TO: City Council Members

FROM: Russell Weeks
Public Policy Analyst

DATE: February 26, 2015 at 12:40 PM

RE: FOREIGN TRADE ZONE NO. 30

Council Sponsor: Not Applicable – Information Only

VIEW ADMINISTRATION’S PROPOSAL

ISSUE AT-A-GLANCE

Goal of the briefing: To familiarize the City Council about a federal program two businesses plan to use to expand an existing business or locate in Salt Lake City.

According to the Administration, the program will have no effect on Salt Lake City’s budget for at least a year.

Salt Lake City is one of many U.S. cities that have foreign trade zones, but it is the only city in Utah. The reason for that is Salt Lake City International Airport is the state’s only port of entry designated by the U.S. Customs and Border Protection Service.

A foreign trade zone is a secure area under the supervision of U.S. Customs Service that is considered outside the customs territory of the United States for the purposes of duty payment, according to the 75th Annual Report of the Foreign Trade Zones Board. In an area designated as a foreign trade zone domestic and foreign merchandise may be moved into a zone for operations such as storage, exhibition, assembly, and manufacturing. The Foreign Trade Zones Board is an arm of the U.S. Department of Commerce.

Under the federal program Salt Lake City is the “grantee” of the foreign trade zone. As the grantee, Salt Lake City must apply to Foreign Trade Zones Board on behalf of companies that want to participate in creating a zone – or in the matters involving the two companies – creating “subzones” that fall outside the existing foreign trade zone.
The two companies are Redwing Shoes, which plans soon to open an expanded facility at its location at 1841 South 5070 West, and Oemeta, a German firm that manufactures a variety of industrial lubricants. Oemeta last year announced that it planned to build a manufacturing plant. It has purchased property in Salt Lake City and tentatively plans to open in the fall, according to the Community & Economic Development Department. The department is preparing an application for the company to become a subzone.

POLICY QUESTIONS

1. The Administration transmittal says companies within a foreign trade zone have to pay a schedule of the City’s costs to administer the program. However, the transmittal recommends the City forego fees for a year so the Department of Community & Economic Development can determine the actual costs the City incurs. Does the City Council agree with the recommendation?

2. If the City Council agrees with the transmittal’s recommendation, would the Council like the Administration to designate a specific date, such as one calendar year, as part of amendments to the consolidated fee schedule?

3. The transmittal also indicates that Salt Lake City’s foreign trade zone operates as a “traditional” foreign trade zone. However, the Foreign Trade Zone Act allows an “alternative framework site” that allows faster application processes. Would it be in Salt Lake City’s interest to pursue the alternative framework site?

4. Under the traditional and alternative framework sites, federal law allows the creation of sub-zones outside the boundaries of the current foreign trade zone site, including sites as far away as 60 miles. A 60-mile radius clearly creates the potential for other sub-zones to be outside Salt Lake City’s limits. What effect, if any, might creating multiple sub-zones have on the current Foreign Trade Zone No. 30, owned by the Rockefeller Group Development Corporation?

5. If a company outside Salt Lake City limits applied for a sub-zone designation, would the City be required to charge the same administrative fees, or would there be additional costs incurred to prepare and process an application for a sub-zone outside the City limits?

ADDITIONAL & BACKGROUND

Salt Lake City has had two foreign trade zones since 1977. One was deactivated in 1996. The other was created in 2008. The interest by one company in expanding and one company in locating in Salt Lake City might indicate a renewed use of the foreign trade zone as a tool to develop areas zoned for manufacturing.

As indicated, Redwing Shoes’ property has been approved as a foreign trade zone sub-zone, and Oemeta is seeking designation as a sub-zone to Foreign Trade Zone No. 30. The zone is a roughly 55-acre parcel near 1100 South and 4800 West. The land is immediately south of the Union Pacific freight intermodal hub, and is owned by the Rockefeller Group Development Corporation. The parcel has yet to be developed. However, research on another issue indicates that land zoned for industrial and manufacturing uses in the Salt Lake Valley lies largely in Salt Lake City and in unincorporated Salt Lake County and is projected to be built out soon. Projected future population growth will make industrial and manufacturing sites premium property.

