

MINUTES OF THE MEETING OF THE
CADDO PARISH COMMISSION'S
ECONOMIC DEVELOPMENT COMMITTEE
HELD ON THE 7th DAY OF JANUARY, 2019

The Caddo Parish Economic Development Committee met in the Administration Conference Room on the above date at 1:30 p.m., with Mr. John Atkins, presiding, and the following members in attendance: Commissioners Atkins, Chavez, Gage-Watts, Lyndon B. Johnson, and Middleton (4). ABSENT: Commissioner Louis Johnson (1).

Also in attendance were Parish Administrator Dr. Woody Wilson, Assistant Parish Administrator Mr. Randy Lucky, Parish Attorney Donna Frazier, Finance Director Mrs. Erica Bryant, Ms. Gann, and Commissioners Cawthorne and Linn.

Mrs. Gage-Watts gave the invocation and Mr. Mike Middleton led the Pledge of Allegiance.

Mr. Atkins opened up the floor for citizens comments. There being no one to speak, Mr. Atkins closed public comments and moved onto New Business.

Mr. Atkins welcomed everyone to the meeting and stated today's meeting is to discuss the following items:

- Discuss agreement between NLEP and the Caddo Parish Commission
- Update on the status of existing agreement between Industrial Development Board and IRG/Shreveport Business Park.

Attorney Frazier addressed a few questions regarding IRG/Shreveport Business Park. She said that they are current on their lease. They also pay \$726,000 annually for rent, and are current on that. Since the rent does not exceed the upkeep of the plant, the Commission is not receiving rent share payments, which would go towards the initial purchase price.

Attorney Frazier also explained that there are currently "no changes on the horizon" with the lease. For the first five years, part of the lease stated that if they sold the plant, they would have to return any profit over and above what is owed to the Parish. They are currently in Year Six, so those profits do not have to be returned to the Parish.

Attorney Frazier then talked about the GLOVIS status. She has no knowledge of any employees being laid off or furloughed at this time. She also explained that they are required to provide a report of the number of jobs at the year's end. If the requirements are not met, they will have to pay penalties.

Mr. Chavez wanted to know if the Parish was only contracted to them to purchase the plant. Attorney Frazier stated that was correct. The Parish would have to successfully break the lease in order for us to sell it, Attorney Frazier explained.

Mr. Atkins pointed out that the Parish's objective was to get the facility occupied and employ personnel, not to make a profit on the plant. When the Parish acquired the property, there was a long-term lease (20 years) implemented to ensure IRG would pay the overhead associated with the facility, along with annual lease payments. Currently, the Parish is receiving \$750,000 per year on a \$7.5M investment, which is a 10% return on the Parish's investment. In his opinion, this was not a bad deal. Mr. Atkins feels that IRG and Mr. Lichter were always in a better position to find international and national players to move into that 3.7M square feet facility. If the Parish did not have them in place, they would be paying \$1M per year in upkeep and the Parish would not be receiving \$725,000 in rent.

Mr. Chavez reiterated that the goal is to secure jobs in that facility, not to make a profit on the plant. Mr. Atkins pointed out that if IRG/Shreveport Business Park were not leasing the building, then the Parish would not be receiving rent payments and would have to pay for upkeep on the facility. Dr. Wilson pointed out that there are employees in the building with GLOVIS.

Mr. Lyndon B. Johnson explained that there are two different “deals” that are being “clouded together”: the deal with Stuart Lichter and the deal with Elio Motors. He further explained that Elio Motors went into the facility and purchased the equipment. Since they could not afford the equipment, they sold it. Now, there is a shell of a building with no interests in buying it. Instead of scrapping the building, the Parish stepped up and bought the building for \$7.5M. This is when Stuart Lichter came into play and became the stockholder and started paying rent. At the same time, Mr. Lichter also became a major stockholder in Elio Motors. Mr. Lyndon B. Johnson also explained that not every car assembly plant puts cars together the same way. If another company were to come in, they would need to re-tool the entire plant for their vehicles. There has not been a company to come in and do this. Mr. Lichter’s vision is to put multiple companies within the plant.

