

2017 Regular Session

HOUSE RESOLUTION NO. 91

BY REPRESENTATIVES GLOVER, COX, AND REYNOLDS

COMMERCE: Directs the House Committee on Commerce to further investigate the current condition of economic development in this state concerning the RACER Trust's fulfillment of fiduciary obligations regarding the former General Motors Shreveport plant and operations

1 A RESOLUTION

2 To direct the House Committee on Commerce to further investigate the current state of  
3 Louisiana's economic development, relative to the Revitalizing Auto Communities  
4 Environmental Response Trust's (hereinafter "RACER Trust") fulfillment of  
5 fiduciary duties concerning the former General Motors Shreveport plant (hereinafter  
6 "GM-Shreveport plant") and operations.

7 WHEREAS, R.S. 51:921 pertinently provides the following: "It is the policy of the  
8 state of Louisiana, in furtherance of its responsibility to protect the health, public safety,  
9 welfare, and future prosperity of the citizens of the state, to fully develop the human,  
10 economic, and natural resources of the state through a well-informed and business-oriented  
11 Department of Economic Development"; and

12 WHEREAS, in furtherance of the policy set forth, the Department of Economic  
13 Development has a "continuing program of commercial and industrial planning, education,  
14 cooperation and assistance between the State of Louisiana and foreign countries, the federal  
15 government, other states and state, regional, parish and local public and private agencies and  
16 individuals"; and

17 WHEREAS, the state has a compelling interest to ensure efficient, honest, and  
18 accurate policy effecting the promotion and perpetuation of the aforementioned policy of this  
19 state; and

1           WHEREAS, the state also has an interest in creating policy that safeguards against  
2 any actions serving to adversely impact or impede economic development in this state; and

3           WHEREAS, perpetual declining sales and employment loss led to the 2009  
4 bankruptcy of the General Motors Corporation, and by 2012, a complete cessation of  
5 automobile manufacturing at the former GM-Shreveport plant, which for more than thirty  
6 years was a generator of jobs and economic opportunity in this state; and

7           WHEREAS, the bankruptcy of General Motors was not an ordinary business  
8 bankruptcy; rather, it was orderly and structured in a way to facilitate General Motors' ability  
9 to be absolved of certain environmental and tax liabilities; and

10           WHEREAS, this included a cash infusion from the federal government to the benefit  
11 of General Motors, and General Motors' consideration for the properties left behind to be  
12 leveraged in the public's general and equitable interests, with such interests defined and  
13 directed toward the replacement of lost jobs; and

14           WHEREAS, after the bankruptcy of General Motors, the United States Bankruptcy  
15 Court created the RACER Trust and equipped it with approximately five hundred million  
16 dollars and the appropriate fiduciary obligations and responsibilities to "clean up and  
17 position for redevelopment the properties and other facilities owned by the former General  
18 Motors Corporation", and such properties and facilities necessarily include the former GM-  
19 Shreveport plant; and

20           WHEREAS, during February 2013, the RACER Trust and Elio Motors entered into  
21 a Purchase and Sale Agreement whereby Elio Motors was expected to acquire from the  
22 RACER Trust all of the property, both movable and immovable property, relative to the  
23 former GM-Shreveport plant; however, Elio Motors purchased only the movable property  
24 and as such, entered into a Security Agreement with the RACER Trust in the amount of  
25 twenty-three million dollars to acquire the movable property; and

26           WHEREAS, Elio Motors granted the RACER Trust a security interest in its acquired  
27 movable property and simultaneously borrowed approximately ten million dollars in capital  
28 for start-up costs; and

29           WHEREAS, the RACER Trust agreed to subordinate its security interest to assist  
30 Elio Motors in obtaining its additional capital; and

1           WHEREAS, circumstances changed regarding the sale of all of the former GM-  
2 Shreveport plant to Elio Motors; instead, the immovable property of the plant was purchased  
3 by the Caddo Parish Industrial Development Board; and

