight the economic benefits of the mixed-use development. If the results of these studies are positive, more than likely, local agencies will work with the development team to help bring the project to fruition.

In the early stages there may be issues with zoning ordinances. If a mixed-use project is planned for a single use site, the development team can use their studies to help influence a zoning change or the issuance of a variance for the project. The economic impact studies will also improve the likelihood of Tax Increment Financing (TIF) for the project. Many projects may

86 Rabianski, J. (p.13).
87 Rabianski, J. (p.14-16).
not be feasible if certain financing mechanisms were not available. Therefore, it is important to work with the government agencies to bring projects into fruition.

C. Challenges and Benefits of Mixed-Use Development

Mixed-use developments are an efficient use of space, and they add vitality to urban area, but developers face many challenges when designing, financing, owning, and managing mixed-use facilities.\(^\text{88}\) In a 2009 article, Sean Davis, principal at Morris & Ritchie Associate stated, “A mixed-use center is, in my opinion, a lot more appealing to the marketplace. It’s got that 24/7 feel, where you can walk from your residence and get on the street, and you can go shopping and go to the bar or restaurant, and you don’t have to get in your car. It’s got a lot more curb appeal.”\(^\text{89}\)

*Transportation:* Neighborhoods with mixed land uses make walking safe and convenient and allow residents and workers to drive significantly less if they choose.\(^\text{90}\) In fact, research shows that in the most centrally located, well-designed neighborhoods residents drive as little as half as much as residents of outlying areas.\(^\text{91}\) Studies have also shown that mixed-use development provides significantly higher returns to local governments through property and sales taxes\(^\text{92}\) while lowering the per unit infrastructure and public service costs.\(^\text{93}\)


Efficiency: Diversification of uses greatly increases the efficiency of the facilities. First, the land is used more efficiently in a mixed-use development because you are able to get a higher density from residential and commercial uses by vertically stacking the uses. Vertical mixed-use facilities share maintenance between uses and can be beneficial because they reduce the long term maintenance costs of individual buildings.\textsuperscript{94} Many developers are seeing mixed-use buildings as an opportunity to carefully promote sustainability by using looking at how to be more responsible in terms of material and energy use. Sustainable and green efforts are especially appealing to owners because improved energy efficiency can save costs and attract renters.\textsuperscript{95}

Financial Issues: There are many financial factors that can determine the success or failure of a mixed-use development. The complications of multiple ownerships, loans and leases, as well as the possible increase cost of construction and time for development make financial planning and oversight essential.\textsuperscript{96}

A key element of a mixed-use deal is financing the construction. Most developers try to minimize their initial equity in the property by trying to find ways for lenders to provide high loan-to-value ratios. However, for a mixed-use project, equity requirements are normally higher which may limit the number of firms that have the resources to development a mixed-use project. Sometimes, if a development firm does not have the equity to take on a project, they may be able

\textsuperscript{94} The Challenges and Benefits of Mixed-Use Facilities. (2009).
\textsuperscript{95} The Challenges and Benefits of Mixed-Use Facilities. (2012).
to find development incentives from local jurisdictions that may be trying to attract development into a blighted area or encourage denser development in urban areas near transit hubs.  

Lenders sometimes have a difficult time determining how well different land uses work as a single development which complicates their estimation of the cash flow a project may produce. They tend to evaluate the overall mixed-use project as a weighted average of the individual property types, as collateral that could be sold off separately. Underwriting each land use separately further complicates the deal. An individual loan on each property type will give the owner greater flexibility in exit strategies, but a large permanent loan on the entire property may be more attractive to lenders.

Costs: There are several features of mixed-use projects that can lead to higher development costs. In the initial planning stages, costs are much larger for mixed-use developments because of the difficulty of the project and the need to incorporate the different uses. Also, the project may require variances, and conditional use permits which would then require the builder to comply with different building codes for each use, further complicating the project which may lead to increased costs and an extended construction period.

Properties that have the potential for a mixed-use development generally have a higher per square foot value than land that only allows a single use. The carrying costs could potential be higher than the carrying costs for a single use property.