Answering a question from Mr. Linn regarding repairs and maintenance, Attorney Frazier explained that rent sharing is after they have subtracted their expenses. Mr. Linn requested a dollar amount of how much have been actually paid for rent, and how much they have written off as expenses for the building. Mr. Atkins pointed out that they wrote the Parish a check for \$726,000 for this year. Attorney Frazier agreed and said that each month, they paid \$60,500. Mr. Atkins explained that if the profits made by the facility exceeds their upkeep, 15% of those funds comes back to the Parish as part of rent sharing.

Dr. Wilson pointed out that GLOVIS International is occupying space at the plant with approximately 150 employees. He also said that there is a “turn down” in the automobile manufacturing business around the holidays where they cut back, but nobody has been let go or furloughed.

Dr. Wilson also explained that IRG spent approximately \$1M this year upgrading the fire alarm systems. The beneficiary of that has been Fire Checks Service Company. This did not cost the Parish anything.

He also stated that the Parish has an active lease before the mineral board with 500 acres, which would not have been if the Parish had not made the initial investment. He said that the latest he heard was that it would be \$400,000 in lease royalty money, with a 25% royalty per month after that. There was also 95 acres adjacent to the property that was not being utilized that is now being used by GLOVIS, International to park cars. The Parish receives \$6,000 per month lease payment on that land. Dr. Wilson has put in the request to the IDB board to provide a formal presentation regarding the outlook of the plant. Attorney Frazier provided the Commissioners with a copy of a report with all of their efforts, from the last two quarters, of trying to get people in the plant. Dr. Wilson wanted to make the Commissioners aware of all tangibles the Parish receives because of this deal with the plant.

Attorney Frazier pointed out that they reported through the third quarter in 2018 approximately \$2.4M in expenses at the plant.

Answering a question from Mr. Cawthorne regarding penalties for employment at the plant, Attorney Frazier stated that was still in place.

Mr. Chavez said that the dilemma is providing jobs for the community via the plant. Mr. Chavez wanted to know the job requirements and stipulations for the plant. Attorney Frazier stated that it is not a specific amount, but there is a dollar value per job. For each of those jobs, it would be discounted from the ultimate purchase price plus the 8% interest.

Answering another question from Mr. Chavez regarding the equipment that was sold inside the building, Dr. Wilson stated that the Parish never owned the equipment. Mr. Lyndon B. Johnson explained that Elio Motors bought the equipment from Racer Trust. Elio Motors did not have the capital to

buy the building or the equipment, so they took out a bank loan for the equipment. The shell of the building then became available.

Answering another question from Mr. Chavez regarding the building itself, Attorney Frazier stated that NLEP and LED has contacted the Parish in the past when they come across someone who will be a good fit for the building. Mr. Martinez said that the most promising was a company with a 4,000-job employer. It was leaked in the public, he said. A European automaker seriously considered the plant. A startup electric car company looked at the building. That company ultimately went to Nevada because they already had some turnkey incentives. There have been several groups who looked at the building.

Mr. Martinez also pointed out that Northwest Louisiana lost two different centers due to inventory taxes. He stated that another company went to San Antonio because they thought it would be harder for a place the size of Shreveport to retain 3,000 employees. Mr. Chavez suggested to “knock out the issues” that are keeping these companies from coming to Northwest Louisiana. Mr. Martinez said that it is an issue with Louisiana due to our tax structure. Mr. Chavez requested a list of all companies that “turned us down” and the reasons for this.

Mr. Lyndon B. Johnson pointed out that Caddo Parish has several buildings, i.e. AT&T Building, paper plant, etc., that has shut down and needs to have jobs back in those facilities.

Mr. Atkins moved onto the next New Business item: *Discuss agreement between NLEP and the Caddo Parish Commission*. He turned the floor over to Mr. Scott Martinez, NLEP.

Mr. Atkins reminded the Committee that there are two agreements with NLEP: \$50,000 agreement for the baseload for economic development, and a \$125,000 agreement for a Caddo Parish focused Economic Development person.

