



One more step

Yet another long-dead retail property is coming back to life on Florida Boulevard.

By Tom Guarisco, *Business Report staff*

Perry Franklin likes the idea that if some imaginary giant were to step over the Mississippi River downtown and stomp to the suburbs along Florida Boulevard, he'd take out some thriving developments and commercial properties along the way.

Why would that please Franklin, head of the Mid City Redevelopment Alliance, a community non-profit that promotes development of a 1,000-block swath between North and South Baton Rouge?

Because just a few years ago those giant feet would have landed on mostly empty buildings.

"It used to be that you had to drive on Florida from Interstate 110 to North 22nd Street before you got to a major new investment," Franklin says.

While downtown has rallied strongly in the past few years, that enthusiasm has remained pent up within the artificial barrier of I-110. Just a few blocks east of the interstate, the vacant Dillard's building until recently stood as a glaring example: More than 350,000 square feet of retail yesteryear sat a block off Florida Boulevard, surrounded by empty parking lots.

"It was about like a headstone," says Franklin.

But the property, the original home of Godchaux's and once renowned as the longest department store in the world, is coming back to life.

Renaissance Park is its newest incarnation. California real estate firm Orton Development bought the property a year ago and is investing up to \$10 million refurbishing the property in hopes of attracting tenants ranging from government agencies to call centers to small businesses.

"The building resonates with local history--it's where I got my first pair of Hush Puppies, it's where many Baton Rougeans took their first picture with Mr. Bingle," Franklin says. "This is a symbolic investment that says old Baton Rouge is coming back into vogue."

Renaissance Park is the latest in a series of major investments at key spots along Florida Boulevard between I-110 and Airline Highway.

Baton Rouge Community College continues to enjoy breakneck growth. BREC plans to move its headquarters into the vacant Sears building at Ardenwood Drive. Baton Rouge General Medical Center continues to invest millions of dollars updating its campus. And after years of stumbling, a renovated Bon Carre--the old Bon Marche mall--is 70% leased, home to companies including high-tech startups and Cox

Communications.

Gutting it out

Much of Florida Boulevard's current renaissance dates back to a decision by Baton Rouge General Medical Center 14 years ago.

Tom Sawyer and other executives at General Health System recognized their flagship campus was surrounded by a neighborhood that was crumbling. Our Lady of the Lake Regional Medical Center was thriving in the suburbs, and Ochsner Foundation soon would swoop into the market with new facilities.

Sawyer knew that to remain competitive, the General needed a healthy neighborhood. Though the company added its own suburban facilities on Bluebonnet Boulevard, it could not turn its back on a \$100 million investment in its main facility.

So the board of directors created a nonprofit agency and gave it the mission of revitalizing the area. In 1991, the Mid City Redevelopment Alliance was born.

"They asked, 'What can we do as a community-owned asset to ensure the heart of Baton Rouge gets stronger?'" says Franklin, who has headed the agency for six years.

General Health has pumped \$3.7 million into the surrounding neighborhood for things such as housing grants and cleanup campaigns. Originally the focus was the 67 blocks immediately around the campus. But over the years, Mid City Redevelopment has broadened its scope. While grant money stays in those immediate blocks, the agency now promotes economic development in the area between North and South Baton Rouge.

"Baton Rouge General in Mid City is truly the economic engine for the success everyone is having now," says CEO Bill Holman. "Winning breeds winning."

Despite speculation that Baton Rouge General will move or become part of the state's charity system, Holman says the company is committed remaining in Mid City. Holman points out that employment at the Mid City site is up to 1,800 people, and the average number of hospital patients is up to 220 from 140 in 2000.

"I feel that for us to continue to be strong and viable, we need two campuses," Holman says. "If the community around us is successful, that makes us more so."

Death and rebirth

In the late 1990s, just up the road from the General, Bon Marché Mall was gasping. Unglamorous discounters struggled beside aging department stores and a movie theater.

