

# NOLA 2.0

## IS NEW ORLEANS POISED TO BECOME SILICON VALLEY SOUTH?

BY CARRIE WILLIAMSON

A DJ pumps electronic music from the speakers at Republic New Orleans, a cavernous cocktail lounge-turned-dance club in the hip Warehouse District. A man stands on the stage in jeans and a blazer and shouts, "Welcome to the revolution." And the devoted techies, in town to attend SIGGRAPH, the annual computer graphics and interactive techniques conference, are ready.

The man? Michael Hecht, president and CEO of Greater New Orleans Inc., a public-private partnership tasked with attracting and retaining businesses in the Big Easy. The DJ? Elliott Adams, director of Digital Media for Louisiana Economic Development (LED). The bash? A sales pitch, New Orleans-style.

Hecht and Adams are spreading the gospel about Louisiana's latest digital interactive media tax credits, which passed on July 9, 2009 and went up to a whopping 35%. They're also celebrating the post-Katrina entrepreneurial renaissance New Orleans is experiencing, as young, educated professionals flock to the city, attracted by the eclectic culture, vibrant music scene and affordable lifestyle.



Michael Hecht

So is New Orleans poised to become Silicon Valley South? According to Adams, yes. "Digital media is one of Louisiana's top priorities. These tax credits are permanent and here to stay," he says. Investing in the digital media industry—an industry based largely on human capital—not only makes sense financially (the global video game market alone is worth \$30 billion), but also practically. To create real economic growth, it is critical that Louisiana diversifies its economy beyond the traditional oil, gas and shipbuilding industries.

The catalyst behind the original digital media tax credits, passed in 2005, was Matt Wisdom, CEO of the New Orleans-based TurboSquid—a tax credit

success story. Similar to Getty Images, TurboSquid acts as a 3-D clearinghouse for digital artists to sell their content. “If you’ve got a game where people run around and play army, then somebody might make a new kind of laser rifle that they’ll actually figure out how to [incorporate into] the game,” Wisdom says. “We wanted to [find a way for] people who create their own game content to actually be able to sell it on top of the game.”

Chatting with his brother about the overlap of the game and film worlds, Wisdom had an epiphany: model digital media tax credits on the credits Louisiana used very successfully to attract film and television productions to the state. These productions could receive a transferable tax credit for motion picture expenditures and local labor. “Game people were doing lighting and cinematography. Movie actors were doing the voice acting for the games. I didn’t see why we couldn’t extend the film credits to support video games, too,” Wisdom says.

The original digital media tax credits produced real, but limited, successes. “The previous program suffered for two reasons,” Hecht says. “One is that the definition was too narrow, so it was hard for companies that weren’t very clearly doing 3-D modeling or gaming like TurboSquid to qualify. The second is that the incentive itself was not quite deep enough, and the fact that it tailed off over time did not make it really stand out. Now that we effectively have a 35% tax credit that never sunsets suddenly makes this thing best in class.”

○ “People are infusing the entire city with new energy and ideas that will allow New Orleans to reinvent itself while unquestionably retaining what has made this a great city.”

—MICHAEL HECHT ○

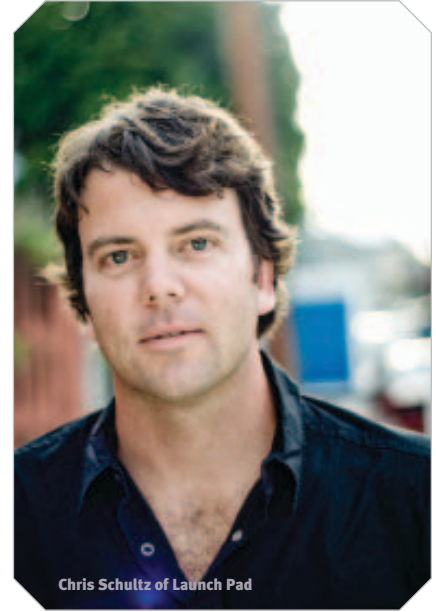
Louisiana has proven its commitment to creating a sustainable, viable digital media industry by not only increasing the credits—25% for in-state production expenditures plus 10% for local labor—but also expanding eligibility to include businesses producing interactive, internet-based technologies (think Facebook and Twitter) that will be commercially available. According to Adams, “The eligibility has been left somewhat open-ended so long as the venture fits certain criteria. We want to be looking toward the future.”