4           WHEREAS, at the request of the Caddo Parish Industrial Development Board, a  
5 parent company known as Industrial Realty Group, owned by Mr. Stuart Lichter, first  
6 purchased the immovable property of the former GM-Shreveport plant and immediately  
7 resold this same property to the Caddo Parish Industrial Development Board; and

8           WHEREAS, the Caddo Parish Industrial Development Board then leased the  
9 immovable property back to Industrial Realty Group; and

10          WHEREAS, as the lessee and property manager of the former GM-Shreveport plant,  
11 Industrial Realty Group next subleased a portion of the plant to Elio Motors; and

12          WHEREAS, Elio Motors assumed the plant as a sublessee during the latter part of  
13 2013 and was expected to manufacture automobiles, stimulate economic growth, and create  
14 approximately one thousand five hundred jobs by the end of 2015; and

15          WHEREAS, since 2013 and currently, Elio Motors is not engaged in automobile  
16 manufacturing at the former GM-Shreveport plant, and as a result, related economic  
17 development and stimulated growth in this state have not materialized as projected and  
18 desired; and

19          WHEREAS, with the present and future state of the former GM-Shreveport plant  
20 subject to the direction and actions of Industrial Realty Group and Elio Motors, the House  
21 Committee on Commerce was interested to hear the testimony of certain stakeholders to  
22 identify and expound upon the circumstances, challenges, and barriers surrounding  
23 automobile manufacturing and the anticipated accompanying job growth; and

24          WHEREAS, pursuant to House Resolution No. 37 of the 2016 Second Extraordinary  
25 Session, the House Committee on Commerce met in Shreveport, Louisiana, on October 26,  
26 2016 to do all of the following:

27           (1) Study the state of the automotive manufacturing industry in the state of Louisiana  
28 since the onset of the most recent worldwide economic turndown that began in 2008.

29           (2) Investigate and report on the activities of the RACER Trust in the state of  
30 Louisiana.

1           (3) Tour and assess the current condition and circumstances of any Louisiana based  
2 properties either currently or previously under the control and supervision of the RACER  
3 Trust in the state of Louisiana.

4           (4) Take testimony from local, regional, and state officials and economic  
5 development stakeholders regarding barriers and obstacles impacting the ability to  
6 effectively market facilities either currently or previously under the control of the RACER  
7 Trust; and

8           WHEREAS, the following respective representatives were requested by the  
9 committee to attend the October 26, 2016, hearing:

10           (1) Elliot Laws, Trustee of the RACER Trust.

11           (2) Stuart Lichter, CEO, Industrial Realty Group.

12           (3) Stephen Moret, former secretary of the Louisiana Department of Economic  
13 Development.

14           (4) Bruce Rasher, Redevelopment Manager of the RACER Trust; and

15           WHEREAS, these persons were requested to provide testimony concerning  
16 negotiations of economic development efforts for Shreveport discussed between the RACER  
17 Trust, Industrial Realty Group, the Department of Economic Development, the Caddo Parish  
18 Commission, and the Caddo Parish Industrial Development Board, which ultimately led to  
19 the control of the former GM-Shreveport plant by Industrial Realty Group and Elio Motors;  
20 and

21           WHEREAS, the requested persons did not appear to testify before the House  
22 Committee on Commerce; alternatively, a representative appeared on the behalf of each  
23 requested person; and

24           WHEREAS, though representatives were present to testify, the representatives were  
25 not parties to nor directly privy to the process of negotiations between the RACER Trust,  
26 Industrial Realty Group, the Department of Economic Development, the Caddo Parish  
27 Commission, and the Caddo Parish Industrial Development Board; and

28           WHEREAS, the RACER Trust's commitment of the former GM-Shreveport plant  
29 to Industrial Realty Group and Elio Motors is a matter of vital concern regarding the  
30 economic development in this state, not solely due to the lack of automobile manufacturing

1 on behalf of Elio Motors, but because prior to this divestment, the Department of Economic  
2 Development and the North Louisiana Economic Partnership addressed a letter of concern  
3 to the attention of the RACER Trust; and

