Public-Private Partnership of the French Market Corporation
New Orleans, Louisiana
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Background

On May 17, 2013, the New York University Consulting Team issued the final report of their analysis, review and recommendations of the French Market Corporation that was conducted between March and May 2013. This analysis identifies key areas for further evaluation in an effort for local officials to draw a concrete conclusion on whether to privatize the French Market Corporation.

This assignment for United States Conference of Mayors and the New Orleans local government is complex in the history, heritage, issues, and opportunities associated with the privatization of a public market place, French Market Corporation. As a result, the same basic approach to other public private partnerships cannot be directly applied to the operations of the French Market Corporation. What works best for one organization might not be at all appropriate for use by another of a similar size facing similar issues. Thus, the New York University Consulting Team was brought onto the project to provide a third party analysis in an effort to offer insights on key issues and further investigation into critical organizational issues.

History

The historic French Market is a 200 year old institution that has become an enduring symbol of New Orleans. The Market, which initially began as a Native American trading post on the banks of the mighty, muddy Mississippi River, has existed on the same site since 1791. The site, subsequently chosen for building the city of New Orleans by the French, has become a cultural, commercial, and entertainment treasure which it proudly shares with the world. Today, America’s oldest public market has assumed a leading role in the local economy as well, providing consistently increasing revenues for city government while putting millions of dollars back into the local economy. [1][2]

Today’s Bazaar Market, built during the 1930 Public Works Administration renovation, and originally designed for the retail sale of produce, now includes retail shops, restaurants, and boutiques. A Farmers’ Market was eventually constructed during the rehabilitation of the French Market in 1937-1938, and today, farmers from all over the state frequent the first shed of the Farmers’ Market to sell directly to consumers, produce retailers and wholesalers. A Flea Market was also added subsequently. In 1971, under the direction of Mayor Moon Landrieu, the French Market Corporation was granted a new 40 year operating agreement. A twelve member board was appointed to supervise Market policy and operations, and this board oversaw the first major renovation and construction efforts since the Public Works Administration (PWA) projects of the 1930’s. The French Market District is about six blocks along the Mississippi River, but has over twenty shops, restaurants, and other establishments, in addition to the covered flea market and a farmers market. The area also includes French Quarter site such as the Washington Artillery Park across from Jackson Square, New Place de France with its Joan of Arc statute, and the New Orleans Jazz National Historic Park in Dutch Alley, which offers free educational and music events. [1][2]
The Purpose of PPP in New Orleans

There is a public need for timely acquisition, operation, improvement and management of facilities and projects that serve a public need and purpose in New Orleans. Currently the public need may not be wholly satisfied by existing methods of procurement in which qualifying projects are acquired, improved, renovated, operated, or maintained. Due to budgetary concerns there are inadequate resources to develop these projects for the benefit of the citizens of New Orleans and its visitors. Evidence has shown that partnerships between public entities and private entities can meet these needs, lower the cost, and provide additional benefits to the public. Authorizing private entities to develop and operate these projects may serve the public safety, benefit, and welfare by making the projects available to the public in a timelier manner and less costly fashion. [3]

Goals of Public-Private Partnerships

- **Budget Relief:** With an average cost savings of 10-25% it reduces the government budget and budget deficit
- **Service & Quality Improvements:** Competitive bidding and performance improvements provide a win-win for the community
- **Innovation:** Static processes and red tape are obstacles to public sector innovation
- **Enhanced Risk Management:** Key risks such as cost, delivery, and liabilities can be transferred from public to private sector.
- **Accelerated Delivery:** Competitive contracting and performance incentives result in expedited completion and reduced delays
- **Feasibility Assessment:** Risks are weighted from initial conceptual stages to determine the feasibility of a certain project
- **Unshackles Government:** allows government funds to be re-directed to other important socio-economic areas

How New Orleans can use PPP to their advantage

Public Private Partnerships (PPP) provide private management with private funding to public parks. This union is made for several reasons, but the most prominent is to help government recover failing parks due to budget constraints. Private partnerships can apply a business model to public parks and recreational facilities to generate revenue and help NOLA sustain its competitive advantage in park management. Research revealed that PPPs accelerate completion of projects, increase visitors and revenue generated from events, increase market price of office space, apartment rentals, retail leases, in surrounding areas, and allow flexibility and less government scrutiny in use of funds similar to private businesses. [4][5]
Stages of Development and Implementation

