

**MINUTES OF
LAKEFRONT MANAGEMENT AUTHORITY
MEETING OF THE COMMERCIAL REAL ESTATE COMMITTEE
HELD ON THURSDAY, JUNE 18, 2020**

PRESENT: Chair Robert Watters
Vice Chair Thomas Fierke
Commissioner Bob Romero

ABSENT: Commissioner Wilma Heaton

STAFF: Louis Capo – Executive Director
Madison Bonaventure – Assistant to the Executive Director
Daniel Hill – Director of Engineering & Operations

PUBLIC: Gerry Metzger – Legal Counsel to the LMA
Al Pappalardo – Real Estate Consultant, P.C.I.
David Jefferson Dye – Attorney to the LMA
Cesar Burgos– J&J Partners
Rob Daigre – Burgos & Associates
Al Herrera – IPS of Louisiana Corp
Alex Herrera – IPS of Louisiana Corp
Ray Landeche – Lakeshore Property Owners’ Association
Steven Massicot – Oceana, L.L.C.
Rachel Solino – Jones Walker Law Firm

The Special Meeting of the Commercial Real Estate Committee of the Lakefront Management Authority met on Thursday, June 18, 2020, in the Lakefront Airport Terminal Building, 2nd Floor Conference Center, 6001 Stars and Stripes Blvd., New Orleans, Louisiana.

Chair Watters called the meeting to order at 4:30 P.M. and led in the pledge of allegiance.

Opening Comments:

Chair Watters said that the Legal Committee had voted on some of the matters for discussion

Adoption of Agenda:

A motion was offered by Commissioner Fierke, seconded by Commissioner Romero, and unanimously adopted, to adopt the agenda.

Public Comment:

Mr. Cesar Burgos, of J&J Partners, addressed the Committee to state his intent on resolving the lease extension issue for his business named Maison Du Lac located at 7412 Lakeshore Drive. Mr. Burgos commented that he was recovering from brain surgery but was appearing before the Board to show he was committed to resolving the issue regarding Maison Du Lac's lease.

Mr. Burgos said it was his company's position that they were entitled to the 25-year renewal pursuant to the clause that the lessee must make \$500,000 in improvements to the property.

Mr. Burgos asked if any action would be taken regarding his leasehold. Chair Watters said that the Committee discusses items and makes recommendations to the Board, but no action is taken in committee meetings. Chair Watters said they will receive an update from the legal team regarding his leasehold. Mr. Burgos asked if he could receive this update via phone, and Chair Watters confirmed he could.

Director's Report:

Louis Capo, Executive Director, gave a report on tenant delinquencies. He said that one restaurant along the New Basin Canal has not yet remitted rent for the current quarter, and the tenant has a CPI adjustment effective July 1, 2020. Chair Watters asked if a demand notice was going to be sent to the tenant. Director Capo said that the Authority must and will.

Director Capo said that Crescent City Marine, L.L.C. J & P Fuel Dock added a restaurant in 2018 onto their leased property. Director Capo said that their rent was due to increase when the restaurant opened; however, the increase was not applied to their invoices. He said Crescent City Marine acknowledged that they owed about \$23,000 in back rent and began paying on that balance in addition to their current rent. Director Capo said there was about \$9,700 left to their balance.

Lake Vista Community Center includes businesses such as a dance studio, hair salon and café which have all been affected by the COVID-19 pandemic closures. Director Capo said that the dance studio and café owe one month's rent. He said the hair salon owes three months; however, the owner of the salon has been in contact with the Authority and let staff know they will be paying the back rent owed.

Chair Watters mentioned that some landlords in New Orleans have taken the position of extending leases by one month in lieu of rent abatements. Gerard Metzger, Legal Counsel to the Authority, said that the Authority would still be allowing the tenant to occupy for one month for free and therefore would likely not be permissible per the state's constitution. Mr. Metzger said there are means for lessees to dissolve leases based on Article 27:15 of the Louisiana civil code, but none of the tenants have expressed the desire to relocate or close. Mr. Metzger also added that most commercial tenants are land leases who owe rent regardless.