According to the Administration transmittal, federal law allows “sub-zones” to be created if they are within a 60-mile radius of a foreign trade zone. Redwing Shoes received the designation as part of its expansion of its current facility. As indicated, Oemeta plans to open a plant in Salt Lake City, and Community & Economic Development is preparing the company’s application to be designated a subzone.

According to the Administration, economic development is the main benefit to cities with foreign trade zones. They are particularly attractive to companies involved in retail, medical supplies and devices, consumer goods, electronics, and other industries. It might be noted that in 2013 the top 25 companies
involved importing merchandise and the top 25 companies for exporting merchandise were oil companies and automobile manufacturers.\textsuperscript{6} Other items either imported or exported included consumer electronics, textiles, footwear, optical, photographic and medical instruments, beverages and spirits, and fragrances and cosmetics.\textsuperscript{7}

**File Location:** Economic Development, Northwest Quadrant

**Cc:** Cindy Gust-Jenson, David Everitt, Margaret Plane, Jennifer Bruno, Jill Love, Mary De La Mare-Schaefer, Jessica Thesing, Angela Dunn, Shawn Beus

\textsuperscript{1} 75\textsuperscript{th} Annual Report of the Foreign Trade Zones Board to the Congress of the United States, August 2014, preface.  
\textsuperscript{2} Report to Congress.  
\textsuperscript{3} Grantee Resolution Foreign Trade Zone No. 30, January 16, 2008.  
\textsuperscript{4} Transmittal Letter, Mary De La Mare-Schaeffer, September 24, 2014, Page 1.  
\textsuperscript{5} Transmittal Letter, Page 4.  
\textsuperscript{6} Report to Congress, Page 7.  
\textsuperscript{7} Report to Congress, Page 8.
No matter the size, shape, or business occurring inside the box, it is next to impossible to deny Utah's role in what appears to be an epic, big box industrial revolution. In drawing a correlation to the first Industrial Revolution, it was human innovation that ultimately transitioned manufacturing from hand production methods to machines. Almost every aspect of daily life was influenced in some way. Today, technological and economic progress are creating a new form factor for manufacturing. Market demand for real-time product delivery, modernized supply chain management, next-generation technology, sustainable design, and clean energy are rapidly revolutionizing Utah's commercial industrial sector and all of the processes that go along with it. And, the fact that Utah is at the intersection of all major roads leading to all points in the West, it becomes easy to understand why the state's industrial market is at a literal crossroads. Utah is central to all the major metropolitan areas in the Western United States, including five seaports, and Mexico and Canada. According to a recent EDCU industry overview, key factors that support the state's distribution hub profile include: an extensive freeway system with approximately 43,155 miles of highways and roads, a major rail system comprising 1,400 miles of railroad track that stretches across the state, and an international airport handling more than 695 million pounds annually of air cargo and air freight. In 2013, more than 20 million passengers flew through Salt Lake City, representing a 0.41 percent increase over 2012. According to Airports Council International, for 2013, the airport was the twenty-first busiest airport in North America by passenger count.

The Access Factor

Located on 100 acres in American Fork just off Interstate 15, the Class A industrial North Pointe Business Park demonstrates the importance of easy access to Utah's transportation corridor. No one knows North Pointe Business Park better than industry veteran Mike Roderick, president and owner of Roderick Realty Services, a Utah-based commercial real estate brokerage and property management company. "Easy access on and off the roadways is critical. North Pointe is situated less than a mile from two exits, making the business park ideal for employees as well as incoming and outgoing product shipments," said Roderick. Buoyed by market demand for industrial product, Roderick is confident that North Pointe #1, a spec project comprising 145,500 square feet, will be fully leased by March 2015. North Pointe #2, a divisible 192,000 square foot building, is already fully leased to Consolidated Electrical Distributors and Power Innovations, a subsidiary company based in Singapore that manufactures mobile supply sources.
Located across the interstate from South Towne Mall and Sandy City Hall, Roderick's Pheasant Hollow Business Park offers an equal level of on- and off-ramp convenience as well as nearby access to retail amenities. Pheasant Hollow tenants represent a broad range of industry verticals, including: medical, building, and dental supply companies; as well as a high-tech healthcare businesses, among others.

