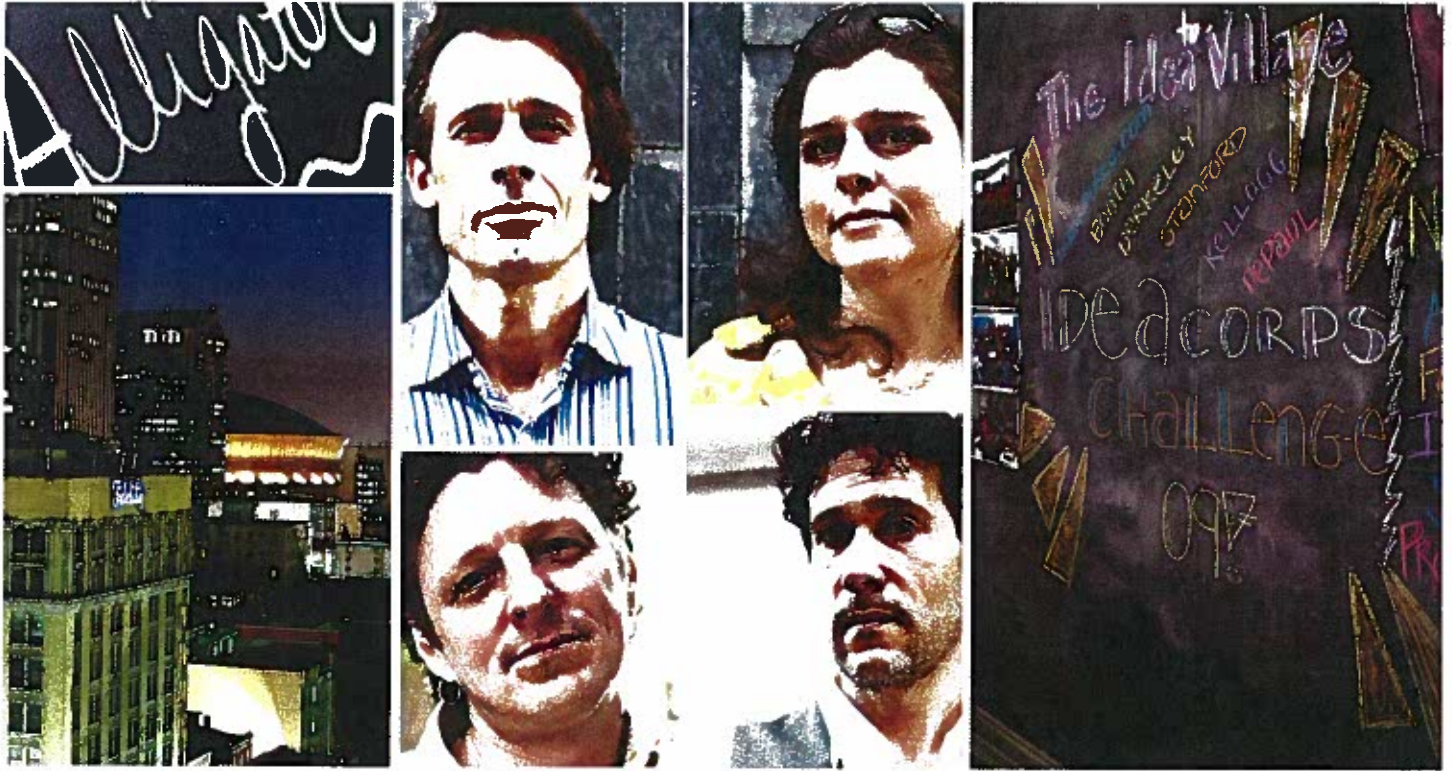


10 best (and surprising) cities to start a business

Entrepreneur

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New Orleans: a blueprint for economic recovery

FOUR YEARS AFTER KATRINA, ENTREPRENEURS
ARE RECONSTRUCTING THE ICONIC CITY.