Mr. Martinez explained that NLEP is a 14-parish regional economic development organization. He also said that the genesis behind hiring the Caddo Parish Economic Development person was because SEDA did not come into fruition, and the Parish was trying to fill that void. He also pointed out that NLEP was created to be a regional economic development entity. Mr. Martinez also explained that no other parishes asked for a designated economic development person for their parish. That was only a conversation with Caddo Parish, and it was not a matter of opting in or opting out, he said.

Mr. Martinez provided a handout of all the parishes within NLEP who provides funding to them. He explained that the revenue streams for NLEP are distributed between the public and private sector entities. NLEP has over 200 funding partners in North Louisiana, with the largest being CenturyLink in Monroe.

NLEP has had a struggle with equity among the parishes. Some parishes has given more historically than other public bodies. Last year, NLEP developed a funding formula that was based on population for parishes and municipalities. The formula is .15 per capita; for municipalities, it is .50 per capita.

Mr. Lyndon B. Johnson pointed out that Caddo Parish has three municipalities: Shreveport, Vivian, and Greenwood. He said that Caddo Parish was being “triple dipped”. Mr. Martinez explained that this was a formula as a base for the ask for funding.

Mr. Chavez wanted to know if there was formula for the private sector entities. Mr. Chavez further explained his question, “if the most of the funding is coming from Monroe, for example, is that where NLEP fuels most of its efforts?” Mr. Martinez stated that the efforts is market driven. NLEP shows all of the available locations and sites that may be appealing to a company and allow them to choose. He also said that they are exclusive to the boundaries of the 14-parish region.

Mr. Chavez also wanted to know the basis for the formula. Mr. Martinez explained that it is based on fixed costs for budgetary needs as well as current funding from entities. Mr. Chavez wanted to know NLEP's budget. Mr. Martinez stated that the budget has been cut the past few years and is currently at about \$1.5M.

Mr. Martinez also explained that the State of Louisiana is broken up into eight regional economic development groups: NLEP, Northeast Louisiana Economic Alliance, Central Louisiana, Southwest Louisiana, One Acadiana, Baton Rouge Area Chambers, Southwest Louisiana, and Greater New Orleans, Inc.

Mr. Chavez wanted to know if the eight regional economic development groups are having discussions regarding the Louisiana tax structure. Mr. Martinez stated that they have a lobbyist, Mike Michaud, who goes to the Legislature and lobbies on behalf of the eight groups.

Mr. Atkins believes that the Parish receives a good value for the base rate of the portion of the agreement with NLEP. Mr. Atkins would like some discussion regarding the Caddo Parish Economic Development person.

The most recent copy of the CEA with NLEP was provided to the Committee. It focused primarily on the role of NLEP in hiring, compensating, and supporting a Parish-Dedicated Economic Development professional. While the agreement references some reporting requirements, there is little detail around the specific activities that might be expected from this individual. Misalignment of expectations and poor communications between both parties has led to discontent on both sides of the agreement.

Mr. Middleton understands that Ms. Dudley travels on behalf of the Commission. Dr. Wilson explained that they requested that Ms. Dudley go to the State Convention to see if she could make some contacts. Mr. Martinez said that she attended NACo and LMA. Ms. Dudley also attended the Site Selectors Guild. Mr. Atkins asked if that was on behalf of the Parish or NLEP. Mr. Martinez explained that Ms. Dudley's role was unique because everything that she did was myopic to Caddo Parish and Caddo Parish initiatives. She only worked on initiatives for Caddo Parish, not the other 13 parishes that NLEP represents.

Mr. Atkins provided the Committee with options to improve economic development with the Parish. He said that there are varieties of adjustments that may be pursued to better address Economic Development for the Parish, ranging from modest to substantial.

The Parish could modify the existing agreement with NLEP. A new agreement should provide Parish-specific objectives and scope of services for a new Economic Development Professional, including business recruitment, business retention and expansion, Small & Emerging Business Development, etc. This individual would be a key liaison and resource for businesses seeking to move to or grown in Caddo Parish. Some of the advantages include leveraging existing economic development capacities, and it is the most cost effective. Some of the disadvantages include NLEP has a broad geographic mission, so the Caddo Parish Resources could be misallocated to the larger NLEP mission.

