HLS 19RS-136 ORIGINAL

2019 Regular Session

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HOUSE RESOLUTION NO. 209

BY REPRESENTATIVE GLOVER

COMMERCE: Provides for the examination relative to the fiduciary duties of the RACER trust and constitutionality of the current lease agreement for the General Motors Shreveport plant

A RESOLUTION

| 2 | To create and provide for a subcommittee of the House Committee on Commerce to examine |
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| 3 | certain matters relative to the Revitalizing Auto Communities Environmental |
| 4 | Response Trust's (hereinafter "RACER Trust") fulfillment of fiduciary duties |
| 5 | concerning the former General Motors Shreveport plant (hereinafter |
| 6 | "GM-Shreveport plant") and its operations, and to determine whether provisions of |
| 7 | the GM-Shreveport plant lease agreement violate Article VII, Section 14(A) of the |
| 8 | Constitution of Louisiana. |
| 9 | WHEREAS, in 2008, the United States' domestic automotive industry was on the |
| 10 | verge of collapse; and |
| 11 | WHEREAS, in recognition of the impending collapse, groups of interested parties, |
| 12 | including impacted communities, coalesced around common goals geared toward preventing |
| 13 | the collapse of and preserving General Motors, the most important component of United |
| 14 | States-based automobile manufacturing; and |
| 15 | WHEREAS, these groups were adamant and vocal and took the lead in calling for |
| 16 | federal intervention to prevent the collapse of the industry; and |
| 17 | WHEREAS, these groups also advocated for assistance and protection for the local |
| 18 | communities that would ultimately be impacted by the seismic shifts taking place within the |
| 19 | domestic automotive industry; and |

| 1 | WHEREAS, amongst these advocacy groups was the Mayors and Municipalities |
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| 2 | Automotive Coalition based in Washington, D.C., and comprised of local officials in |
| 3 | automotive communities around the country; and |
| 4 | WHEREAS, continued advocacy specifically resulted in a forty-nine billion dollar |
| 5 | assistance package from the federal government to the benefit of General Motors; and |
| 6 | WHEREAS, the General Motors bankruptcy resulted in eighty-nine former General |
| 7 | Motors properties being entrusted to the RACER Trust for the sole purpose of using and |
| 8 | leveraging those assets to replace the jobs lost in communities where General Motors plants |
| 9 | were closed and shuttered; and |
| 10 | WHEREAS, from the forty-nine billion dollar assistance package, more than six |
| 11 | hundred million dollars was set aside to fulfill the mission of the RACER Trust; and |
| 12 | WHEREAS, approved uses for RACER Trust funds for administrative expenses, as |
| 13 | stated in Article 1, Section 1.1.1 of the trust agreement are, "including but not limited to |
| 14 | property taxes, liability insurance, security, personnel costs, utilities, maintenance, |
| 15 | professional fees, property marketing costs"; and |
| 16 | WHEREAS, all expenses associated with the former GM-Shreveport plant were paid |
| 17 | by the new post bankruptcy General Motors until December 31, 2012; and |
| 18 | WHEREAS, despite having access to resources that would have covered all carrying |
| 19 | expenses and allowed for an unrushed and deliberate due diligence process, the RACER |
| 20 | Trust, at the direction of its Redevelopment Manager, Mr. Bruce Rasher, announced in the |
| 21 | first week of January 2013, less than one week after the official exit of General Motors from |
| 22 | the state-of-the-art GM-Shreveport plant, that the facility would be optioned to and |
| 23 | ultimately controlled by Mr. Paul Elio and Elio Motors; and |
| 24 | WHEREAS, during February 2013, the RACER Trust and Elio Motors entered into |
| 25 | a purchase and sale agreement whereby Elio Motors was expected to acquire from the |
| 26 | RACER Trust all of the property, both movable and immovable, relative to the former |
| 27 | GM-Shreveport plant; however, Elio Motors purchased only the movable property and as |
| 28 | such, entered into a security agreement with the RACER Trust in the amount of twenty-three |
| 29 | million dollars to acquire the movable property; and |