INSIDE THE \$16.4 MILLION
BUSINESS OF STURGIS

PICTURED CLOCKWISE FROM UPPER LEFT:
NEW ORLEANS ENTREPRENEURS ROBBIE VITRANO,
SEEMA SUDAN, SEAN CUMMINGS AND BRENT MCCROSSEN

CEMETERIES

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By Jason Meyers
Photography by
David Johnson

THE NEW ORLEANS SAINTS

Four years after Hurricane Katrina—and a recovery that's come in fits and starts—a new entrepreneurial culture is taking hold in New Orleans, showing the world that innovation can help even the most troubled cities begin to find a way out

If

New Orleans needs a symbol of its entrepreneurial uprising, this is it: A grand building in the heart of the Warehouse District, once home to one of the city's old-line law firms, has been completely taken over by young business renegades.

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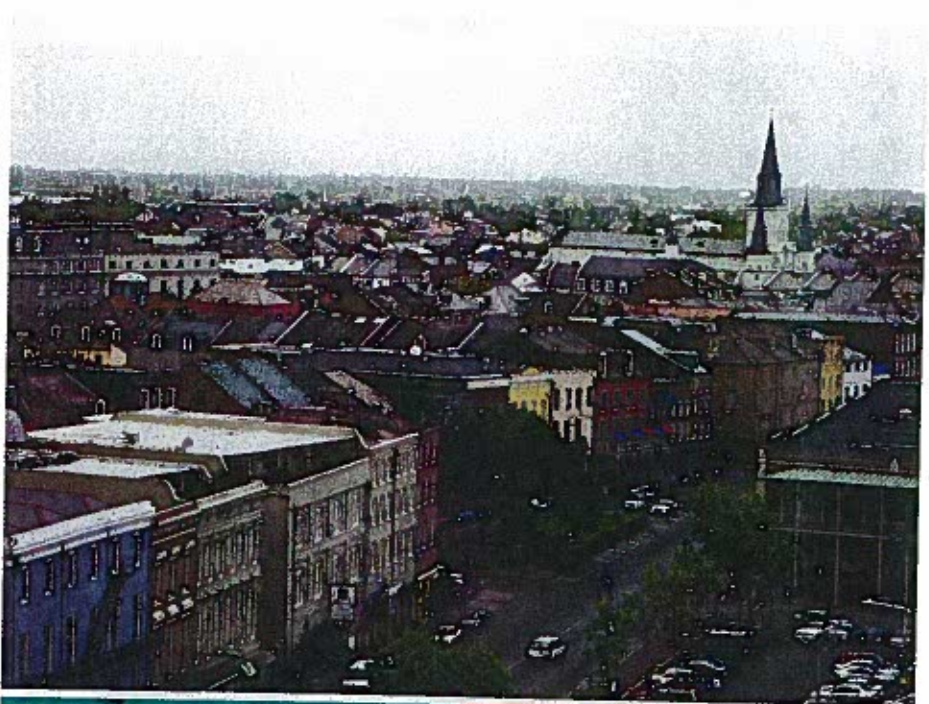
By April, the lawyers had been swept out of the building at 643 Magazine Street. It was freshly rehabbed, christened the Intellectual Property, and the future started moving in: businesses like TurboSquid, an emerging player in the wild art of 3-D modeling, and iSeatz, the online engine behind major travel and entertainment sites.

Down the hall, an outfit called Launch Pad is leasing low-cost work space to freelance designers, writers and other would-be entrepreneurs. The Idea Village, a nonprofit group that fosters entrepreneurship and helped create the Intellectual Property building, moved in and started planning community events in the lobby. PlayNOLA, an organizer of sports leagues for young professionals, got its space by winning a local business plan competition. There are even a few new lawyers at Couhig Partners, which specializes in helping corporations with commercial litigation and business management.