While there are abundant reasons for building near the north-south corridor, more than a few municipalities and developers draw attention to the 196.3-mile-long lateral route across the state. Tooele, just south of Utah's Interstate 80 multi-modal corridor, for example, is a 30-minute drive from the Salt Lake International Airport and a 35-minute commute to downtown Salt Lake City. Major outdoor retailer Cabela's recently took note of this locale and is constructing a 600,000 square foot distribution center in Tooele that is expected to begin operations in mid-2015.

The Ninigret Group identified and helped foster Salt Lake City's leading role as a distribution hub when it purchased a 178-acre parcel just off Interstate 80 in 1994. Ninigret expanded the development on an adjacent 405 acres, making it at the time the largest industrial development in 30 years.

Among their other industrial projects throughout Northern Utah, today Ninigret markets approximately 400 acres of industrial land and buildings in Tooele. Staying true to this east-west corridor location, the parcel includes three separate buildings comprising 377,000 square feet of industrial / warehouse space and rail services for tenants.

**Changing Tenant Type**

While Utah’s transportation-friendly geographic proximity mixes well with the state’s pro-growth interests, there is much more to Utah’s industrial sector than meets the eye. This segment of Utah’s commercial real estate market is taking advantage of an operational shift occurring in C-suites across the nation. Of late, boardrooms are moving down a few stories from their Main Street lofts to centralize their business’ entire operation in what was formerly deemed “the warehouse.”

“We are witnessing a dramatic change in the way distribution and commerce is managed in America,” explains Price Realty Group (PRG) Owner and President Steve Price. “Utah is indeed at the forefront of an industrial distribution center revolution. The tenant profile has expanded and evolved. Utah is fast becoming a premier location for businesses seeking a modernized logistical footprint from their front of house operations to the back end.”

Add to the mix Utah’s strong work ethic, unsurpassed outdoor recreation opportunities, a business-friendly climate, a bucket of tax credit incentives, and the rising prominence of Utah’s technology sector, and one can see that the industrial market is prime to take advantage of this business trend.

The integration of all operations under one roof provides a “full employment stack” at one location. This includes high-end positions too. The chiefs and the presidents are no longer removed by physical location from a company’s warehouse or logistics staff.

Price continues, “Technology has changed everything. In today’s warehouses, you will see e-commerce, m-commerce, retail, logistics, fulfillment, supply chain management... you name it.”

Today, many leading distribution businesses hang their shingle in Utah, including: 1-800 Contacts, Backcountry.com, and Overstock.com; several more prospects are on the horizon.

In Price’s opinion, change and disruption are among the biggest issues facing Utah’s industrial sector. “This is fact-based,” says Price. “Office and warehouse components are being forced to merge. If you visit Price’s California Avenue Buildings I, II, III, and IV today, you will find businesses with integrated marketing, social media, business development, sales, engineering, supply chain logistics, and legal departments. This is just a more efficient way to do business.”
Such is the case with companies like FANZZ, a tenant in the Price portfolio. Price explains that just 36 months ago, the Larry H. Miller Company supplied approximately 80 FANZZ retail stores. Today, all of the company’s critical business functions operate under one roof to supply more than 120 stores nationwide. FANZZ continues to grow and expand as the fulfillment business grows. Engineering and accounting used to be in the Miller corporate office or in downtown Salt Lake City; but not anymore.

Medical device businesses, such as PRG tenant Edwards Lifesciences, are also drawn to the area. “This same trend is happening in copper, wire, cable, food services, plastics, aerospace, medical device, life science, nutraceuticals, and more. It is an exciting time for the Utah industrial market. The opportunities appear endless especially for those who are able to think outside-of-the-box when it comes to maintaining a turnkey business,” emphasizes Price.

Then and Now

Having represented the state’s economic and business development interests for 12 years, Layton Construction’s Director of Marketing Alan Rindlisbacher witnessed the industrial shift firsthand. “What we are seeing today is a culmination of four decades of development in Utah. Back in the 1980s, commercial real estate was about a $1 per square foot. We used to battle with Reno, Las Vegas, and a little with Phoenix too for market share. We touted that Salt Lake City was the ‘Crossroads of the West’ and it has come true. Salt Lake has truly become a coveted distribution center destination.”

