

## SMALL BUSINESS

## Entrepreneurs Leverage New Orleans's Charm to Lure Small Businesses

By ABBY ELLIN

It has been a long time since the word "optimism" was spoken in the same sentence as "New Orleans."

But a small group of entrepreneurs has been using that word lately to describe their efforts to attract small businesses to New Orleans. For now, their enthusiasm may be greater than their results. But they say the city's low rents and business tax incentives along with its music and culture have proved to be powerful lures, despite the still-halting efforts to get past the devastation of Hurricane Katrina in 2005.

"We're seeing the exact same thing here that we saw in the Bay Area in the mid '90s," said Michael Hecht, 38, president of Greater New Orleans Inc., a nonprofit economic development agency. He moved to New Orleans in early 2006 after time in both San Francisco and New York. "There's a sense of opportunity and possibility, combined with people who have the horsepower to actualize those possibilities."

Since Hurricane Katrina, at least four formal entrepreneurial hubs have been established in New Orleans: Entrepreneur's Row, the Icehouse, the I.P., (an acronym for Intellectual Property) and the Entergy Innovation Center. While they all hope to help nurture individual businesses, they are not technically incubators. Instead, they house startups and established companies while focusing on "clustering like-minded entrepreneurs to build their businesses together," said Tim Williamson, 44, the co-founder and chief executive of the Idea Village, a nonprofit group founded in 2000 that helped create the I.P.

So far, they seem to be doing something right. According to the Louisiana Workforce Commission, the New Orleans metropolitan area reported an increase of

nearly 100,000 nonfarm jobs from October 2005 — soon after Katrina — to June 2009. By 2016, the commission expects New Orleans area employment to grow 24 percent from 2006 levels, or to 98.8 percent of pre-Katrina levels.

"There has never been a better time in Louisiana for the creative class to thrive," said Mitchell J. Landrieu, the state's lieutenant governor.

Jon Guidroz, 27, is one of the entrepreneurs who was persuaded to move to the city. He grew up in New Orleans but was living in Massachusetts and working for Free Flow Power, a renewable energy company, after Katrina hit. "I wanted to return to help," he said. But he said he did not see a strong business reason to move.

Then, last year, Sean Cummings, a real estate developer and entrepreneur in New Orleans, randomly found Free Flow's Web site and noticed that the company had a Mississippi River project in the works. Mr. Cummings, 44, a co-founder of a group called Startup New Orleans, invited Mr. Guidroz to visit his offices in New Orleans at 220 Camp Street, a loft building called Entrepreneur's Row. As an extra incentive, Mr. Cummings even offered to give him six months free rent.

"He helped me fulfill my dream of bringing this business to New Orleans," said Mr. Guidroz, who moved back in January. "Until these guys rolled out the red carpet for me — immediate access to a substantial network in the city and state for getting things done, finding local investors — I don't think we would have done it."

Entrepreneur's Row was conceived in May 2007, when Mr. Cummings received a phone call from Nicolas Perkin, the co-founder and president of the Receivables Exchange, an electronic marketplace for the buying and selling of commercial receivables. Mr. Perkin had recently gotten married, and he and his bride wanted to relocate to New Orleans from New York. What did Mr. Cummings think?

Mr. Cummings thought it was a great idea, and the two men set about figuring out how to attract other entrepreneurs to the city. "To really prosper, New Orleans must focus on the few opportunities where we have a compelling



LEE CELANO FOR THE NEW YORK TIMES

From left, Seema Sudan, Shawn Burst, John Barton, John Walsh and Sean Cummings in front of Entrepreneur's Row.

competitive advantage," Mr. Cummings said. "We must likewise recruit entrepreneurs who are drawn to a joyful quality of life. It's a home-run success story. Entrepreneurs are re-inventing New Orleans, like Prague after the curtain, like Milan, like a smaller Seattle."

Along with three other business executives, Mr. Cummings and Mr. Perkin came up with Startup New Orleans, a Web-based information service to connect entrepreneurs with the resources they need to set up a new business. In March 2008, Mr. Cummings established Entrepreneur's Row. Today, it is home to nine companies, including the Receivables Exchange; Mr. Guidroz's company Free Flow Power; and Audiosocket, a music licensor. (Mr. Cummings has a financial stake in at least six of the companies.)

The Icehouse — a 12,000-

square-foot, renovated warehouse in the Seventh Ward, which was severely damaged by Katrina — opened in April 2008 and now houses seven businesses. They each pay \$600 a desk each month, which covers a phone with private number, high-speed Internet, a kitchen and a rooftop deck access.

"One of the things we wanted to do post-Katrina was to make sure that our footprint had maximum impact," said Robbie Vitrano, president of Trumpet, a branding and business development firm that is managing the building. "We wanted to be in a neighborhood that was redeveloping." Mr. Vitrano, 45, is also a co-founder of Startup New Orleans.