**Government Role**

**Stage 1: Set PPP Strategy**
- Define aims of PPP program
- State priority areas for PPPs
- Define what government may contribute to PPPs

**Stage 2: Identify Project**
- Identify potential project from the area priorities
- Conduct pre-feasibility study
- Build initial business case based on proposed project structure

**Evaluate Project**
- Assess whether project is:
  - In line with policy and budget?
  - Economically viable?
  - Technically and financially feasible?
  - Well-structured?
- Conduct detailed feasibility study
- Design project structure and create proposed set of contacts

**Stage 3: Develop Project**
- Re-assess project: has structure changed since previous evaluation?
- Approve the government's budget commitments if necessary

**Stage 4: Manage Transaction**
- Issue tender notice with pre-qualification criteria
- Select short-listed bidders
- Issue request for tender and project documentation
- Respond to bidders' queries
- Receive and evaluate bids
- Notify and negotiate with the winning bidder; sign contract

**Stage 5: Monitor Contract**
- Ensure private party fulfils its contractual responsibilities
- Apply agreed remedies or penalties if private party fails to meet contractual responsibilities
An in-depth look at the French Market District

The French Market District encompasses six blocks from the Upper Pontalba on Jackson Square to the Flea Market on Barracks and N. Peters Street. Included in these blocks are: Washington Artillery Park (across from Jackson Square), all the riverside retail stores and restaurants on Decatur Street from Café du Monde at 800 Decatur Street to the Gazebo Café at 1016 Decatur Street. Dutch Alley, LaTrobe Park, New Place de France, and the Farmers and Flea Markets make up the rest of the properties. Recently, the city adopted the Bienville Park at Conti and Decatur Streets and oversees the maintenance and upkeep of this park and statue along with operating three parking lots: along the river, off Esplanade, and off Elysian Fields. The corporation has a 12 person board, 3 of whom are on the City Council. [6]
A New York state of mind

One of the major benefits of PPPs is that they offer a way to keep public areas open and immune from budget fluctuations. Private park operators and concessionaires, such as for-profit recreation management firms and non-profit conservancies, are willing to turn parks into revenue generating assets instead of “political footballs to be passed around each fiscal year.” [7]

In New York City, the model for these partnerships can be seen in both Central Park and Bryant Park. Since these two parks were taken over by non-profit entities, they have flourished. Both the quality and the funding of these parks continues to improve on a yearly basis. This allows the city of New York City to do more with less. The conservancies raise a majority of funding, which lessens the burden of funding and financial risk for the city and allows freed-up funds to be spent on other areas.

The Central Park Conservancy was created in 1980, and according to park administrator Douglas Blonsky calls a “revolutionary public/private partnership that would bring private monies and expertise, in partnership with the City of New York, to manage and restore Central Park.” In this partnership, the Conservancy manages Central Park under a contract with the city. It also raises money for the park. Over its 33-year existence, the Conservancy has overseen $500 million of investment, nearly 80 percent of it from private sources. Because its workers weren’t organized into public-sector unions, the Conservancy had a great deal of freedom to institute private management practices—above all, emphasizing accountability. The Conservancy also relies on a network of diligent volunteers. Today, nearly 300 volunteers donate some 30,000 hours of labor each year. A generation ago, public employees ran the park; today, more than three-quarters of the workforce is private, either volunteers or Conservancy employees. [8]