The mall died, but before long a group of investors decided to transform it into Bon Carre, a bold mix of office and retail. After several halts in construction and major roadblocks--including the conviction of a key investor who turned out to be a Ponzi scheme crook--Bon Carre found traction, albeit in a slightly different form.

The State of Louisiana decided to establish a high tech business incubator, Technology Park, there. Later, the Baton Rouge Area Foundation's Commercial Properties Inc. stepped in. Under Camm Morton's

direction, Bon Carre hammered out key lease deals with tenants, including Cox Communications.

Bon Carre's rebirth is sparking economic development in nearby neighborhoods.

Kornmeyer's Furniture is one of Florida Boulevard's senior retailers, a store dating back generations. Reports that the Bahlinger family planned to build a new store near Interstate 10 in South Baton Rouge was viewed by some as evidence of Florida Boulevard's further decline.

But in November the company announced a renovation and expansion of its Florida Boulevard store, which is a block east of Bon Carre. Bon Carre's snazzy new exterior, modern nighttime lighting and the fact that it's mostly leased up has energized commerce in the area, says Rosemary Williams, executive vice president and general manager of Kornmeyer's.

"It's really impressive, even at night, and that reflects well for us to have something looking like that across the street," Williams says. "And our customers tell us it's easy to shop here. You don't get stuck in bumper-to-bumper traffic."

That's not to say there isn't any. In fact, recent studies show an increase in daily traffic volume. Florida's three-lane design with turning lanes at intersections keeps things flowing fairly smoothly.

But what about the neighborhood? In the 1970s, developers built row upon row of new apartments around Bon March• to house all the young professionals who would be working, eating and shopping there.

Yet apartments went begging, and soon government-funded housing for low-income tenants took over, followed by a plunge into poverty and crime. The name "Mall City" became synonymous with drug dealing and bodies on the pavement.

"Mall City died while nobody was looking," says Howard Gyler, a Dallas real estate investor who now owns 173 apartment units in four separate complexes behind Bon Carr•. He and his partners have invested more than \$4 million in the neighborhood, snapping up complexes on the cheap starting in 2003.

"Are all the outright steals still there? Sorry, snooze you lose," Gyler jokes. But he's making a larger point: He's not the only developer renovating the abundant apartment complexes, and the activity has pushed up property values.

When he started buying apartments in Mall City, now called Melrose East, he paid \$4,200 per unit. In July, the federal government auctioned a comparable, vacant complex called Tall Timbers on Ardenwood. It went for more than \$13,000 per unit.

"So much so that I can't afford to buy it anymore," says Gyler, who has spent his career developing apartments in California and Texas.

Rents are up, too. One-bedroom apartments that rented for \$250 to \$275 in early 2003 now fetch \$275 to \$360.

Gyler also has invested time in the neighborhood, helping create a new neighborhood association.

"When I got there in January 2003, the good people hid in their apartments and the criminals just hung out and did whatever they wanted," Gyler said. "It's not that way anymore, and the police get a lot of credit."

Bill Whitaker, vice president of commercial lending for Region's Bank in Baton Rouge, has arranged

construction financing and permanent loans on three of Gyler's apartment complexes.

There was initial hesitance in the banking community to make loans in the neighborhood. But the merits of each deal have made sense, and the bank has had good returns in the 18 months since, Whitaker says.

"This was a straight-up business construction loan with investor capital in it, no tax credits in it--this was such a clean deal," Whitaker says. "They've stayed within budget, they've done a wonderful job."

Another resurrection

Not so long ago, things looked dim around the Dillard's store, which was formerly Maison Blanche, and before that Godchaux's. The building petered out in the late 1990s, ending its retail life as a Dillard's discount outlet.

But there was hope. The burgeoning dot.com economy promised a lucrative out for the retailer. Internet services companies were forecast to fan out across America via massive server hotels in every major city. The argument was they could use all the capital sloshing around the equity markets to buy up empty buildings, retrofit them with communications gear and start cashing in their piece of the information superhighway.