A robust portfolio of additional state and local incentives may also benefit digital media companies. Louisiana offers both a 40% R&D tax credit for businesses conducting research that employ more than 50 Louisiana residents, and a Quality Jobs Program that provides a 5% or 6% cash rebate of annual gross payroll for new jobs at a certain pay level for 10 years. The Idea Village, a New Orleans nonprofit, provides grants and other resources to entrepreneurial ventures, which many digital media

businesses could also be eligible for.

There is no doubt that the robust portfolio of financial incentives for the digital media industry will both attract new business to New Orleans and provide a catalyst for existing businesses to expand. However, there is more fueling this revolution. As Hecht says, “People are driving this revolution and the future of New Orleans. People are infusing the entire city with new energy and ideas that will allow New Orleans to reinvent itself while unquestionably retaining what has made this a great city.”

SIGGRAPH, where response ranged from cautious optimism to excitement, provided the first opportunity to roll out the new credits. “It got the attention of a lot of different



Chris Schultz of Launch Pad

people,” Wisdom says. “Lucasfilm Animation, one of George Lucas’ companies, has a facility in Singapore, which offers tax credits like what we offer in Louisiana. The question becomes: Is there now an incentive to do that business here?”

Local companies are also positioned to qualify. Launch Pad, a startup incubator located in The I.P. Building, the city’s tech hub, currently has a few entrepreneurs that are potential candidates, including Body Evolution, a commercial web application for health technology coming out of LSU, and Schedulist, a scheduling software for nurses. Launch Pad owner Chris Schultz is also the principal of Voodoo Ventures, an internet software company that does programming in Silicon Valley, New York and London.

Schultz moved from Los Angeles to New Orleans in 2002, drawn by the creative atmosphere and low cost of living. “When I lived in LA and had an internet company I was getting off the ground, I worked out of my bedroom. I was able to come down here, rent an office and hire people,” he says.

Schultz spoke at SIGGRAPH about the five components necessary for a successful tech startup ecosystem: policy, venture capital, grassroots organizations, entrepreneurial spirit and talent. Many of these components are firmly in place. GNO Inc.’s LeapFrog fund provides

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early stage, pre-revenue capital between \$250,000 and \$500,000 to help local entrepreneurs move their ideas from concept to prototype. Grassroots organizations like Net2NO—a networking group of software programmers and social media experts—are multiplying. And The Icehouse, Entrepreneur’s Row, Entergy Innovation Center and Launch Pad are trendy co-working spaces that house entrepreneurial ventures across industries to encourage collaboration and spark innovation.

Of the final component, it’s actually a lack of talent that concerns SIGGRAPH attendee Richard Harding, a principle engineer at Sony Computer Entertainment America. “The city’s heritage and culture are very attractive,” he says. “But certainly a lot of businesses are located on the West Coast because there is already talent there.”

Wisdom provides perspective about the existing digital media work force in New Orleans. Regarding staffing small-to medium-size companies, “There are people here for sure who have great experience,” he says. But in terms of staffing larger corporations who might want to relocate to New Orleans? “We don’t have the pipeline churning them out to support larger organizations,” he says.

The dearth of institutions feeding talent into the industry is a hot topic with GNO Inc.’s Digital Media Alliance, a group of representatives from digital media, financing and higher education who are working to grow New Orleans’ digital media industry. Members are actively designing the necessary curricula for Delgado Community College and Loyola University New Orleans to power that pipeline. “You should see classes required for these industries in place by this time next year,” Hecht says.

“At the end of the day, what is driving this revolution and what is going to drive the future of New Orleans is people,” he continues. “So if people begin to appreciate this renaissance and are attracted to it, more and more people are going to drive industry and create job opportunities for everybody.” ❧