The idea behind the I.P., as the building is called, is to provide a hub for an entrepreneurial culture that is bubbling up all over the city, in almost every kind of enterprise. Four years after Hurricane Katrina and the many stumbles toward its recovery, these young businesses represent technology, invention and youthful, entrepreneurial energy—altogether, the potential for rebirth in a region devastated by disaster.

"As someone who cut his teeth in the Bay Area during the dotcom boom, it's my opinion that we have an opportunity in New Orleans to recreate what we saw there in the late 1990s, or what Austin or Seattle has done," says Michael Hecht, president and CEO of Greater New Orleans Inc., a nonprofit economic development initiative, and one of the minds behind the I.P. "We're creating a mecca for entrepreneurs."

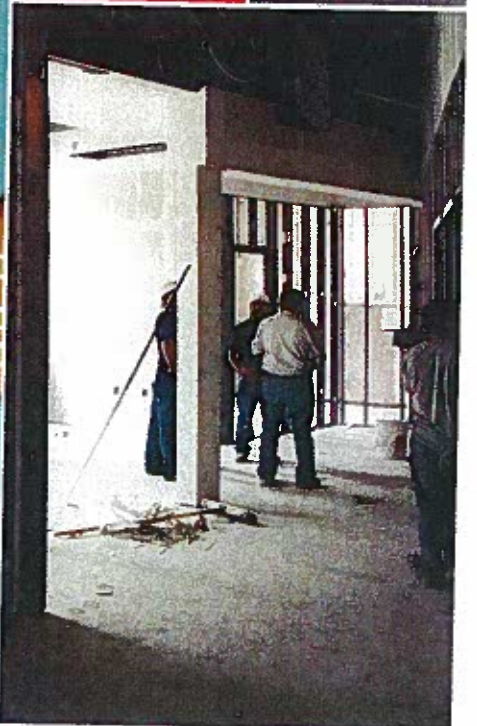
The evidence is growing—from the thousands of new jobs to the tens of millions invested in business development and incentives. Not far from the I.P., in the Central Business District, a building at 220 Camp Street houses an upstart alternative energy provider, a new online exchange for business receivables and a startup music licensing firm. In the Faubourg St. John neighborhood, Trumpet Ventures is incubating startups in a 12,000-square-foot converted warehouse as it continues to expand its own market-



The unemployment rate for the New Orleans metro area was

5.3 percent
in April—
lower than
the national
unemployment
rate of
8.9 percent.

(Source: Louisiana Workforce Commission)



ing business. A new motion picture studio sprung up in Elmwood and already has a \$60 million Sylvester Stallone action flick in production.

All of this is happening in a city that's still trying to clean up the tangible and psychological damage of Katrina, even as it clears away the long-existing lore of embedded industry and somewhat dubious business practices. In the midst of one of the worst national economies in decades, New Orleans is recreating itself as a hive of entrepreneurial initiative and demonstrating to other cities how to recover from even the worst disaster.

"Everyone's going through Katrina right now," says New Orleans fashion designer Seema Sudan of the current economic calamity. "When I go elsewhere, I feel what's going on in the world. When I'm here, I feel the optimism."

SEIZING THE MOMENT

New Orleans has always welcomed the unique and the creative; just think of the Mardi Gras revelry, the city's jazzy soul, the vibrant Creole and Cajun cultures. But it was almost never the place entrepreneurs thought of when they were ready to set up shop. Any prior associations between business and New Orleans were more likely related to big industry confabs at the city's Ernest N. Morial Convention Center and the staggering conventioners on nearby Bourbon Street. Even longtime residents were challenged by the notion of New Orleans as a startup city: They knew the back-office machinations of government and old-line business practices would make it difficult to transform entrepreneurial thinking into a thriving young business community.