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97 Clements, S. (p 14).
98 Clements, S. (p.15).
99 Clements, S. (p.16).
V. The Redevelopment of 333 Laurel

A. 5thfloor Company

5TH floor Company is a New Orleans-based real estate development, acquisition, and asset management company. With over $225,000,000 in multi-family assets under management in three major cities of Louisiana, 5th floor strives to create a living experience that is not only unique to its residents, but also delivers extraordinary returns to its stakeholders.

5th floor’s operating portfolio includes 8 high quality luxury rental communities with approximately 1,800 apartments and 2,800 square feet of commercial space. As a diversified multi-family developer, 5th floor is known for creating communities and living spaces that thoughtfully consider the residents that inhabit them and embrace the community that surrounds them. Each 5th floor community is designed from the ground up, from master planning to interior design, to be environmentally thoughtful and sustainable in nature.

5th floor’s ability to recognize hidden value in real property in prime locations, utilize complex private and public financial strategies, and leverage its relationships with lenders and joint venture partners and carefully manage each aspect of the operational and asset management process allows them to continually move forward and constantly raise the bar in every project they undertake.

101 5thfloor: Who we are.
102 5thfloor: Who we are.
B. Property Overview

The Subject property is located at 333 Laurel Street in Baton Rouge, LA (Corner of 3rd Street and Laurel Street). The zoning of the site is Downtown C5. There is an 8 story 174,995 square foot improvement on the site that has operated as office and retail space since 1955. There is currently a $48,000.00 annual land lease with 38 years remaining on an original 99 year term.

C. History of 333 Laurel

The site where the Commerce Building stands has a long historical significance in Downtown Baton Rouge. Sanborn Fire Insurance maps dating all the way back to 1885 show that the site operated under several different uses in various buildings including: a grocer, a bar and billiards room, a bookstore, an automotive and bicycle repair shop, a barbershop, and two different hotels, The Veranda and The Palms. The Commerce Building was constructed in 1955 as an office building for United Companies. It was also home to McCrory’s and Three Sisters retail shops in the basement and the ground level from the 1950s through the 1980s. Two other notable office tenants were well known residential architect A. Hays Town and real estate entrepreneur Harry Latter, whose company, Latter & Blum, once managed the building.

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103 Iarocci, A. (p. 6).
104 Iarocci, A. (p. 6).
105 Iarocci, A. (p. 6).
106 Iarocci, A. (p. 16).
108 Iarocci, A. (p. 16).
D. Redevelopment Plan

As it currently sits, the Commerce Building is the largest blighted vacant building in the Central Business District of Baton Rouge. 5th floor acquired the Commerce Building on August 2nd, 2012 for $1,300,000 ($7.43 per square foot).\(^{110}\) Prior to the acquisition, 5th floor hired multiple 3rd party consultants including: architectural, structural, environmental, and construction to tour the building. All of the reports received have relayed positive information regarding the structure.

The development team is committed to creating a best-in-class urban infill luxury redevelopment designed by Eskew+Dimez+Ripple. The current redevelopment plan will provide ninety-two (92) luxury loft market rate apartment units with 1, 2, and 3 bedroom floor plans.\(^{111}\) The majority of the units will have un-obstructed views of the Mississippi River which most of the current units in the market do not offer. Given that this is a high profile project, the development team has spent a large amount of time engaging in local stakeholders and bringing in community support. This project will set a new standard of living in Downtown Baton Rouge and create a true urban living environment by offering unparalleled community amenities, high-end interior finishes, and convenient and secure on-site parking.

The project will also include commercial space on the first floor of the building. Of the 26,805 gross square feet on the first floor, approximately 7,295 will be allocated to retail, with the remainder of the first floor being used as secure on-site parking and a residential lobby entrance.\(^{112}\) The site of the building has a long history of supporting retail and will serve as a great location for future commercial use. 5th floor is talking with several grocery stores, restaurant

\(^{110}\) Iarocci, A. (p. 4).
\(^{111}\) Iarocci, A. (p. 8).
\(^{112}\) Iarocci, A. (p. 6).
groups, entertainment groups, apparel retailers, and health/wellness retailers for occupancy of the first floor for retail.