| 1 | WHEREAS, circumstances changed regarding the sale of all of the former |
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| 2 | GM-Shreveport plant to Elio Motors; instead, the immovable property of the plant was |
| 3 | purchased 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 first purchased the immovable property |
| 6 | of the former GM-Shreveport plant and immediately resold this same property to the Caddo |
| 7 | 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, Elio Motors has not engaged in automobile manufacturing |
| 16 | at the former GM-Shreveport plant, and as a result, related economic development and |
| 17 | stimulated growth in this state have not materialized as projected and desired; and |
| 18 | WHEREAS, at the time that Mr. Rasher extended the option for Mr. Elio to purchase |
| 19 | the GM-Shreveport plant and its assets, Mr. Elio was in substantial debt with a failing |
| 20 | engineering firm, was subject to substantial tax liens, and was in active search of |
| 21 | employment; and |
| 22 | WHEREAS, Mr. Stuart Lichter, CEO of Industrial Realty Group, who ultimately |
| 23 | gained control of the former GM-Shreveport plant, described and outlined the plant's worth |
| 24 | at an Elio Motors press conference on January 13, 2013; and |
| 25 | WHEREAS, Mr. Lichter said the GM-Shreveport plant "was probably the most |
| 26 | modern car plant in America", and further stated, "It's fully equipped and the amount of |
| 27 | money it saves in start-up costs, I can't even calculate, but it's something like five hundred |
| 28 | million dollars of equipment sitting in this plant, and you just turn it on!"; and |
| 29 | WHEREAS, in fact, less than a decade earlier, General Motors doubled the size of |
| 30 | the GM-Shreveport plant and invested almost two billion dollars in the process; and |

| 1 | WHEREAS, despite the substantial manufacturing potential of the GM-Shreveport |
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| 2 | plant and all of the previous failures of Mr. Elio, Mr. Rasher and the RACER Trust first gave |
| 3 | Mr. Elio an exclusive option to buy the plant and all of its equipment; and |
| 4 | WHEREAS, despite the acknowledged manufacturing potential of the plant, Mr. |
| 5 | Rasher spoke to the members of the Caddo Parish Commission almost exclusively about the |
| 6 | salvage value of the GM-Shreveport plant, as opposed to its utilization for continued |
| 7 | manufacturing; and |
| 8 | WHEREAS, the parish administrator and former president of the Caddo Parish |
| 9 | Commission both publicly stated that Mr. Rasher's statement to them essentially provided |
| 10 | two options: |
| 11 | (1) Cooperate with the Industrial Realty Group's and Elio Motors' occupancy and use |
| 12 | of the plant. |
| 13 | (2) Complete demolition of the plant; and |
| 14 | WHEREAS, the option and threat of demolition was likely unwarranted based on the |
| 15 | stated value and potential of the plant; and |
| 16 | WHEREAS, the conduct of Mr. Rasher and other staff of the RACER Trust denied |
| 17 | the people of Caddo Parish and the state of Louisiana the opportunity for a reasonable and |
| 18 | appropriate due diligence process for determining how the former GM-Shreveport plant |
| 19 | would be used to replace the jobs lost by the plant's closure; and |
| 20 | WHEREAS, an industrial development board, created by the Louisiana Legislature, |
| 21 | was used to facilitate the current status of the plant; and |
| 22 | WHEREAS, certain aspects of the current lease agreement in place between the |
| 23 | Caddo Parish Industrial Development Board and the Industrial Realty Group could |
| 24 | potentially violate Article VII, Section 14(A) of the Constitution of Louisiana; and |
| 25 | WHEREAS, such provisions potentially in violation of the constitution may have |
| 26 | become effective as recently as November 2018; and |
| 27 | WHEREAS, Article VII, Section 14(A) of the Constitution of Louisiana describes |
| 28 | prohibited uses with respect to donations, loans, or pledges of public credit and provides in |
| 29 | pertinent part: "Except as otherwise provided by this constitution, the funds, credit, property, |

| 1 | or things of value of the state or of any political subdivision shall not be loaned, pledged, or |
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| 2 | donated to or for any person, association, or corporation, public or private."; and |
| 3 | WHEREAS, it is a matter of state interest and concern that the prospect of the former |
| 4 | GM-Shreveport plant's demise may have actually been a false threat used as a catalyst to |
| 5 | urge the Caddo Parish Commission and other local and state economic development officials |
| 6 | to support and commit the former GM-Shreveport plant into the contractual care of |
| 7 | Industrial Realty Group and Elio Motors; and |
| 8 | WHEREAS, this matter of state interest and concern warrants further investigation |
| 9 | into the provisions of this state's industrial development board statutes provided in Chapters |
| 10 | 7 and 8 of Title 51 of the Louisiana Revised Statutes of 1950 and Article VII, Section 14(A) |
| 11 | of the Constitution of Louisiana to determine the following: |
| 12 | (1) The purpose and intended use of industrial development boards incorporated by |
| 13 | municipalities and parishes in the state of Louisiana. |
| 14 | (2) Whether powers thereof or the manners of use of such boards have potential to |
| 15 | create an unintended consequence of use of public property and resources contrary to the |
| 16 | best interests of the citizens of Louisiana. |
| 17 | (3) How the Caddo Parish Industrial Development Board may have been used to |
| 18 | create a contract contrary to the best use of the GM-Shreveport plant. |
| 19 | (4) Whether certain provisions of the current lease agreement for the GM-Shreveport |
| 20 | plant may result in a prohibited use of state property as described in Article VII, Section |
| 21 | 14(A) of the Constitution of Louisiana; and |
| 22 | WHEREAS, in light of the dire circumstances surrounding the former |
| 23 | GM-Shreveport plant, the state is compelled to examine the process of negotiations which |
| 24 | resulted in Industrial Realty Group's and Elio Motors' attainment of the former |
| 25 | GM-Shreveport plant, per the recommendation of the RACER Trust; and |
| 26 | WHEREAS, contingent upon the findings of the subcommittee, the Legislature of |
| 27 | Louisiana and the Department of Economic Development may be equipped with |
| 28 | indispensable, essential information for the creation of improved policy to better regulate |
| 29 | and safeguard with respect to negotiations expected to further the state's policy of protecting |
| 30 | the welfare and future prosperity of its citizens; and |