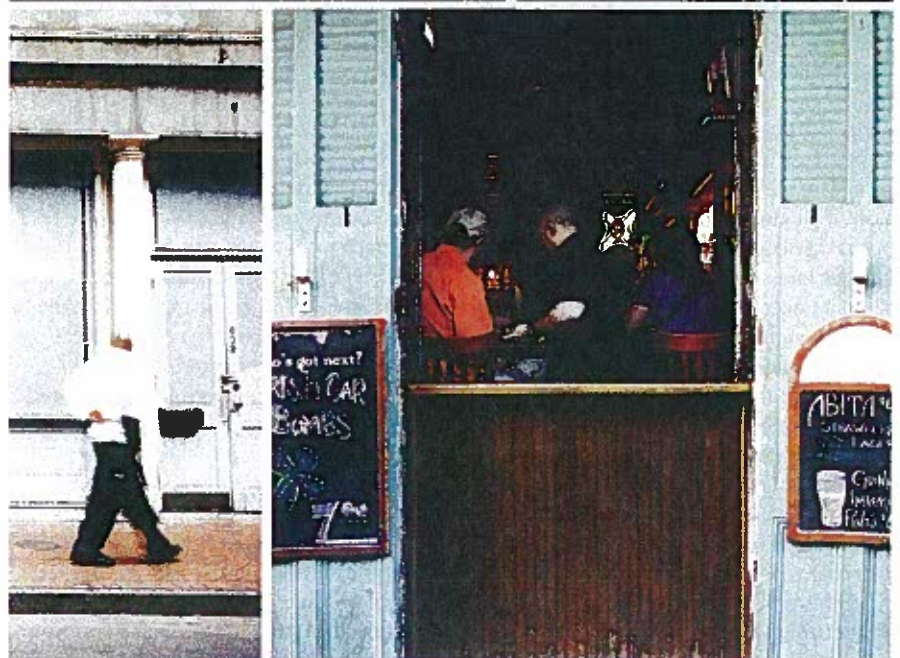
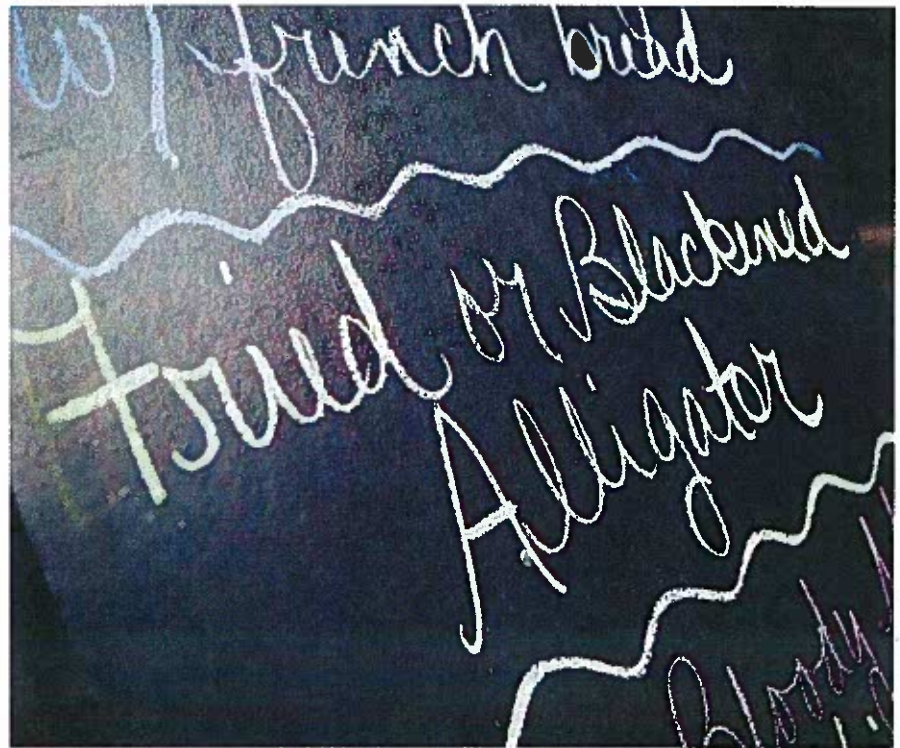
That all started to change in late August of 2005. Hurricane Katrina brought unspeakable tragedy to New Orleans and the other Gulf Coast regions it hit. More than 50 levees and floodwalls gave way, flooding 81 percent of the city. Endless media coverage locked in images of the city's devastation and the years of blight that followed. But if the storm did nothing else for New Orleans, it began to wash away an outdated, stifling way of doing business.