The rooftop of the Commerce Building will offer extraordinary view of the Mississippi River. The rooftop is designed to offer a swimming pool and sun deck area for the residents of the commerce building as well as 5,165 square feet for a rooftop restaurant.\footnote{Iarocci, A. (p. 8).} The unprecedented view of the river will create an extraordinary dining experience that will be a regional destination in Downtown Baton Rouge.

E. Community Impact

The Commerce Building has a long history in Baton Rouge and the community has wanted this building to be brought back into commerce for several years. 5th floor has received much support from the city, state, Downtown Development District, Foundation for Historic Louisiana, and many other downtown stakeholders. The redevelopment of the Commerce Building is a highly visible, high impact, project that will convert a historically significant building into luxury market rate apartments bringing back badly needed housing to the downtown market. The Commerce Building will help meet the demand for housing for the large number of State, private businesses, and education employees located in Downtown Baton Rouge. Meeting the demand for luxury urban apartments, gives Baton Rouge an opportunity to attract a new population to downtown. The project will attract young professionals that will create a true live, work, and play environment. The addition of these residents will create a “multiplier effect” and create a direct positive economic impact on surrounding retailers, restaurants, and bars creating a true urban environment for Downtown Baton Rouge.
Downtown Baton Rouge was created around special events related to arts and culture. Adding residents to downtown will increase the attendance of those events and help create a demand for more activities downtown. This will grow the cultural offerings for the entire community which is an important component of a thriving downtown. A healthy, thriving downtown district indicates to visitors, investors, and industry leaders that the city truly cares about the community. An active art, cultural, and business district where residents live, work, and play Baton Rouge an attractive destination for anyone, ranging from weekend travelers to businesses looking to relocate.

F. Financing for 333 Laurel

5th floor plans to re-develop the building at an estimated total project cost of $25,283,857, which is dependent on the final development plan.\textsuperscript{114} The construction period is expected to begin in August of 2013 and continue for 16 months. To finance the project, the development will pursue the following equity sources: $9-11 Million in State and Federal Historic Tax Credits; $5 Million in New Market Tax Credits; $1-2 Million in Low Interest Loans from the East Baton Rouge Redevelopment Authority; and $1-2 Million in Community Development Block Grant Funds.\textsuperscript{115}

Uses: The total project costs for the Commerce building is expected to be $25,283,857 which equals $145.25 PSF.\textsuperscript{116} 5th floor was able to acquire the building for $1,600,000 or $9.19 PSF. The projected hard costs will be approximately $19,720,674 or $113.29 PSF. The soft costs are projected to me $3,963,183 which equals $22.77 PSF.

\textsuperscript{114} Iarocci, A. (p. 6).
\textsuperscript{115} Iarocci, A. (p. 6).
\textsuperscript{116} Iarocci, A. (p. 6).
Sources: The development team will pursue the following equity sources: $9-11 Million in State and Federal Historic Tax Credits; $5 Million in New Market Tax Credits; $1-2 Million in Low Interest Loans from the East Baton Rouge Redevelopment Authority; and $1-2 Million in Community Development Block Grant Funds. In addition to these equity sources, the development team plans to secure an $8,000,000 conventional mortgage loan.\(^\text{117}\)

State and Federal Historic Tax Credits: The rehabilitation tax credit is an indirect subsidy used to finance the rehabilitation of historic and older buildings.\(^\text{118}\) The rehabilitation tax credit was created as an incentive to restore historic buildings to productive use. Eligible taxpayers receive the incentive by claiming an investment tax credit on their federal income tax return.\(^\text{119}\). The tax credit is a dollar-for-dollar credit generally claimed in the year the rehabilitated building is placed in service. If a building is a certified historic structure, a federal credit of 20 percent of all qualified rehabilitation expenditures can be allocated.\(^\text{120}\) If the building qualifies for state historic tax credits in Louisiana, an additional 25 percent of the qualified rehabilitation expenditure can be allocated to the project. After the rehabilitation expenditures are placed in service, the building must remain in productive use and the entity owning the building must not sell the property for a period of five years from the date it was placed in service.