Actively engaged locally, Layton constructed a new 50,000 square foot facility for Quartzdyne, a manufacturer of pressure and temperature transducers for deep oil well exploration and drilling. Quartzdyne had outgrown its prior facility in Taylorsville, Utah, and moved all production and 80 employees to the new location, which is 33 percent larger than the old building. The new facility sits on six acres and has the potential to expand to more than 70,000 square feet.

With excellent access to Bangerter Highway and State Route 201, another prominent east-west corridor, the Quartzdyne building was part of the first phase of DLM Development’s mixed-use industrial project at 201 Commerce Center in West Valley City.

Responding to economic forces directed by the new distribution center economy, a joint-venture between real estate investment manager Clarion Partners and DLM Development is underway for phase two at 201 Commerce Center. The new development features dock high and grade-level loading, providing flexibility and usable designs to accommodate showroom, office / warehouse, and distribution businesses. The project is being constructed to meet rigid environmental standards and will be Utah’s largest sustainable industrial park at 1.2 million square foot when fully built out.

New Design Direction

As these and other distribution centers are constructed along the Wasatch Front, the overall interior and exterior designs will change as well. Some, like Price, believe buildings will get taller over time in urban communities to meet the demand of these densified areas and take advantage of light rail, clean technologies, and other efficiencies. For the Quartzdyne building, Layton utilized tilt-up construction, a method in which concrete wall panels are cast on-site and tilted into place.

Additional shipping and truck capacity together with increased staff also means more power and parking. These significant project requirements taking place at today’s industrial warehouses are in turn expected to improve and advance the footprint of distribution center design in Utah and nationwide.

The industrial building is also no longer just a big empty box full of shelves with eight workers but can now involve dramatic office spaces for front-of-business operations. Clarion’s 201 Commerce...
Center for instance, offers a combination of state-of-art office space, trailer storage, ESFR (early suppression fast response) sprinkler systems, and the ability to customize racks to achieve increased warehouse capacity.

Making sustainable big box design a reality, Big-D Construction has repeatedly met and surpassed developer and tenant expectations at the massive Freeport West complex on the west side of Salt Lake City. A series of large warehouse and distribution structures modernized to meet today's just-in-time expectations, Freeport West also incorporates multiple sustainable design features including high-efficiency lighting and water-efficient landscaping, which provide additional value and energy savings to Freeport West's future tenants. For greater long-term preservation during construction, Big-D used rotomilled asphalt for reuse and implemented a construction waste minimization approach. And, to ensure economic factors were fully optimized during all Freeport West projects, Big-D Construction minimized energy use from travel by using locally purchased materials and employing local laborers.

The new design perspectives being adopted today by Utah's commercial real estate community—from broker to developer to contractor—are not just necessary in meeting today's real-time demand, but are visionary in supporting Utah's economic success well into the future.

Steve Price agrees: "Today you can just about run your entire life off of an iPhone. With this level of immediacy and speed at your fingertips, it's no surprise the warehouses we are building have to be smart. When you integrate smart big box design from the ground up, everyone wins."

**Working the Changes with Municipalities**

Land prices, fees, and ordinances play a role in the ongoing strength of Utah's industrial landscape. According to Roderick, "Impact fees and the cost variances between cities can be very frustrating. For instance, West Jordan fees are triple than what we paid in Sandy."

One of the problems appears to be how cities are calculating impact fees when it comes to new big box industrial development. Exceptions to the rule by city seem to be an underlying theme. As office space and warehouse combine, the costs associated with this integration become gray.

"What some of these cities and commissioners don't appear to realize is that the businesses leasing these blended office / warehouse spaces are being taxed by the very same cities," said Roderick. "The medical and building supply tenants generate a really nice sales tax for the cities. I just wish this was more top-of-mind when it comes time to discuss impact fees."

As a current example, West Jordan's impact fees are almost double that of South Jordan and American Fork, yet West Jordan has been actively building its infrastructure for the past 20 years. "It would seem that costs should drop due to efficiencies and time, incentivizing developers to build product, especially when there's such great demand," said Roderick.

