

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