In order to qualify for the Historic Rehabilitation Tax Credit, a building must be a qualified rehabilitated building (QRB).\(^\text{121}\) In order to be considered a QRB, a building must meet four requirements. First, the building must be “substantially rehabilitated.” Second, the building

\(^{117}\) Iarocci, A. (p. 27).
\(^{119}\) (2012). Historic Rehabilitation Tax Credit Recapture Survey.
\(^{120}\) Historic Rehabilitation Tax Credit Recapture Survey. (2012).
\(^{121}\) Historic Rehabilitation Tax Credit Recapture Survey. (2012).
must have been placed in service before the beginning of the rehabilitation. Third, depreciation must be allowable with respect to such building. Forth, the building must be located in the United States or in a territory or possession of the United States.\textsuperscript{122}

Once the project has been identified, the taxpayer submits an application to the State Historic Preservation Office (SHPO). The first part of the application makes the case for nominating a building to the National Register if it is not already on the register or listed as contributing to a National Register historic district.\textsuperscript{123} The second part of the application describes the planned rehabilitation and how it meets the Secretary of Interior’s Standards for Rehabilitation.\textsuperscript{124} After the rehabilitation work has been completed, the owner submits a Part 3 application which is a Request for Certification of Completed Work.\textsuperscript{125} If the project is approved, the NPS sends a copy of the Part 3 application to the Internal Revenue Service and the taxpayer is eligible to claim the credits on the project.

5\textsuperscript{th} floor plans to receive State and Federal Historic Tax Credits for the redevelopment of the Commerce Building. The amount of Historic Tax Credits the project will receive is based on the Qualified Rehabilitation Expenditure (QRE). The QRE for this project is $26,080,628.\textsuperscript{126}

The Federal Historic Tax Credit rate is twenty percent (20\%) of the total QRE which equals $5,216,126. The development team has estimated the market value for the Federal

\textsuperscript{122} Iarocci, A. (p. 26).
Historic Tax Credit to be $0.85 which would generate $4,433,706 in Federal Historic Tax Credit equity. \(^{127}\)

The State Historic Tax Credit rate is twenty-five percent (25\%) of the total QRE which equals $6,520,158. The development team has estimated the market value for the State Historic Tax Credit to be $0.77 which would generate $5,020,520 in State Historic Tax Credit Equity.

*New Market Tax Credits:* In 2000, Congress created the New Markets Tax Credit program as a part of the Community Renewal Tax Relief Act of 2000.\(^{128}\) The program is designed to generate $15 billion in new private sector investments in low-income communities.

Qualified Community Development Entities (CDE) apply to a Community Development Financial Institutions (CDFI) Fund for an award of the tax credits. The CDE will then seek taxpayers to make a Qualifying Equity Investments in the CDE. Then, the CDE is required to use the qualifying equity investments to make qualified low-income community investments (QLICI) in qualified low-income businesses (QALICBs) located in low-income communities. The taxpayer will be eligible to claim a tax credit equal to 5 percent of its equity investment in the CDE for each of the first three years and 6 percent credit for each of the next four years (39 percent total).\(^{129}\)

The program allows the CDE to use its local knowledge and expertise to make the decision on what businesses to invest in since most businesses in low-income areas could qualify.

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\(^{127}\) Iarocci, A. (p. 27).


\(^{129}\) NMTC Program Outperforms Comparable Cash Grant Program (p.1).
for the tax credit. This is exciting because it allows investment to be made in distressed communities and promotes economic improvement through the development of successful businesses in these communities. If New Market Tax Credits are allocated to residential project, at least twenty percent (20%) of the income must come from sources other than residential rent. This is to insure that the project is benefiting the community in a way that is not just adding residential units.

The total project cost for the Commerce Building from a New Market Tax Credit Perspective is $26,080,628. Since the credit is a thirty-nine percent (39%) credit, $10,171,445 will be allocated to the project. The development team expected the market value for the credits to be $0.72. After the CDE fee, the NMTC should provide approximately $4,829,629 in New Market Tax Credits for the project.