**The Warehouse of Tomorrow**

Most will agree that big box industrial development will continue to remain on an upswing into 2015. However, locating large-footprint distribution centers in Utah's established yet broadening distribution market will mean contending with higher land values and infrastructure investment costs, both of which could decrease development profitability. As pointed out by Price Realty Group, higher density and more vertical development must be considered in order to keep this type of industrial development in urban surroundings—and close to consumers. As these dynamics take effect, industrial buildings will require continued attention to exterior aesthetics and interior design features.

While retaining the state's high ranking as a primary distribution hub to major Western cities and states, employers will also need to continue to ensure easy access for Utah's growing workforce.
TO: Salt Lake City Council  
Charlie Luke, Chair

DATE: September 24, 2014

FROM: Mary DeLaMare-Schaefer, Acting CED Director

SUBJECT: Foreign Trade Zone # 30

STAFF CONTACT: Jessica Thesing, Economic Development  
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BUDGET IMPACT: N/A

OVERVIEW: Two businesses, Red Wing Shoes and Oemeta, are requesting sponsorship from Salt Lake City Corporation, as the Grantee under the existing Foreign Trade Zone (FTZ) 30 to expand the FTZ into subzones. Their businesses will be located within the 60 mile radius of FTZ 30, as required by the U.S. Department of Commerce. Red Wing Shoes has submitted a completed subzone application and Oemeta will be submitting a subzone application within the next 12 months. Prior to sponsoring a subzone application for either business, Salt Lake City Corporation must establish a Zone Schedule, which describes the City’s fees for all FTZ-related applications.

The purpose of this transmittal is to discuss FTZ's in general terms, brief on the status of FTZ 30, update the Council on the Economic Development Division’s proposal for a Zone Schedule, and outline a process for responding to recent requests. The Economic Development Division is prepared to give a briefing upon the Council's request.

BACKGROUND/DISCUSSION: The Economic Development Division recommends that Salt Lake City Corporation utilize an existing Zone Schedule produced in consultation from the Rockefeller Group dated June 1st, 2009, provided, however, that the Economic Development Division recommends charging no fees for the first year of
FTZ operation. The Economic Development Division intends to submit this Zone Schedule to the Foreign Trade Zone Board of the United States Department of Commerce in order to sponsor Red Wing Shoes and Oemeta to create subzones without additional fees to Salt Lake City as the Grantee. After the first year, the Economic Development Division will compile and calculate the direct and indirect operating and administrative costs, create a revised Zone Schedule, and bring the revised Zone Schedule to the Salt Lake City Council for review and adoption.

In order for the City to begin the process of sponsoring subzone creation, it must first produce a Zone Schedule. Since the Economic Development Division is recommending zero fees for the first year, no Council action is required before the draft Zone Schedule is submitted to the Foreign Trade Board for approval.

**Foreign-Trade Zone (FTZ) Overview** - A foreign-trade zone is a designated location in the United States where there are delayed or reduced duty payments on foreign merchandise, as well as other savings. These zones are created in the hopes that importers, manufacturers and distributors will locate in the United States, instead of outsourcing internationally. Foreign-trade zones promote U.S. participation in international trade and commerce. Salt Lake City currently has FTZ 30, which is a 55-acre piece of property located at 1105 South 4800 West. Oemeta and Red Wing Shoes both would like to obtain FTZ status for properties outside of the 55-acre parcel, and can achieve this through either a subzone application or an alternative site framework. Both are described below.

**Background of SLC’s Foreign Trade Zone** - The Salt Lake City FTZ 30 is a general purpose zone and a public-private partnership between Salt Lake City and The Rockefeller Group, a national FTZ developer. The original FTZ 30 operated from May 26, 1977 until 1996 in Salt Lake City’s International Center. However, the FTZ was deactivated in 1996 due to an apparent lack of use. Most recently, FTZ 30 was re-designated through Board Order 1606, dated February 13, 2009. In this Board Order, the Foreign-Trade Zone Board approved the reorganization and expansion of FTZ 30 through a public-private partnership between Salt Lake City and the Rockefeller Group. Under this agreement, Salt Lake City is the grantee of the FTZ designation on a 55 acre site located in Salt Lake and is owned by the Rockefeller Group. FTZ 30 is located between I-80 and SR 201, just west of Bangerter Highway, at 1105 South 4800 West. FTZ 30 is ideal for companies shipping product east. FTZ 30 is across from Union Pacific Railroad’s Salt Lake City Intermodal Hub.