For a while there was talk that Dillard's would ask as much as \$10 million for its building. Macon Callicott, real estate broker with Property One, recalls how a Miami-based dot.com talked of paying as much as \$15 million for the building, then pumping another \$10 million into it.

"People were flying in here monthly to see it," Callicott recalls. "Server hotels were all the rage. Then they all went bust."

Down came the dot.coms, and with them, the potential purchase price for the Mid City property. Dillard's regrouped and repriced the building, reportedly at \$5.5 million.

There were attempts to locate various technology and university facilities there, but none came to fruition.

The Baton Rouge Area Foundation sent some of its top officials to Arkansas to try to convince Dillard's owners to donate the building to the community. That idea landed with a thud. The Foundation made a counter offer to pay for the building, but the price was too low, Callicott says.

Then Orton, a specialist in buying surplus corporate property and re-tooling it for new tenants, stepped in. The sprawling property remains carved up into multiple lots. Orton officials won't say what they paid, citing confidentiality agreements with Dillard's, but real estate sources estimate between \$2 million and \$4 million.

Orton retained Property One and Callicott to market the property. Callicott expects the new tenants to have a ripple effect.

"You'll have as many as 1,200 people working in here. They have to eat lunch so you'll see some new restaurants, then some new shops nearby," he says. "It could be just like Third Street downtown."

As part of an incentive package to sweeten the deal, community officials promised Orton they would convince the Legislature to designate Renaissance Park as an Economic Development District. Even if Orton invests \$10 million, its property tax assessment will remain frozen for five years.

In doing the legwork, Orton agreed to broaden the special district to include much of Mid City, conferring

similar benefits to any business that renovates buildings there. That decision is paying off.

Providence Engineering, a 5-year-old environmental engineering firm founded on suburban Perkins Road by Todd Black, Rich Major and Mike Schurtz, has signed a purchase agreement on an old building a few blocks from Renaissance Park. (The deal won't close until after Jan. 1; Providence execs declined to identify the property until then).

The firm regularly interacts with city-parish and state offices downtown, so they first shopped for a building there. But they found real estate prices downtown have shot up and looked to the next best thing: Mid City.

"We'll be able to do it for half to two-thirds what it would have cost to go into downtown, yet we're right there," says Black.

The fact that the property taxes will be frozen for five years certainly sweetened the deal. And they see good things for the area.

"Mid City is still untapped," says Major. "It's just starting to blossom."

In 2005, the firm plans to refurbish the building and move its 37 employees, including eight engineers, out of the suburbs and into the heart of Baton Rouge.

Regrowing pains

The growth along Florida Boulevard has a long way to go before it can truly be called a renaissance. Many key properties remain empty or underutilized.

The empty Sears building at Ardenwood has been donated to BREC, but much work needs to be done before the city's recreation agency can move its headquarters there.

And many smaller vacant buildings remain as voids along busy Florida Boulevard. Even Cortana Mall, for all its retail moxie and innovative marketing efforts, finds itself competing against not only a much newer mall in a faster growing part of town, but also against modern shopping centers that continue to open.

And while Melrose East may be on a road to better days, it isn't likely to achieve the kind of buying power offered by more affluent suburbs in southeast Baton Rouge.

Mid City's Franklin concedes there are some pieces of the puzzle still not in place. For example, he points to a key stretch along Florida just west of the General that remains pockmarked with empty lots and old buildings. He has been trying to float the idea of a new lifestyle shopping center there, but so far has found no takers.

But for every challenge ahead of Florida Boulevard, it has at least one success to cheer about.

"Look at the level of sprawl in the suburbs," Franklin says. "Renaissance Park and these other major investments give us a banner we can wave that says, 'The lights are being turned back on, give us a chance, Mr. Business Owner. We've got the traffic counts you need. There are thousands of new state employees nearby in downtown. Buying power is back through these streets. It's a new day.'"