Earlier this year, the Idea Village and Greater New Orleans Inc. refurbished an 85,000-square-foot building at 643 Magazine Street in the warehouse dis-

trict and called it the I.P. (Intellectual Property). It has nine tenants, including TurboSquid, a 3-D modeling company; TJ Ebbert and Associates, a disaster management consulting firm; and Carrollton Technology Partners, a technology development company. The building has a cafe, a gym with his and her saunas, business concierge desk and multiple "brainstorm rooms."

Part of the appeal is that New Orleans is, perhaps, the ultimate college campus for adults. After work, many of the young businesspeople gather for drinks at International House, the boutique hotel in the central business district that Mr. Cummings opened 10 years ago across the street from his loft building. Mr. Cummings and Mr. Perkin also hold monthly meetings at the hotel in which business owners can share war stories and vent.

"The thing about this city, like

no other — everybody wants everyone to succeed," said Seema Sudan, the owner and director of design at the knitwear company LiaMolly, who moved to New Orleans in October 2007. "I have never been in a place that is so community-oriented," she said. "Competitive gets you nowhere. It's about being collaborative. And this city is so like that, from the people helping each other rebuild their homes to building businesses."

She said she also appreciated the quality of life, and the fact that she paid \$800 for a 900-square-foot studio in the Garden District, and \$1,800 for a three-bedroom apartment with a yard and tree house.

Two years into his project, Mr. Cummings remains enthusiastic.

"I am blown away by the caliber of talent," he said. "It's a thriving creative culture of invention. And it is growing every day."

## ONLINE: MINDING YOUR IMAGE

A primer on the skills required to manage a business's online reputation. And on the *You're the Boss* blog, join a discussion of how mandates on health coverage may affect business owners.

nytimes.com/smallbusiness

## A Steadier Economy With Areas of Weakness

A roundup of regional economic conditions in the Federal Reserve's 12 districts, according to survey results released by the Fed Wednesday. Based on information collected on or before July 20.



**MINNEAPOLIS**  
Activity dropped in retail spending, tourism, services, residential construction, agriculture, mining and manufacturing sectors.



**SAN FRANCISCO**  
Includes Alaska and Hawaii.  
"Upward price pressures remained very modest on net, and upward wage pressures generally were absent. Retail sales remained sluggish, while demand for services weakened further."



**CHICAGO**  
Consumer and business spending were sluggish. Manufacturing and construction activity remained at low levels, although both sectors showed some signs of improvement.



**CLEVELAND**  
Factories indicated that production stabilized at low levels, with manufacturers expecting little change in demand during the upcoming months.



**BOSTON**  
Retailers and manufacturers believe the worst is over, but respondents continue to cut jobs and benefits.



**NEW YORK**  
The manufacturing sector reported stable conditions and is generally optimistic about the near-term outlook. The labor market remained weak.



**PHILADELPHIA**  
Manufacturers, on balance, reported declines in shipments and new orders. Retailers gave mixed reports. Car dealers said sales were slow.



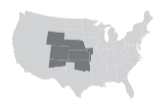
**RICHMOND, VA.**  
Revenue at retail and services firms declined, amid falling wages and steady or declining employment levels. Commercial real estate activity softened.



**ATLANTA**  
Retail sales and traffic continued to be soft, but were largely in line with retailers' modest expectations. Tourism-related spending and auto sales remained sluggish.



**ST. LOUIS**  
Activity in the manufacturing and services sectors contracted at a slower pace. Reports from retailers and auto dealers were mixed. Real estate markets remained weak.



**KANSAS CITY, MO.**  
Consumer spending was generally sluggish, but improvements were noted in auto sales and tourism spending. Manufacturing activity expanded modestly.



**DALLAS**  
Many industries noted some stabilization in demand, but few expected any real turnaround in the near term. Outlooks remain uncertain and businesses continue to cut costs.

Source: Bloomberg News

THE NEW YORK TIMES

## Fed's Snapshot Captures a Picture Slightly Less Grim

By JACK HEALY

The recession is losing force in most parts of the United States, the Federal Reserve said Wednesday in a snapshot of economic activity from across the country.

But the picture remains grim in other sections, with retail sales down in the Midwest, loan demand falling in New York, commercial real estate weakening and manufacturing activity stumbling in many regions.

The assessments were part of the Fed's beige book, a regular assessment of economic conditions from 12 Fed districts nationwide. Since the spring, the various Fed districts have reported that things were still bad, but not hurtling downward at an accelerating pace.

Despite stabilizing conditions over all, few businesses or industries are girding for a rebound. Manufacturers anticipate a modest and uneven recovery. Some retailers are bracing for a long, slow recovery; the job market remains dismal and is likely to stay that way for some time.

"The weakness of labor markets has virtually eliminated up-

ward wage pressure, and wages and compensation are steady or falling in most districts," the Fed said.

While the broad arc of the economy tracked a similar course, this time there were a few more glints of hope. In four districts, health care companies were hiring. Information technology jobs were opening up in the

**The recession is weakening in parts of the country, though it hangs on in others.**

Richmond and Minneapolis districts. And there were signs that New York's labor market was stabilizing.