**FTZ Alternative Framework Site Overview** - The Alternative Site Framework (ASF) is an optional framework for organizing and designating sites that allows zones to use quicker and less complex procedures to obtain FTZ designation for eligible facilities.

To reorganize under the ASF, each zone grantee will propose a “service area,” which can be as large as 2,000 acres. Once approved by the FTZ Board, a subzone or usage-driven site can be designated anywhere in the service area within 30-days using a simple application form. The ASF allows zone designation to be brought to any company that
needs it, eliminating the need for zone grantees to predict where the zone will be needed and pre-designate sites.

**Designating Alternative Site Framework**- If Salt Lake City reorganized under Alternative Site Framework (ASF), it would file a reorganization application to the FTZ Board. In this application, Salt Lake City would designate a service area of up to 2,000 acres, which could include any counties within a 60 mile radius of the port (Salt Lake International Airport), so that those counties would be included in the service area. The reorganization application, once filed with the FTZ Board, takes approximately six months to be approved and is subject to a public comment period. However, once the ASF is approved, any prospective FTZ candidate in that service area is eligible for FTZ approval with a very simple Usage Driven Site application.

A Usage Drive Site application:
- Has no fee due to the FTZ Board upon submission
- Has a 30 day approval time once formally docketed
- Is not subject to public comment period (due to the fact that the ASF reorganization application had a public comment period)

**FTZ Subzone Overview**-A subzone is a single firm site designated for a special use, outside of the Foreign Trade Zone general purpose site and must receive approval by the Foreign-Trade Zones Board. Subzones allow companies that import and/or re-export products to take advantage of Foreign-Trade Zone benefits without having to physically relocate within the Foreign-Trade Zone general purpose sites.

A Zone grantee (in this case, SLCC) may apply for subzone status on behalf of a firm when the operations of the firm cannot be accommodated within the existing General Purpose Zone. The application must demonstrate that a significant public benefit will result from the use of Zone procedures by the firm on whose behalf the proposed subzone is established.

The Foreign-Trade Zones Board evaluates the Subzone application based on the net economic benefit to the U.S. economy. Subzone status and the specific benefits granted are dependent upon the specific operations. The applicant must demonstrate that the proposed use of zone procedures is in the public interest; that is, that subzone status for the firm will result in a significant economic benefit for the U.S. economy.

**Creating Subzones**-Because Salt Lake City’s FTZ 30 is still organized under Traditional Site Framework, a subzone application is required for any importer considering the FTZ program outside the area that Salt Lake City has already received approval.

A subzone application:
- Has a $4,000 - $6,000 fee due to the U.S. Department of Commerce.
- Has a 3-5 month approval time from the FTZ Board
- Is subject to public comment period for approval
• The application has a few more data elements that are required as opposed to an application under ASF.

**Current Subzone Requests**-In 2014, two companies approached Salt Lake City about creating subzones of FTZ 30. Oemeta is a water-based cooling lubricant company, which will build a high-tech manufacturing facility in Salt Lake City. Based in Germany, Oemeta is a leader in industrial machining and will hire 58 employees in Utah and invest $5.25 million in capital expenditures. Red Wing Shoes is a 100-plus year old shoe manufacturing company already operating in Salt Lake City. The company wants to create a new subzone to expand its current operations. These recent applications have prompted Salt Lake City’s Economic Development staff to undertake this project and start the analysis process to responsibly respond. Salt Lake City’s Economic Development staff has been working with the Salt Lake City Attorney’s Office, GOED, and the Foreign Trade Zone Board of the United States Department of Commerce through this due diligence process.

**Benefits of Activating a FTZ** -The primary benefit to Salt Lake City is economic development, specifically job creation and company attraction. FTZs are particularly attractive to distribution centers in numerous industries, including: retail, medical supplies/devices, consumer goods, and apparel, electronics, pharmaceutical, and automotive. FTZs expedite international trade, provide procedures to help firms conduct international trade-related operations in competition with foreign plants, encourage and facilitate exports, help attract offshore activity, and encourage retention of domestic activity.

In the global marketplace, many companies consider moving to foreign facilities to reduce costs. The benefits of the FTZ program may be the competitive advantage that companies need to keep their manufacturing or distribution operation in the United States.