1 WHEREAS, it is appropriate that the subcommittee examine any potential breach of 2 fiduciary duties or obligations which may have resulted in this state's lost opportunities for 3 substantial economic development; and 4 WHEREAS, the assets of the former GM-Shreveport plant possess great potential 5 to be a source of real opportunity for economic growth and job creation in Louisiana, but 6 although publicly owned, no provisions or mechanisms for local oversight are in place to 7 rectify this agreement made in furtherance of the state's economic development that has not 8 materialized to provide an economic benefit to this state; and 9 WHEREAS, House Rule 14.51 pertinently states the following: "Each standing 10 committee...each joint committee...and any subcommittee of such standing or joint 11 committee is hereby specifically and expressly granted the power and authority to hold 12 hearings, subpoena witnesses, administer oaths, require the production of books and records, 13 and to do all other things necessary to accomplish the purposes of the study or investigation 14 assigned to it by the House or by the legislature or by a majority of the members of the 15 committee". 16 THEREFORE, BE IT RESOLVED that the House of Representatives of the 17 Legislature of Louisiana does hereby create a subcommittee of the House Committee on 18 Commerce to further investigate and examine certain matters relative to the RACER Trust's 19 fulfillment of fiduciary duties concerning the former GM-Shreveport plant and its 20 operations. 21 BE IT FURTHER RESOLVED that the subcommittee shall, non-exclusively, 22 investigate the process by which the RACER Trust and its representatives chose the current 23 lessee and occupant of the GM-Shreveport plant; determine the statutory use, powers, and 24 functions of industrial development boards; determine whether the use of the Caddo Parish 25 Industrial Development Board relative to the GM-Shreveport plant created an unintended 26 consequence concerning the public property and resources of this state; and determine 27 whether certain provisions of the lease agreement for the GM-Shreveport plant may result 28 in a prohibited use of state property as provided by the constitution of this state.

1 BE IT FURTHER RESOLVED that the chairman of the House Committee on 2 Commerce shall appoint the members of the subcommittee and designate the chairman and 3 vice chairman of the subcommittee. 4 BE IT FURTHER RESOLVED that the subcommittee shall be responsible for examining all matters relating to the RACER Trust's fulfillment of fiduciary duties and any 5 6 related issues that the subcommittee deems appropriate and necessary to discharge its duties 7 and responsibilities. 8 BE IT FURTHER RESOLVED that the subcommittee may request and utilize the 9 assistance of any and all public and private sources and may call upon the staff of any 10 department, agency, or official of the state for data and assistance, and all such departments, 11 agencies, and officials shall cooperate with the subcommittee for its intended purposes. 12 BE IT FURTHER RESOLVED that the subcommittee shall make a report of its 13 findings and recommendations, including proposed legislation, to the House Committee on 14 Commerce no later than thirty days prior to the convening of the 2020 Regular Session. 15 BE IT FURTHER RESOLVED that the subcommittee shall be dissolved upon the 16 adjournment sine die of the 2020 Regular Session of the Legislature of Louisiana.

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)]

HR 209 Original

2019 Regular Session

Glover

Creates and provides for a subcommittee of the House Committee on Commerce to further examine certain matters relative to the Revitalizing Auto Communities Environmental Response Trust's fulfillment of fiduciary duties concerning the former General Motors Shreveport plant and its operations.

Requires the subcommittee to make certain determinations regarding industrial development boards and the constitutionality of the current lease agreement for the General Motors Shreveport plant.

Requires the subcommittee to make a report of its findings and recommendations, including proposed legislation, to the committee at least 30 days prior to the 2020 R.S.

Provides that the subcommittee is dissolved upon the adjournment sine die of the 2020 R.S.