"The city had kind of a parochial, non-diversified business community," says Robb Vitrano, co-founder and CEO of Trumpet Ventures. Vitrano

started Trumpet 10 years ago as a branding firm; in post-Katrina New Orleans the outfit cultivates startups focused on digital media and other disciplines new to the region. "Katrina disrupted people's comfort zones and forced them to confront some of the issues of the past," he says.

Tim Williamson, co-founder and CEO of The Idea Village, is a Louisiana

native and one of many professionals who left early in their careers and eventually found their way back. He and his group have been pushing to attract entrepreneurs to the region for more than 10 years. Until 2005, however, New Orleans remained dominated by the manufacturing, oil and gas industries—and a reputation for being a closed-off business community. >>



"We were so dependent on the major industries, people didn't think they needed entrepreneurship," Williamson says. "What Katrina did was fracture the old networks and help create new ones. What was missing in New Orleans was more people like us."

By the end of December 2008, The Idea Village alone had counseled more than 245 New Orleans entrepreneurs, representing 935 jobs and more than \$67 million in revenue. In March of this year, the group hosted 50 students from MBA programs around the country who were in New Orleans as part of the IDEAcorns Challenge '09—a sort of live version of *The Apprentice*, save The Donald and the made-for-TV melodrama.

The Idea Village launched the annual event in 2006 to match MBA students with early stage business ventures in the city. A few years ago, those students might have hit the town for Jazz Fest or to soak up the French Quarter nightlife—but not to rub shoulders with entrepreneurial businesses or explore New Orleans as a place to launch their own initiatives.

But they might now—particularly considering the incentives available to businesses post-Katrina: multimillion-dollar boosts in capital investment; tax incentives that can give back as much as 40 percent of the cost of a project; a critical mass of young businesses taking root here; and an influx of innovative, ambitious workers and housing that costs less than many other metropolitan regions.

The New Orleans metro area added 5,900 jobs between May and November 2008—nearly three times the 2,100 added in the previous six months, according to the most recent figures available from The New Orleans Index, a collaboration of the Brookings Institution Metropolitan Policy Program and the Greater New Orleans Community Data Center. By January, according to the index, the New Orleans metro area reached 73.7 percent of its pre-storm population.

"People are more open to newer things happening," says Joel Dondis, a leading figure in the New Orleans culinary scene. After serving as sous chef to famed New Orleans restaurateur Emeril Lagasse, Dondis opened La Petite Grocery and two catering outfits, but the latter ventures were nearly wiped out by the storm. Two other government catering jobs



VIDEO: Hear more from New Orleans business owners Robbie Vitrano, Seema Sudan, Sean Cummings and Brent McCrossen (clockwise from l.) about how entrepreneurs are leading the way toward economic recovery at entrepreneur.com/neworleans.



saved him, he says, allowing him to pump money back into his businesses and even launch two new ones: the Warehouse District eatery Grand Isle, and the upscale sweet shop Sucré, which is nestled in a row of chic Garden District boutiques on Magazine Street.

Across town, in Elmwood, a former Winn-Dixie warehouse complex on 25 acres of land was recently recast as a full-feature-film studio—and quickly, to accommodate the needs of Sylvester Stallone and his multimillion dollar production of *The Expendables*, an action-adventure written, directed and starring Stallone and featuring Arnold Schwarzenegger, Mickey Rourke and Jason Statham. In April, crews were carving props out of Styrofoam and scrambling to assemble the fuselage of a military aircraft inside some of the studio's 525,000 square feet of ware-

house space that will eventually be converted to soundstage.

