



New Orleans: A Startup Laboratory

Entrepreneurs are finding fertile ground for new ventures

they think will help bring the devastated city back to life

by [John Tozzi](#)

In a fifth-floor penthouse office in the central business district, developers craft an online trading system to let companies sell their accounts receivable at a discount for cash. A few blocks away, a programmer builds a tool to send patients' medical data to doctors' smart phones in real time. On the other side of town, workers assemble a sleek modular home from aluminum framing and interlocking panels—no nails or screws required. At the end of the day, they might all head for a hip new nightclub near the waterfront.

This is not New York or Chicago, Seattle or San Francisco. This is New Orleans, two years after Hurricane Katrina, and these ventures represent a cross-section of the entrepreneurial spirit that has quietly blossomed in the city since the flood. New Orleans suffered a net loss of 2,951 employer businesses, or 30%, between the last pre-Katrina quarter and the first quarter of 2006, according to a new [report](#) from the Louisiana State University Economic Development Div. (Businesses reporting no employees were filtered out.) Over the last three quarters of 2006, however, New Orleans gained a net 968 employer companies, representing a return to about 80% of the pre-Katrina level.

A small but growing corps of young, ambitious, and passionate entrepreneurs are starting companies that could help the city's economic future. They are business owners who looked beyond New Orleans' traditional tourism, oil, and shipping industries to find fertile ground for their ideas.

"You really want to be able to invest in high-yield entrepreneurs in sectors like technology or film. Those are where you're getting your innovation," says Robin Keegan, director of economic and workforce development for the Louisiana Recovery Authority, the state agency coordinating the rebuilding. "You're also getting a level of company owner and a level of employer that really are committed to both the economic and civic purpose of the city."

Focus the energy

Justin Brownhill, a 36-year-old London native who left a managing director post at Citigroup ([C](#)) in New York to co-found the New Orleans Exchange, the online

receivables market launching early next year, is one such entrepreneur. "We are trying to focus energy on not just rebuilding the infrastructure and neighborhoods of the city. We are helping to focus the energy on small business and corporate growth and the economy," Brownhill says.

Brownhill and his cohorts' push will not erase the city's problems. New Orleans still has shaky infrastructure, rampant crime, political corruption, and just 60% of its pre-storm population, according to the latest estimates. Vast areas that were flooded remain nearly abandoned. So why would anyone start a business there?

The city's new entrepreneurs see a chance to reinvent the economy, to associate the Crescent City with innovation and technology, with new ideas that will spur growth. "Right now, New Orleans has extremely great long-term potential in the sense that we're crafting a new city," says Chris Brown, who took Plaine Studios, his digital design firm, from a part-time business to a full-time venture after Katrina.

Bargain Office Space

Startups in New Orleans also enjoy lower costs than in many cities—Brownhill says the New Orleans Exchange might pay 10 times as much in New York to rent the kind of loft space his company has. He also hopes to hire local talent out of Tulane, Loyola, and the University of New Orleans—candidates he says are often driven to Atlanta, Houston, or Dallas for jobs.

Blake Killian, who left a small Internet startup to found his own online marketing firm, Killian Interactive, this summer, says Web-based companies have another advantage: Their businesses didn't suffer the same damage during Katrina that traditional companies did. "We just grabbed our laptops and headed to higher ground," Killian says.

There are signs that startup activity is on the rise. [Idea Village](#), a New Orleans nonprofit dedicated to fostering entrepreneurship, has received 1,015 applications for grants, loans, or nonfinancial assistance since the storm. All but 2% or 3% came from existing businesses until this year, according to Tim Williamson, the group's president, but since January, 36% have been for new ventures. "In the first year, it was just people coming back. Now there's people coming in, really coming to us saying: 'We got new ideas,'" Williamson says.

Encouraging Startups

Idea Village is part of an existing infrastructure that supports entrepreneurship in the city. The group plans to launch a series of Business Innovation Centers, the first of which is set to open in the Upper Ninth Ward on Aug. 25, to bring resources to business owners in their neighborhoods. Another group, the [Entrepreneurs' Organization Accelerator](#), was launched after Katrina to help early-stage companies grow.

"Everybody wants everybody to succeed, and I think if anything Katrina has motivated people to open it up more," says Neel Sus, an Accelerator member and Tulane grad behind a pair of startups. Sus quit his job at Northrop Grumman ([NOC](#)) last year to focus on SusCo Solutions, his business-process improvement firm. His other venture, eLYMPUS, is developing a way to send patient information to doctors' smart phones, an advance he hopes will improve care in the city's struggling hospitals.

Most of these go-getters root their companies in New Orleans because they believe it is up to entrepreneurs—not the government or Big Business—to rebuild the city. Shawn Burst, who licensed an innovative system of modular building materials from a German businessman, said he placed his firm in his native New Orleans even though his target market is Northern California. Burst, 41, has plunged \$2 million into the venture, called Jeriko House, and he's building a prototype on Canal Boulevard. "Everyone's leaving. The climate has been that businesses are leaving," he says. "Maybe this will open people's eyes and make them look at what's happening down in New Orleans."

Post-Katrina Possibilities

It's too early to say what role these young companies will play in shaping the city's uncertain future. But the entrepreneurs say their ventures show that New Orleans is rising. That's what Robert LeBlanc intended when, less than four months after Katrina, he opened Republic New Orleans, a nightclub and creative center that has become a hub for newcomers and repatriates alike.

"Everybody knows that there have been a lot of problems endemic to New Orleans, and a lot of that is because it has been such an insular city for such a long time," LeBlanc says. "We wanted to do things to connect the people who are in New Orleans with the new people who were coming to New Orleans, to create those bonds and those communities."

Williamson, of Idea Village, sees the new energy in the city as the vanguard of a larger movement. "The sense of possibility is more than it was before Katrina," he says. "If you're into innovation and entrepreneurship, New Orleans is a laboratory for that right now."

See our [slide show](#) for profiles of more entrepreneurs who started businesses in New Orleans, and hear what attracted them to the city.

John Tozzi is an intern for BusinessWeek.com.