4 WHEREAS, in the four page letter, dated November 14, 2013, the Department of  
5 Economic Development and the North Louisiana Economic Partnership described the GM-  
6 Shreveport plant as "the largest manufacturing facility in Louisiana and easily the most  
7 significant unutilized economic-development asset in our state today...maximizing its future  
8 utilization is a top priority for the Caddo Parish Commission, the North Louisiana Economic  
9 Partnership, and the State of Louisiana, among others"; and

10 WHEREAS, within the letter, the Department of Economic Development and the  
11 North Louisiana Economic Partnership discussed the prospect of securing an agreement with  
12 Project Phoenix, a major global company with more than ten billion dollars in annual sales;  
13 and

14 WHEREAS, the project was expected to utilize "substantially all of the existing  
15 space" of the former GM-Shreveport plant "while potentially requiring additional  
16 construction of roughly two hundred thousand to nine hundred thousand square feet"; and

17 WHEREAS, the project was likely to result in approximately "four thousand  
18 full-time-equivalent positions by the end of 2016"; and

19 WHEREAS, at the time of its proposed interest, Project Phoenix's capital investment  
20 was "estimated to be in excess of three hundred million dollars"; and

21 WHEREAS, according to the letter, executives of Project Phoenix communicated  
22 that they planned to make a final decision by January 2014; and

23 WHEREAS, the Department of Economic Development and the North Louisiana  
24 Economic Partnership emphasized a "very strong interest in pursuing Project Phoenix while  
25 doing so in a manner that minimizes, to the extent possible, any negative impact on Elio  
26 Motors associated with Elio relocating its planned operation to another facility in Caddo  
27 Parish"; and

28 WHEREAS, the North Louisiana Economic Partnership also stated that it did not  
29 "understand how RACER could responsibly move forward with a transaction to sell the  
30 GM-Shreveport facility" to Industrial Realty Group "when a larger, much-higher probability

1 job-creation project is so close to a final decision", and expressed the additional concern that  
2 it could not see "how RACER would be acting consistent with its fiduciary responsibilities  
3 if it were to move forward...with a sale of the GM-Shreveport facility to Industrial Realty  
4 Group", considering that Elio Motors still needed "roughly two hundred million dollars in  
5 additional required capital"; and

6 WHEREAS, based on the aforementioned quoted information provided from the  
7 letter, there was clear indication of interest in the GM-Shreveport plant from established,  
8 well-funded companies with the capabilities and wherewithal to act on their stated  
9 intentions, and such an entity would have been the type to replace the most important asset  
10 lost in Shreveport - high quality jobs; and

11 WHEREAS, at the October 26, 2016 hearing, Mr. Scott Martinez, president of the  
12 North Louisiana Economic Partnership, expressed there was no lack of effort on behalf of  
13 the state to secure an agreement with Project Phoenix; rather, he explained there was a four-  
14 month, finite window of time, between December 2013 and April 30, 2014, for which the  
15 state was contractually required to close the agreement with respect to Project Phoenix; and

16 WHEREAS, Mr. Martinez described circumstances of a significant change in  
17 leadership within Project Phoenix during the four-month-window that may have been an  
18 inhibitor to Project Phoenix's ability to close the agreement by the deadline, considering the  
19 extensive amount of capital to be invested by the project and related, extensive consolidation  
20 efforts; and

21 WHEREAS, ultimately, the state was unable to secure an agreement and Project  
22 Phoenix chose to consolidate locations and expand operations in Texas; and

23 WHEREAS, Mr. Stuart Lichter, CEO of Industrial Realty Group, who ultimately  
24 gained control of the former GM-Shreveport plant, defined and outlined the plant's worth  
25 and value at an Elio Motors press conference on January 13, 2013, stating in pertinent part,  
26 "It's fully equipped and the amount of money it saves in startup costs, I can't even calculate,  
27 but it's something like five hundred million dollars of equipment sitting in this plant, and you  
28 just turn it on. This was probably the most modern car plant in America and its laid out in  
29 a way that it breaks up into multi-tenant use a lot easier than a lot of the facilities that we

1 work on, so it's really good at a terrific infrastructure and Louisiana is a good place of the  
2 business"; and

3 WHEREAS, despite the value of the assets encompassed within the former GM-  
4 Shreveport plant, the RACER Trust is believed to have provided the Caddo Parish  
5 Commission with only the following two options in consideration for the eventual fate of  
6 the former GM-Shreveport plant:

7 (1) Committal of the former GM-Shreveport plant to Industrial Realty Group.