Mr. Martinez stated that he is also not comfortable with the contract. Some of his discomforts include the management of the staff person. He explained that historically, individual Commissioners were going to the staff person and not through Mr. Martinez and Dr. Wilson, as the contract states.

Another option for the Parish could be to establish a Resource Sharing Agreement with another local organization. It may be possible to pursue a relationship similar to the recent NLEP relationship with a local entity that is more geographically focused on Caddo Parish. The BRF and the Chamber of Commerce may be interested in such a relationship. Some advantages of this option include that it may be more geographically focused; may be able to leverage existing economic development capacities, and it could be fairly cost effective. Some of the disadvantages of this option include new

learning curve would have to be climbed; new entity will have a broader organizational mission; and Caddo Parish Commission resource could be misallocated to larger organizational mission.

Another option for the Parish could be to form an Economic Development Office with the City of Shreveport. In 2012, the Parish and City invested a significant amount of time and energy into forming the Shreveport-Caddo Economic Development Authority (SCEDA). This organization was focused entirely on Shreveport/Caddo economic development, and was staffed with an executive director, project manager, and administrative assistant. SCEDA was to report to a 10-person board appointed by both the Council and Commission (5 each). The annual budget was projected to be \$1M per year, evenly split between the two governing bodies. This structure would be similar to the current MPC. An advantage to this option would be a clear and focused mission. Some of the disadvantages would be complex organization, could become very political, not able to leverage a larger organization, and it is an expensive option.

Mr. Chavez suggested that the Committee wait about a month to see what the City is going to do with their economic development team. Mr. Atkins agreed.

Dr. Wilson explained that Ms. Dudley aggressively went after companies to occupy the industrial parks. He also said that if the Commission would like a person to go after retail, restaurants, business building capacity, etc., then it might be more practical to have more than one person go after all of these avenues. Dr. Wilson said that the Commission needs to evaluate what is really wanted for economic development.

Mr. Lyndon B. Johnson stated that about thirty years ago, Shreveport was a manufacturing sector. After a while, those jobs left and was replaced with service jobs. He said that service jobs do not pay as well as manufacturing jobs. Mr. Lyndon B. Johnson also explained that there are several circumstances that are hurting Shreveport, i.e. poor education system, crime, poverty, etc. He said that these need to be fixed to better entice companies to come to Shreveport.

Mr. Lyndon B. Johnson also pointed out that the only issue he had was with the reporting and the breakdown of the funds spent. He said that he did not receive that information when asked.

Mr. Martinez stated there are several organizations that handle different areas, such as EAP with entrepreneurs, Small & Emerging Businesses, etc. He explained that the NLEP is not set up to handle small businesses. Mr. Martinez suggested that there be better communication and possibly a coordinator between those different organizations.

Mr. Cawthorne suggested to partner with the City of Shreveport to see what they are doing, so "the Parish and City are on the same page".

Mr. Linn stated explained when the City and Parish were discussing forming SCEDA, both parties bought into it 100%. The City and the Parish both stepped back when the City Mayor put "an overlay on it where every decision made had to go through them". Mr. Linn also said that the previous documents with SCEDA are still good. He thinks, "A lot of the pieces to the puzzle are already on the table, we just have to put them together". Mr. Atkins stated that SCEDA is an option to consider, but so is a coordinator role that Mr. Martinez was suggesting.

Mr. Lyndon B. Johnson pointed out that SCEDA would be more focused on Caddo Parish and the City of Shreveport. He believes that it is a better fit for what the Commission is looking for.

Mr. Chavez pointed out that no one is disgruntled with Ms. Dudley's work.

Dr. Wilson suggested that everyone read Mr. Dodd's report regarding SCEDA and economic development for this area.

Mr. Atkins summarized that the Committee will keep the current agreement with NLEP for

the \$50,000 baseload. He also suggested the Committee to think about the other options for economic development for this area.

There was no further discussion, meeting adjourned.

 /s/Todd Hopkins
Todd A. Hopkins
Commission Clerk