"We came at this thing in a rush; this \$60 million production was looking for a place to live," says Wayne Read, CEO of Louisiana Film Studios. "We knew we had to either step up and support this critical industry or it was going to go elsewhere."

COLLABORATIVE SPIRIT

Greater New Orleans Inc. is the support behind a number of efforts to help spur business development and draw investments—including the I.P., which Michael Hecht hopes will be a beacon for entrepreneurs. Hecht, the head of Greater New Orleans, is a former San Francisco restaurateur who moved to New Orleans in early 2006 from New York City, where he was the assistant commissioner of small-business services. "We're putting the same types of companies together to create

critical mass and support," Hecht says. "We're creating a symbolic and physical heart of the city."

And they're creating a looser, Silicon Valley-type of vibe. The I.P. building has a gym, a café, a business concierge desk run by The Idea Village and loads of collaborative space, like a "Brainstorm Room" filled with whiteboards. A bar is slated to move in soon and, of course, the building is dog friendly.

Chris Schultz has leased 3,000 square feet to house Launch Pad, which sublets office space, and offers facilities and support for graphic designers, freelancers and startups. Schultz, whose business, Voodoo Ventures, helps develop internet companies in New Orleans, hopes that the physical proximity Launch Pad provides will spark further innovation.

"These companies need community building, mentorship and collaboration," Schultz says. "Having all those people working together in an open space offers an extremely stimulating environment."

Schultz, a Los Angeles native, came to New Orleans out of love—literally. "I met a girl at Jazz Fest," he says. But he's one of a growing number of entrepreneurs—locals, former locals and new transplants—who stay because of New Orleans' mix of economic, human and cultural appeal.

Cecile Hardy, a New Orleans native, was working as a buyer for Williams-Sonoma in San Francisco when Katrina hit. She returned to help and ended up founding NOLA Couture a year later, a New Orleans-inspired clothing line that now has distribution deals with 75 stores across multiple states. "It was a really strange feeling—like I was meant to be here," Hardy says.

Sudan, who has also worked for Calvin Klein and Anthropologie, knows that feeling. She moved to New Orleans from Philadelphia in October 2007 and founded her knitwear company, LiaMolly. Her husband and business partner is from Louisiana.

"When Katrina hit, we had an immediate pull to be part of the rebirth," Sudan says. "Then I started to discover what New Orleans actually had, and I was blown away." LiaMolly's charmingly detailed sweaters are now sold in Bloomingdale's, Anthropologie and about 100 boutiques. "We wanted to be part of New

Orleans because it's an inspirational place," she says. "I can't imagine getting the kind of attention and advice we're able to get here in a place like New York."

Free Flow Power of Gloucester, Massachusetts, was also attracted by what the city had to offer. The company develops turbine generators that produce energy from moving water without dams or di-

versions—a process called hydrokinetic generation. It's planning a major Mississippi River project and put its management offices in New Orleans in 2009 because of access to the marine construction talent in the region and support of the community.