Also on Wednesday, the government reported that new orders to factories for durable goods fell sharply in June as demand for commercial aircraft and motor vehicles declined from

a month earlier.

The 2.5 percent drop in manufacturers' orders was the largest decline in five months, but economists said the picture was brighter than it might seem. Excluding volatile orders for transportation equipment, manufacturers' orders rose 1.1 percent for the month, a larger increase than analysts had forecast.

Economists said the numbers reflected more stability in the manufacturing sector after months of declines that came as factories shut down, cut their inventories and scaled back production as they confronted the worst economy in decades. Now, manufacturing seems to be finding its footing, economists said.

"It tells me we're on the cusp of a very slow and gradual recovery," said Tim Quinlan, an economic analyst for Wells Fargo. "Businesses have been in absolute lockdown all year. Everybody has been scaling back and saving money. Orders seem to be in a bottoming process."

Still, new orders for all durable goods — products that last several years — were down 26.7 percent in June from a year earlier,

the Commerce Department reported, and shipments of goods fell 19.5 percent.

In June, there were more new orders for metals, machinery, electrical equipment and appliances. Orders for military aircraft rose by 30 percent in June from a month earlier, the Commerce Department reported.

But declines in automotive orders, coupled with a double-digit decline in orders for commercial aircraft, weighed on the sector, demonstrating the volatility of the government's figures on durable goods orders.

New orders for motor vehicles and parts fell 1 percent in June, reflecting turmoil caused by the bankruptcies of General Motors and Chrysler in addition to sagging demand for domestic automobiles. Orders for civilian aircraft plunged 38.5 percent, one month after they shot up 60 percent.

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## STOCKS &amp; BONDS

## Plunge in Oil and Copper Drags Wall Street Lower

By JACK HEALY

A steep slide in the price of oil, copper and other commodities dragged Wall Street lower on Wednesday, as traders questioned whether a recent upswing in the stock markets had raced too far ahead of the real economy.

The Dow Jones industrial average fell 26 points, or 0.29 percent, to 9,070.72 while the broader Standard & Poor's 500-stock index was off 4.47 points, or 0.46 percent, at 975.15. The Nasdaq was down 7.75 points, or 0.39 percent, at 1,967.76.

It was a second day of light losses that followed a surge that lifted the S.&P. 500 more than 10 percent in two weeks.

"The bulls are hoping this is merely a consolidation phase that will lead to new investors coming in," said Quincy Krosby, market strategist at Prudential Financial. "But a major sell-off is going to make investors question the recovery theme, if it occurs."

Investors offered a chilly response to an accord on Internet searches and advertising between Microsoft and Yahoo, in an effort to take market share from Google.

Shares of **Microsoft** gained 1.4 percent, to end at \$23.80, while **Yahoo's** stock fell 12 percent to \$15.14. Shares of **Google** were down 0.8 percent.

While technology news dominated the headlines, the energy and commodities sectors were driving the markets. Shares of oil and gas producers and manufacturers of basic materials led stock markets lower as oil prices slid for another day.

Oil prices fell \$3.88, to \$63.55 a barrel, after the Energy Department reported that oil stockpiles rose by 5.15 million barrels for the week that ended July 24, a sign that demand remained weak.

And investors seemed unimpressed with the day's reports of corporate earnings.

Shares of **Time Warner** were down 1.8 percent after the media company reported that its revenue fell 9 percent in the second quarter. The wireless provider **Sprint Nextel** fell 11.8 percent after it announced a \$384 million quarterly loss.

A new report showing a 2.5 percent decline in manufacturers' orders did little to lift Wall Street's mood. Forecasters expected a smaller decline.

Some economists saw indicators of stability in the details of the numbers, pointing out that orders for durable goods excluding transportation equipment rose 1.1 percent for the month. But the headline of a research note from Steven Ricchiuto, the chief economist at Mizuho Securities, seemed to sum up Wall Street's concerns: "Economy still searching for a bottom."

On Friday, the government will offer investors a crucial indicator of economic activity when it releases its advance figures on gross domestic product for the second quarter of the year.

An auction of \$39 billion in five-year Treasury notes did not go as

**Analysts see the economy 'searching for a bottom.'**

well as analysts had expected, sending a shudder through bond and stock markets. The government is auctioning off a record \$150 billion in Treasury notes this week, again raising concerns about the cost of raising billions of dollars in new debt.

"It now takes the cake as one of the worst-performing auctions for the year," George Goncalves, head of fixed-income rates strategy at Cantor Fitzgerald, wrote in a research note.

The Treasury's benchmark 10-year note rose 9/32, to 95<sup>20</sup>/32, and the yield fell to 3.66 percent, from 3.68 percent Tuesday.

Following are the results of Wednesday's Treasury auction of five-year notes:

(000 omitted in dollar figures)	
Price	99.702
High Yield	2.689
Low Yield	2.000
Median Yield	2.590
Total applied for	\$75,992,255
Accepted	\$39,977,005
Noncompetitive	\$130,297
Interest set at	2 5/8%

The five-year notes mature on July 31, 2014.