

CITY OF ALAMEDA

Memorandum

To: Honorable Mayor and
Members of the City Council

From: Ann Marie Gallant
Interim City Manager

Date: September 7, 2010

Re: Pursue Activation of the City of Alameda's Participation in the City of
Oakland's Foreign Trade Zone #56 in Response to Appropriate Business
Opportunities

BACKGROUND

The United States Department of Commerce (DOC) designates Foreign Trade Zones (FTZs) at sites in or near a U.S. Customs port of entry. Goods can be brought into an FTZ without formal customs entry or without incurring customs duties or excise taxes as long as the goods are not subsequently imported into the United States. FTZs are intended to promote U.S. participation in trade and commerce by eliminating or reducing the unintended costs or obstacles associated with U.S. trade laws, and encourages jobs that might normally be shifted to a foreign country, to remain in the U.S. Activation and operation of an FTZ is under the legal authority of the DOC's FTZ Board and the U.S. Customs Service. Given the recent expansion of the North American Free Trade Agreement (NAFTA), FTZs only apply to non-NAFTA nations. As a non-NAFTA country, businesses from China pose a particularly competitive opportunity for FTZs.

An FTZ can be designated at one or multiple sites, a single building, all or a portion of an industrial park, at a deepwater port, or within an international airport. General purpose FTZs are commonly created and managed by one entity and shared by several different companies. These are usually FTZs focused on distribution and repackaging activities, not manufacturing. When a firm intends to utilize its own plant or cannot be accommodated within an existing zone, "subzone" status may be granted to the site. As of January 1999 there were 234 FTZs in the U.S.

FTZs involve three parties: a grantee, operator and user. The grantee, often a public, quasi-public, or nonprofit entity, holds a grant from the FTZ Board of the DOC authorizing the activation of the FTZ. The operator of an FTZ operates the FTZ on a day-to-day basis and is responsible for record keeping and managing the Customs process. The user is the company or companies that use the FTZ.

City Council
Agenda Item #6-B
09-07-10

DISCUSSION

The City of Oakland is a grantee of a general-purpose FTZ #56. It also has two related subzones, each consisting of a single industrial company acting as its own operator and user. The general-purpose FTZ #56 in Oakland has authority for 500,000 square feet, of which only 100,000 square feet is currently being used. The general-purpose FTZ is operated by Matson Global Distribution Services.

The City of Alameda is already considered part of the City of Oakland's FTZ #56 because it is part of the Oakland Port of Entry. The City's participation in FTZ #56 could be activated through completion of a relatively simple application to the DOC in cooperation with the City of Oakland. An application for activation of the City's participation in FTZ #56 would be site specific and not necessary until a FTZ business was identified and a specific location for a particular business within the City were selected.

Should the City elect to activate its participation in FTZ #56, it could represent an important tool for attracting international companies to the City, especially those from China. These business opportunities would create new jobs and spur business investment and activity in the City, potentially resulting in the long-term reuse of, and reinvestment in, existing structures at the former Naval Air Station Alameda and in construction of new facilities at other locations within the City. The City has already been approached preliminarily by businesses from China interested in activating an FTZ in the City.

FINANCIAL IMPACT

There is no financial impact related to this action.

RECOMMENDATION

Pursue activation of the City of Alameda's participation in the City of Oakland's FTZ #56 in response to appropriate business opportunities.

Respectfully submitted,



Leslie A. Little
Economic Development Director

LAL:dc