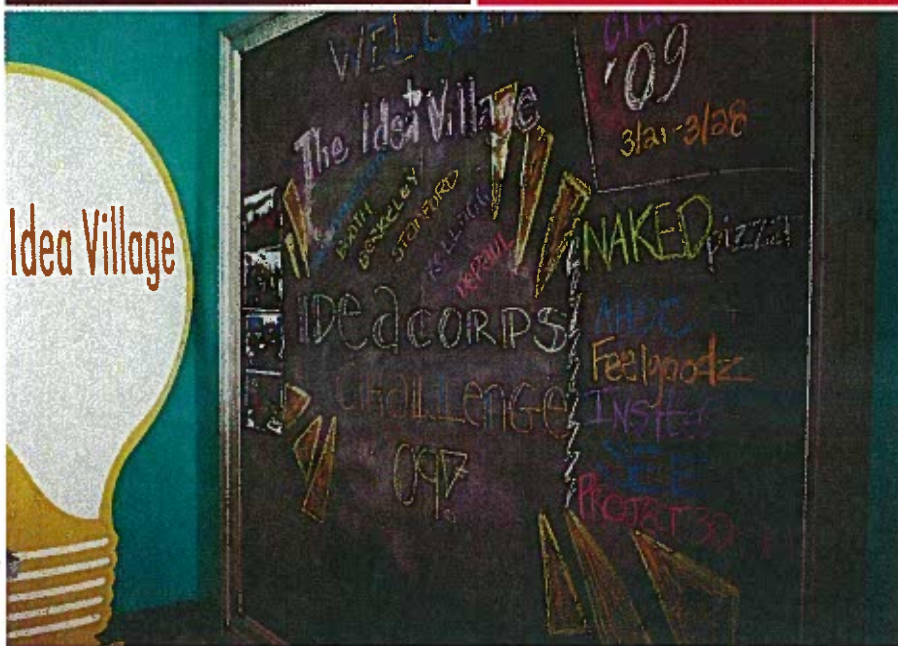
"The red carpet that was rolled out in New Orleans played a major role in us lo-



Full-service downtown Class A space ranges from \$17.50 to \$21 per square foot. Current occupancy is 90.5%.

Suburban Class A rates average \$23 to \$24 per square foot with 92.5% leased.

(Source: NAI Group & Board)



THE ADDRESS BOOK

A wide range of organizations offer support to entrepreneurs in New Orleans.

Idea Village

A nonprofit promoting innovation and entrepreneurship
ideavillage.org

Greater New Orleans Inc.

A public/private partnership formed to spearhead

economic development
gnoinc.org

Startup New Orleans

A guide to local business development and cultural entrepreneurs
startupneworleans.com

Young Urban Rebuilding Professionals

A network to connect, retain and attract young professionals
nolayurp.com

504ward

A business networking group for young professionals
504ward.com

Social Entrepreneurs of New Orleans

Resources for entrepreneurs addressing social problems
seno-nola.org

Make New Orleans Home

An online resource for living and working in the region
makeneworleanshome.com

cating our project management operations here," says Jon Guidroz, director of project development for Free Flow Power. "It's more than a gesture; it's a genuine expression of support."

The founders of The Receivables Exchange, an electronic marketplace for the buying and selling of commercial receivables, decided New Orleans had the identity their company needed to thrive. "We're an exchange. New York has an exchange; Chicago has one," says Nicolas Perkin, the company's co-founder and president, who has helped launch companies in New York City, Prague and other cities. "We were looking for a city to associate the business with. New Orleans made the most sense because it has a globally recognized name historically associated with trade."

A NEW FOUNDATION

So was the city's entrepreneurial underpinning always there, even before the storm? Hecht's take is that New Orleans has always been a cosmopolitan place that's tolerant of diversity, which is good for fostering business innovation—but that, historically, seniority and lineage were viewed as more important than raw talent. "New Orleans can't rest on its heritage anymore," Hecht says.

"It's a 180-degree change from what it was like before the storm," says Brent McCrossen, co-founder and CEO of Audiosocket, a Seattle music licensing firm that opened a New Orleans office in September 2008 to better tap into what McCrossen says is a \$600 million film market. "It's more collaborative, and things are a lot more streamlined."

The issue the New Orleans business community faces now is how to sustain the momentum. Even the most optimistic understand that the post-Katrina levels of attention and investment can't be permanent.

"We have about five to seven years of a recovery economy," Hecht says. "In a typical year, our region will see about \$1.5 billion in infrastructure investment. For the next three, we'll see \$10.5 billion. That means we'll be riding a wave of investment that's not reality."

Says Guidroz of Free Flow Power, "The help isn't going to be around for too long—we need to build our own foundation."

