Item No: 7a supp
Date of Meeting: April 12, 2011

Foreign Trade Zone Briefing

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Managing Director - Seaport

April 12, 2011



Where a sustainable world is headed."

FOREIGN TRADE ZONE (FTZ)



A U.S. government **program** created in 1934

A location considered "outside" the U.S.

Used to save money & customs duty on foreign products



U.S. FTZ PROGRAM



Managed by the FTZ Board (FTZB)

Under the Department of **Commerce & Treasury**

To facilitate trade & competiveness of U.S. companies



WITHIN A FTZ LOCATION



Although FTZ's are located within the U.S., they are treated as "foreign" or "outside" the U.S.

Goods are received into the FTZ without a formal customs entry or duties/fees paid

Goods can be manipulated stored, exhibited, assembled, manufactured, and/or processed

A FTZ maintains/creates jobs in the U.S. versus in a foreign country by offering Customs process, duty, and tax savings

BENEFICIARIES & BENEFITS



Prospective <u>Beneficiaries</u>: warehouse operators, shippers, manufacturers, 3rd party logistic companies

Prospective **Benefits** to customers:

- Defer customs duties/excise taxes
- Store cargo duty free until entry
- Reduce processing/entry filing fees
- Eliminate duty on re-exported goods
- Exempt goods from state/local taxes
- Reduce customs duty on goods by assembling foreign/U.S. components into finished goods



U.S. FTZ LOCATIONS (2008 DATA)

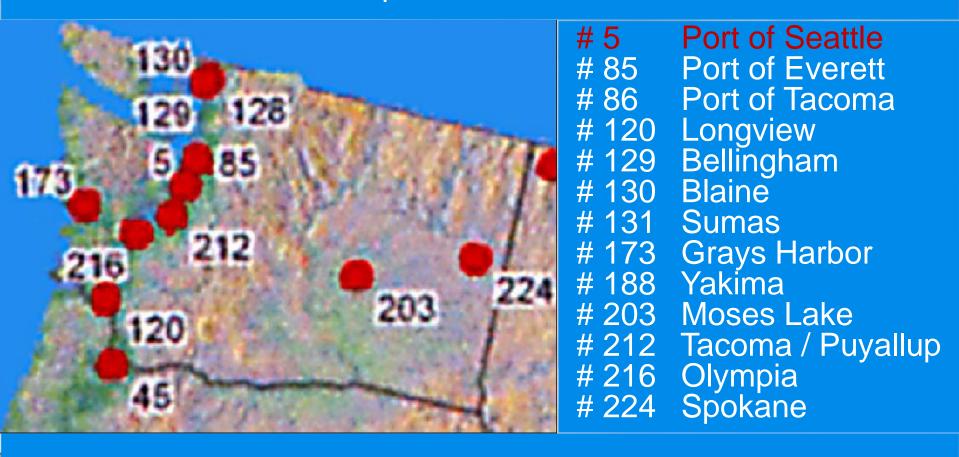




WASHINGTON FTZ LOCATIONS



13 General Purpose FTZ's and 6 Sub-Zones



Port of Seattle's FTZ authority was granted in 1949

FTZ Warehouse Models



Three primary models for operating a FTZ warehouse:

The FTZ Authority operates a warehouse directly
The Port used this model at T106-E from 1972-2002

The FTZ Authority hires a third party to operate a FTZ The Port pursued this model in 2008 without success

The FTZ Authority can designate a customer warehouse site as a FTZ via a boundary modification

The Port is successfully using this model

ALTERNATIVE SITE FRAMEWORK



U.S. FTZ Program recently added the Alternative Site Framework (ASF) to expedite application processing

Commission approved our application to reorganize Port of Seattle's FTZ #5 under the ASF in March 2010

U.S. Dept of Commerce approved FTZ #5 ASF Oct. 2010

Our ASF enables expedited processing of requests to grant use of the Port's FTZ authority at a specific site.

PORT OF SEATTLE'S FTZ #5 Port



FTZ Authority encompasses 1,391 acres in King County

5 FTZ Sites:

Site 1: 955 acres Seaport

Site 2: 436 acres SeaTac International Airport

Site 3: 80,000 sf Seattle (2 locations)

Site 4: 120,000 sf Kent (1 location)

Site 5: 167,000 sf Woodinville (1 location)

Received \$7.9 million in foreign merchandise in FY 2008



FTZ #5 ACTIVITY OCT09-SEP10



Site	Site Name	Size	Status
3	Fairn & Swanson	20,000 sf	Active
3a	Fairn & Swanson	30,000 sf	Active
4	Ozburn Hessey	120,000 sf	Not Activated
5	Wilson/Precor	3.84 acres	Not Activated

Fairn & Swanson moved \$6,768,000 in merchandise handling 37 different items from 33 countries of origin

Main categories received: vessel supplies \$1,160,000 wines & spirits \$2,227,000

Employing 15 persons, 8 of whom are full-time employees

FTZ #5 Boundary Amendment



A request to amend FTZ boundary designation to include Woodinville (Snohomish County)

Legislation was needed to service a FTZ request

SB5157 passed the House and the Governor signed on April 5, 2011. It now is law.

This legislation enables the Port to extend FTZ #5 authority to a customer warehouse in Woodinville

FTZ #5 Team & Opportunities



Customer	Size	Location	Category .
Bellegrove Medical	10,000 sf	Redmond	medical supply
Helly Hansen	190,000 sf	Auburn	sporting goods
Cabela's (UPS)	TBD	Auburn	sporting goods

Port of Seattle – Lead Oshu Go, Director Asia Business Development Enterprise Seattle – Lead Jeff Marcell President & CEO

Port of Seattle Legal Council: Tom Tanaka
Outside Legal Council: Scott Taylor, Miller & Company

Enterprise Seattle



"EnterpriseSeattle's mission is to be a "difference-maker" in the community by growing the jobs and tax base in King County..."



...by providing customized services on a confidential basis to help retain recruit or expand local businesses

In 2011, the Port has committed \$100,000 in support toward Enterprise Seattle's programs

Joe McWilliams, Managing Director, Real Estate, is a member of Enterprise Seattle's Executive Committee

MARKETING FTZ #5



The Port, and Enterprise Seattle, are actively marketing ...

Foreign Trade Zone #5 Your Competitive Edge

The Port of Seattle's Foreign Trade Zone (FTZ) #5 can give your company a competitive edge and help manage cash flow by deferring, reducing and in some cases eliminating customs duties and reducing overall operating costs.