Those benefits include:
• No duties on imported goods that are later re-exported
• Delayed payment of duties on goods that enter the U.S. market
• Elimination of duties on waste, scrap and rejected or defective parts
• Ability to file single customs “entry” to reduce merchandise processing fees
• Potential streamlined delivery of incoming merchandise
• Potential for duty deferral, elimination, or reduction
• Zone-to-Zone Transfer
• Direct Delivery and Weekly Entry/Export
The Process—Salt Lake City, as the Grantee of FTZ 30, requires prospects to submit letters of interest/intent regarding planned use of the FTZ. If Salt Lake City desires to sponsor the company’s use of the FTZ, the company would then pursue FTZ designation (if necessary) and FTZ activation. In this case, both companies are seeking a subzone designation, which requires Salt Lake City’s sponsorship in the application to the Foreign Trade Zones Board. The prospect will be looking for a copy of the Zone Schedule and operator agreement from Salt Lake City so that they can understand their obligations and fees. The prospect will also be looking for the necessary grantee transmittal letters/resolutions/concurrence letters that Salt Lake City will issue to accompany their applications to the Foreign Trade Zones Board and Customs.

The Grantee is required to submit the application that the company prepares to the Foreign Trade Zones Board in Washington DC on the Grantee’s letterhead. The Foreign Trade Zones Board will communicate with the grantee directly regarding the application, such as items that need clarification, or ultimate approval. The company will follow up and provide any required information needed by the Foreign Trade Zones Board to process the application.

Costs—The Economic Development Division is recommending a no fee Zone Schedule for the first year, with a follow up recommendation to set a Zone Schedule with fees once the Economic Development Division has completed an analysis of Salt Lake City’s actual costs of administering the FTZ application process.

Costs to Salt Lake City, as Grantee, could include:

- Professional fees, if consulting is required to reorganize FTZ 30 under the Alternative Site Framework
- Staffing to organize/manage the FTZ project and specific applications for subzone status
- Membership in the National Association of Foreign-Trade Zones (NAFTZ) in order to keep abreast of changes in FTZ regulations
- Attendance at NAFTZ conferences/seminars to promote SLCC’s FTZ
- Creation of local roundtables for SLCC’s existing FTZ to provide a networking opportunity locally
- The cost of holding FTZ seminars for prospective companies in the area that may benefit from the program

The Economic Development Division is in the process of analyzing Salt Lake City actual costs to administer the FTZ program. In the meantime, the Division recommends a no-fee Zone Schedule for the first year to facilitate the Oemeta and Red Wing Shoes subzone applications.
### How to Measure Costs

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<tr>
<th>Possible Costs to Salt Lake City</th>
<th>Metrics for measuring costs</th>
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<tr>
<td>Staff to organize/manage FTZ</td>
<td>Record every hour of staff time spent on FTZ over the course of the year.</td>
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<td>Costs associated with hiring an</td>
<td>Document every invoice from a consulting firm and distinguish between one-time set up</td>
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<td>external firm to consult with</td>
<td>consultations and annual consultations.</td>
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<td>Salt Lake City on the project</td>
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<td>Membership in NAFTZ</td>
<td>A membership with NAFTZ costs $1,250 per year</td>
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<td>NAFTZ conference</td>
<td>$925 to attend conference, plus airfare and accommodations. Additionally, there is a $2000-</td>
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<td></td>
<td>$3250 for a booth</td>
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<td>Marketing and advertising</td>
<td>Research advertising firms and calculate how much staff time would be needed to recruit</td>
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**SUMMARY:** Foreign-Trade Subzones allow companies to participate in international commerce without having to relocate their business to the confines of the established FTZ. Sponsoring these subzones come at little cost to Salt Lake City and have the potential to stimulate the economy and create jobs. The Economic Development Division recommends that Salt Lake City move forward with the existing Zone Schedule, but with zero fees for the first year while Salt Lake City analyzes its actual costs to administer the program. With this Zone Schedule in place, Salt Lake City could sponsor Red Wing Shoes and Oemeta to create subzones. Activating and utilizing FTZ 30 would continue to make Salt Lake City an attractive, business friendly place for companies to locate.