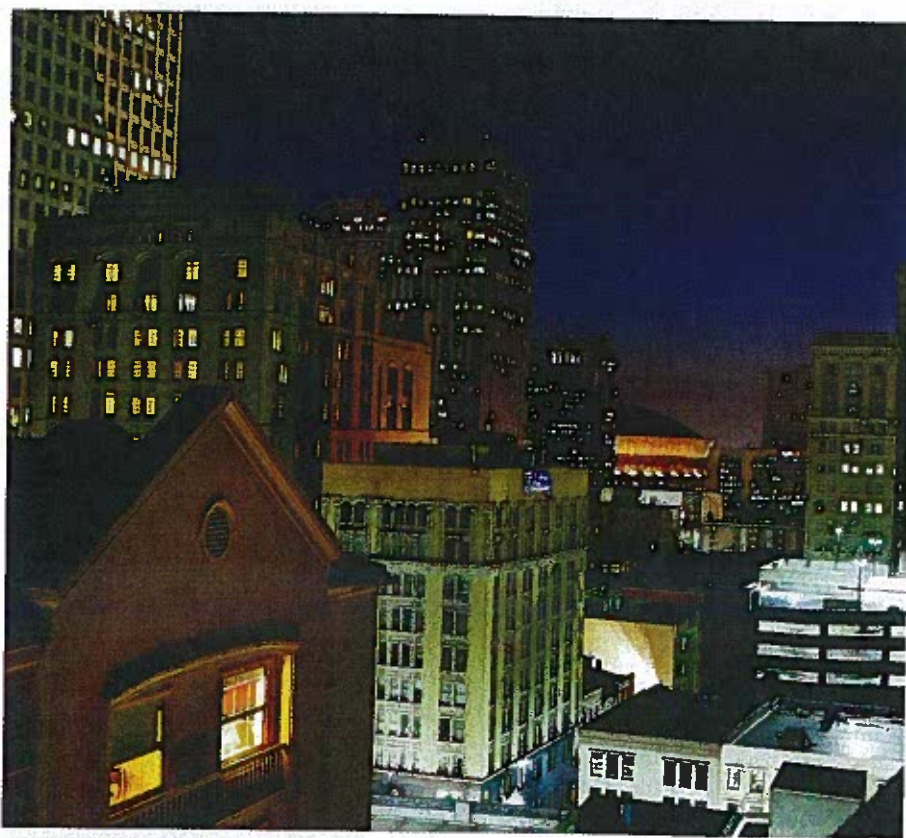
That foundation may already be taking shape, particularly in the collaborative nature of the new business community.

"People in fashion and entertainment and hospitality are all working together," Guidroz says. "When you meet people, it's not 'What do you do?' It's 'How can I help?'"

The entrepreneurs' unofficial headquarters is Loa, the candlelit bar at the International House hotel. Sean Cummings owns the hotel, which is right across the street from his 220 Camp Street development—home to The Receivables Exchange and Audiosocket.

Loa has an open, welcoming vibe. Local business types frequently gather on the plush purple lounges to relax, swap war stories, maybe meet the owner of a new business a mutual friend has convinced to relocate to the area.

It's hard not to notice that the entrepreneurs who rejected the closed-off, clubby nature of New Orleans' old business culture—who, in fact, thrived in part because of its demise—have somewhat unwittingly created a new club of their own. ■



THE INCENTIVES

After Katrina, a number of tax breaks were established to spur development.

Quality Jobs Program

6 percent wage rebate on payroll

Motion Picture Industry Development Tax Credit

25 percent for motion picture production; 10 percent for Louisiana labor; 40 percent for infrastructure development

Music/Sound Recording Tax Credit 25 percent for sound recording and infrastructure development

Digital Media Tax Credit

20 percent for interactive digital media companies such as video-game developers

Louisiana R&D Tax

Credit Program 8 percent to 25 percent on wages, supplies, computer expenses and contract research expenses

Louisiana Technology Commercialization Credit and Jobs Program

40 percent of investments up to \$250,000 in commercialization costs; 6 percent on new jobs created

Angel Investor Tax Credit Program

Investors receive state income tax credits of up to 50 percent of their investment in a certified business

(All figures: GND Inc.)