A different type of public-private partnership emerged in the early 1980s in Bryant Park, located on eight acres behind the New York Public Library in midtown. At the time, Bryant Park logged 500 felonies per year. Once the Bryant Park Corporation took over control of the park and made proper renovations, the crime rate decreased dramatically while the number of visitors increased significantly. Bryant Park is similar to Central Park, both are privately funded public space, but Bryant Park is funded entirely through private operation, without a dime of tax payer money. Its funding comes more from earned income than from donations. The park itself runs like a multi-million dollar business. Bryant Park generates roughly $7 million a year, which the corporation raises through events, concessions, and sponsorships like Citi Pond, the ice-skating rink that occupies the main lawn during winter months (pictured). Not only does this level of funding keep Bryant Park immaculate; it allows for year-round programming, keeping the park consistently full from season to season. The corporation operates as a business improvement district (non-profit). BIDs levy assessments on local businesses and landlords and use the revenue to clean streets, provide security and generally maintain neighborhoods. [9]
Challenges for Public-Private Partnerships

**Education Gap:** There is a lack of public understanding that needs to be addressed and properly communicated.
- Will the city of New Orleans promote public involvement throughout the process?

**Skills Gap:** Local governments often have limited public-private partnership experience.
- Does the city have a positive track record for public-private partnerships?

**Management Gap:** Public-private partnerships are a paradigm shift in public management.
- Is there management buy-in across departments for such a change?

**Policy Gap:** Since public-private partnerships are relatively new, many cities have weak legal and policy framework.
- Has the city retained or consulted with proper council to make sure that the law fully supports the project?

**Opposition:** A majority of the time there is push back from the public sector labor unions, environmental groups and local communities.
- Has the city taken into consideration the effect on the public sector labor force? Have they engaged the opposition in a productive manner?

**Fear:** The fear of losing public control over a valuable property can elicit strong emotions from both inside and outside the organization.
- Has the city taken proper steps to promote the benefits of such a partnership?

**Complexity:** There are many steps from concept to implementation that involves many different parties, and cities often neglect certain areas or hastily push through the process.
- Will the city allow for enough time and dedicate enough resources to facilitate proper planning and execution? Is there a timeline or deadline already in mind?
Recommendations

- **Mission Control:** Mission statements can help focus the organization on what really matters to the enterprise as a whole, especially its stakeholders. Mission statements are important to organizations of all types (public, private, not-for-profit, for-profit, family-owned, etc.). A key reason for such importance is the mission statement's guidance of strategic and day-to-day, operational decisions. Organizations such as the New Orleans Tourism Marketing Corporation (NOTMC) and Greater New Orleans Inc. clearly identify their mission, but the French Market Corporation has not effectively communicated its mission to its constituency. While the mission statement does exist, it is buried deep in documents, not readily accessible. The French Market Corporation needs to take control of its mission, make any necessary updates, and proudly display it.

- **Partner Up:** It is recommended to hire a third party private company to manage and operate the French Market sites. New Orleans needs a private company that has expertise in running public spaces that will both benefit the public and manage the revenue sharing.[10] Upon deciding on a public-private partnership New Orleans should:
  - Account for the entire inventory. Before bidding, companies should have access to the list of all the sites, parks and garages that can be privatized.
  - Restructure the centralization of the French Market Corporation and rethink on how much control the government wants to retain or whether private company should run on its own.

- **Rebrand the FMC:** Given some of the negative publicity surrounding the French Market Corporation, the most effective way to change public perception is to rebrand the organization. [11][12] This can be done by consulting a public relations company that has a solid reputation for brand management. The changes to the FMC must be thoroughly communicated to the public and careful consideration must also be taken when policy decisions are implemented. Reestablishing the brand with a positive message will be critical for long term success.

- **Consult with BPC:** In order to better understand the Bryant Park Corporation’s business model it would be beneficial to speak with both the staff and Board of Directors. Specifically, Dan Biederman, he serves at the President and Executive Director of the Bryant Park Corporation, and also advises downtown redevelopment in other cities.

These recommendations reflect the research conducted and the knowledge of the members of the Consultant Team with working knowledge in other cities and states and reflect our understanding of the current situation and institutional relationships in New Orleans’s French Market. While these recommendations are preliminary and subject to review, discussion, and implementation as seen fit by the local officials, they are a reflection of our best thoughts as of the date of this report. New Orleans and local officials need to keep in mind that it has a unique opportunity to implement an improved approach to the manner in which the French Market Corporation runs and inevitably impacts the people of New Orleans, which builds on past documented successes in public private partnerships of similar corporations around the country.

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