8 (2) Complete demolition of the plant; and

9 WHEREAS, it is a matter of state interest and concern that the prospect of the former  
10 GM-Shreveport plant's demise may have actually been a false threat used as a catalyst to  
11 urge the Caddo Parish Commission and other local and state economic development officials  
12 to support and commit the former GM-Shreveport plant into the contractual care of  
13 Industrial Realty Group and Elio Motors; and

14 WHEREAS, if a continued investigation by the House Committee on Commerce  
15 uncovers information illustrating any breach of fiduciary duties or obligations which may  
16 have resulted in this state's lost opportunities for substantial economic development, it  
17 naturally follows that it is also a matter of public policy for corrective action to be taken; and

18 WHEREAS, the assets of the former GM-Shreveport plant possess great potential  
19 to be a source of real opportunity for economic growth and job creation in Louisiana, but  
20 although publicly owned, no provisions or mechanisms for local oversight are in place to  
21 rectify this agreement made in furtherance of the state's economic development that has not  
22 materialized to provide an economic benefit to this state; and

23 WHEREAS, in light of the dire circumstances surrounding the former GM-  
24 Shreveport plant, the state is compelled to continue its investigation into the process of  
25 negotiations which resulted in Industrial Realty Group's and Elio Motors' attainment of the  
26 former GM-Shreveport plant, per the recommendation of the RACER Trust; and

27 WHEREAS, contingent upon the findings of the House Committee on Commerce,  
28 the Legislature of Louisiana and the Department of Economic Development may be  
29 equipped with indispensable, essential information for the creation of improved policy to

1 better regulate and safeguard with respect to negotiations expected to further the state's  
2 policy of protecting the welfare and future prosperity of its citizens; and

3 WHEREAS, House Rule 14.51 provides that each standing committee is "specifically  
4 and expressly granted the power and authority to hold hearings, subpoena witnesses,  
5 administer oaths, require the production of books and records, and to do all other things  
6 necessary to accomplish the purposes of the study or investigation assigned to it by the  
7 House or by the legislature or by a majority of the members of the committee."

8 THEREFORE, BE IT RESOLVED that the House of Representatives of the  
9 Legislature of Louisiana does hereby direct the House Committee on Commerce to further  
10 investigate and issue subpoenas to the following persons, and others, as the committee finds  
11 appropriate and necessary, to appear before the House Committee on Commerce to provide  
12 testimony concerning economic development in the state of Louisiana, relative to the  
13 RACER Trust's fulfillment of fiduciary duties regarding the former General Motors  
14 Shreveport plant and operations:

15 (1) Elliot Laws, Trustee of the RACER Trust.

16 (2) Stuart Lichter, CEO, Industrial Realty Group.

17 (3) Stephen Moret, former secretary of the Louisiana Department of Economic  
18 Development.

19 (4) Bruce Rasher, Redevelopment Manager of the RACER Trust.

20 BE IT FURTHER RESOLVED that the persons herein named be subpoenaed to  
21 appear at the hearing of the House Committee on Commerce to be convened on June 1,  
22 2017.

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#### DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

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HR 91 Original

2017 Regular Session

Glover

Directs the House Committee on Commerce to issue subpoenas requiring certain persons to appear before the committee to provide testimony concerning economic development in the state of La., relative to the RACER Trust's fulfillment of fiduciary duties concerning the former General Motors Shreveport plant and operations.

Requires such subpoenaed persons to appear at the hearing of the House Committee on Commerce to be convened on June 1, 2017.