VII. Conclusion

Downtown Baton Rouge has seen over $1 billion in investment over the past twenty five years and is on the brink of becoming a true urban environment. The area is home to over 32,000 daily workers and 1,398 businesses and is located less than eight miles from two major universities. As the nightlife continue to grow, Downtown Baton Rouge is evolving into a 24/7 environment. As the demand for multifamily housing increases in the greater Baton Rouge area, many individuals seek to live an urban lifestyle that Baton Rouge cannot currently provide. The redevelopment of the Commerce Building into 92 apartments, a ground floor grocery store, and a rooftop restaurant will begin to transform Downtown Baton Rouge into a true urban environment. The addition of these residents will create a “multiplier effect” and create a direct

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130 NMTC Program Outperforms Comparable Cash Grant Program (p.1).
131 NMTC Program Outperforms Comparable Cash Grant Program. (p.1).
132 Iarocci, A. (p. 26).
133 Iarocci, A. (p. 26).
positive economic impact on surrounding retailers, restaurants, and bars creating a true urban environment for downtown Baton Rouge. The project will meet the demand for luxury urban apartments, giving Baton Rouge an opportunity to attract a new population to downtown.
VII. Appendix

Commerce Building: 1960s

Redevelopment Plan
Map of Downtown Baton Rouge

Red Areas - Completed Projects; Blue Areas - Under Construction; Yellow Areas - Historic Neighborhoods

Downtown Residential Overview

<table>
<thead>
<tr>
<th>Property Name</th>
<th>Year Built</th>
<th># of Units</th>
<th>Occupancy</th>
<th>PSF Avg. Rent (Approx.)</th>
<th>Views of River?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price Apartments</td>
<td>Historic / Redeveloped in 2011</td>
<td>12</td>
<td>100%</td>
<td>$1.10</td>
<td>No</td>
</tr>
<tr>
<td>City Eleven Lofts</td>
<td>New Construction</td>
<td>12</td>
<td>100% (with waiting list)</td>
<td>$1.55</td>
<td>Yes - Obstructed</td>
</tr>
<tr>
<td>Laidlaw Building</td>
<td>Historic</td>
<td>2</td>
<td>100%</td>
<td>$1.60</td>
<td>No</td>
</tr>
<tr>
<td>Boudreaux &amp; Thibodeaux Lofts</td>
<td>Historic / Redeveloped in 2011</td>
<td>8</td>
<td>0%</td>
<td>$1.60</td>
<td>No</td>
</tr>
<tr>
<td>503 1st Street</td>
<td>Historic / Redeveloped in 2012</td>
<td>1</td>
<td>100%</td>
<td>$1.15</td>
<td>Partial</td>
</tr>
<tr>
<td>Teasor Building</td>
<td>Historic / Redeveloped in 2012</td>
<td>3</td>
<td>0%</td>
<td>$2.00</td>
<td>Partial</td>
</tr>
<tr>
<td>Lafayette House</td>
<td>In Planning Stage</td>
<td>16</td>
<td>100%</td>
<td>$1.60</td>
<td>No</td>
</tr>
<tr>
<td>Kees Wilson Lofts</td>
<td>Historic / Redeveloped in 2011</td>
<td>22</td>
<td>100% (with waiting list)</td>
<td>$1.60</td>
<td>Two Units Only</td>
</tr>
<tr>
<td>420 Main Street Apartments</td>
<td>New Construction</td>
<td>22</td>
<td>TBD</td>
<td>TBD</td>
<td>No</td>
</tr>
</tbody>
</table>
COMMERCE LOFTS
Sources & Uses

**SOURCES:**

- Loan Proceeds: $8,000,000
- Federal Tax Credit Equity*: $4,433,707
- State Tax Credit Equity*: $5,020,551
- CDBG Funds: $2,000,000
- Other Grants from City and State: $1,000,000
- NMTC: $4,029,029

**TOTAL SOURCES:** $25,283,857

**USES:**

- Land / Buildings: $1,600,000
- Hard Cost Construction: $19,720,674
- Soft Costs: $3,963,183
- Cash Paid Dev Administration Fee: -
- Deferred Dev Administration Fee: -

**TOTAL USES:** $25,283,857

* Will require bridge financing for approximately 16 months

Basement

**Parking Summary**
- Basement: 18
- Total: 55
Third to Seventh Floors

![Floor Plan Image]

Eighth Floor

![Floor Plan Image]
Rooftop
IX. Bibliography