Al Pappalardo, real estate consultant to the LMA, said that in the past the Authority has executed a simple arrangement whereby rent is deferred and remitted over a specified period. Mr. Pappalardo confirmed that this was done after Hurricane Katrina, and no rent abatements were given.

Chair Watters said the Committee would be interested in discussing options to ensure that tenants were being treated fairly. He said it was in the best interest of the Authority to be creative

in its remedies as it will be more difficult to find tenants in the future since many businesses will shutter as a result of COVID-19.

Director Capo said that Orleans Marina only has 5 delinquent accounts out of approximately 330 tenants. He said South Shore Harbor is about 12 delinquent accounts out of about 300 tenants at that marina. Director Capo says that there are typically some delinquent accounts during normal economic circumstances each quarter.

David Jefferson Dye, Legal Counsel to the LMA, asked if it were fair to say that the that delinquencies by F & M Aviation and Studio Network-Lakefront, L.L.C. are the largest owed to the Authority. Director Capo confirmed that was true.

Old Business:

1) Discussion on J&J Partners, L.L.C.

Gerard Metzger, Legal Counsel to the Authority, stated that the issue regarding J&J Partner's Maison du Lac leasehold has been dormant. Mr. Metzger provided the following timeline of events:

- He and Mr. Pappalardo were asked to prepare a term sheet in October of 2019. He and Mr. Pappalardo prepared it and sent it to Director Capo on October 22, 2019. Director Capo transmitted it to Mr. Cesar Burgos on the same day.
- On December 26, 2019, they received a term sheet from Mr. Burgos in response. The term sheet was not agreeable to himself or Mr. Pappalardo.
- He and Mr. Pappalardo forwarded their response to Chair Heaton on December 27, 2019.
- There was an attempt to schedule a meeting between December and March, but Mr. Burgos was recovering from his accident during that time.
- The matter has been dormant since then.

Mr. Metzger said that the dispute was about if Mr. Burgos met the \$500,000 threshold of permanent improvements which would entitle him to the 25-year lease extension.

Chair Watters said that Mr. Burgos is on a month-to-month basis, and he is current with his rent. He said that outside examiners have advised the LMA that Mr. Burgos has not met the \$500,000 permanent improvement requirement. He said it was his understanding that Mr. Burgos did not refute the report but rather wants to negotiate. Chair Watters recommended that staff set up a meeting to move the issue along.

2) Discussion on Oceana, L.L.C.

This item was deferred until further information could be made available for discussion.

3) Discussion on F & M Aviation, L.L.C.

4) Discussion on Studio Network-Lakefront, L.L.C.

Items No. 3 and No. 4 were discussed concurrently. David Jefferson Dye, legal counsel to the LMA, gave a summary on what transpired during the Legal Committee Meeting earlier that day:

- Mr. Dye reported that the Legal Committee voted to recommend eviction of F & M Aviation and Studio Network-Lakefront, L.L.C. He said that Studio Network-Lakefront, L.L.C. was placed in default on May 15, 2020, and F & M Aviation, L.L.C. was placed in default on May 22, 2020. He said that the Authority initiated the curative period provided for in the lease, and their default was not cured. He said that the Authority afforded F & M Aviation, L.L.C. a curative period which was not provided in the lease. The default was not cured.
- Mr. Dye said that both entities were provided with information about the meeting so they could attend and speak on the matters.
- Mr. Dye said some representatives were in attendance but did not speak for the record.

Chair Watters said that there were no facts that could come before the Commercial Real Estate Committee that would question the recommendation made by the Legal Committee. He said that representatives would be able to speak at the Board meeting where action is taken.

Commissioner Fierke added that all members of the Legal Committee received a letter via email earlier in the day from Mary Walker on behalf of Studio Network-Lakefront, L.L.C. He said this letter was read and considered before votes were taken at the Legal Committee Meeting.

Announcement of next Commercial Real Estate Committee Meeting:

1) Thursday, July 16, 2020 – 3:30 PM

Adjourn:

A motion was offered by Commissioner Fierke, seconded by Commissioner Romero, and unanimously adopted, to adjourn. The meeting was adjourned at 4:00 PM.