



THE FTZ CONCEPT

The West Valley's Own FTZ

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What is an FTZ?

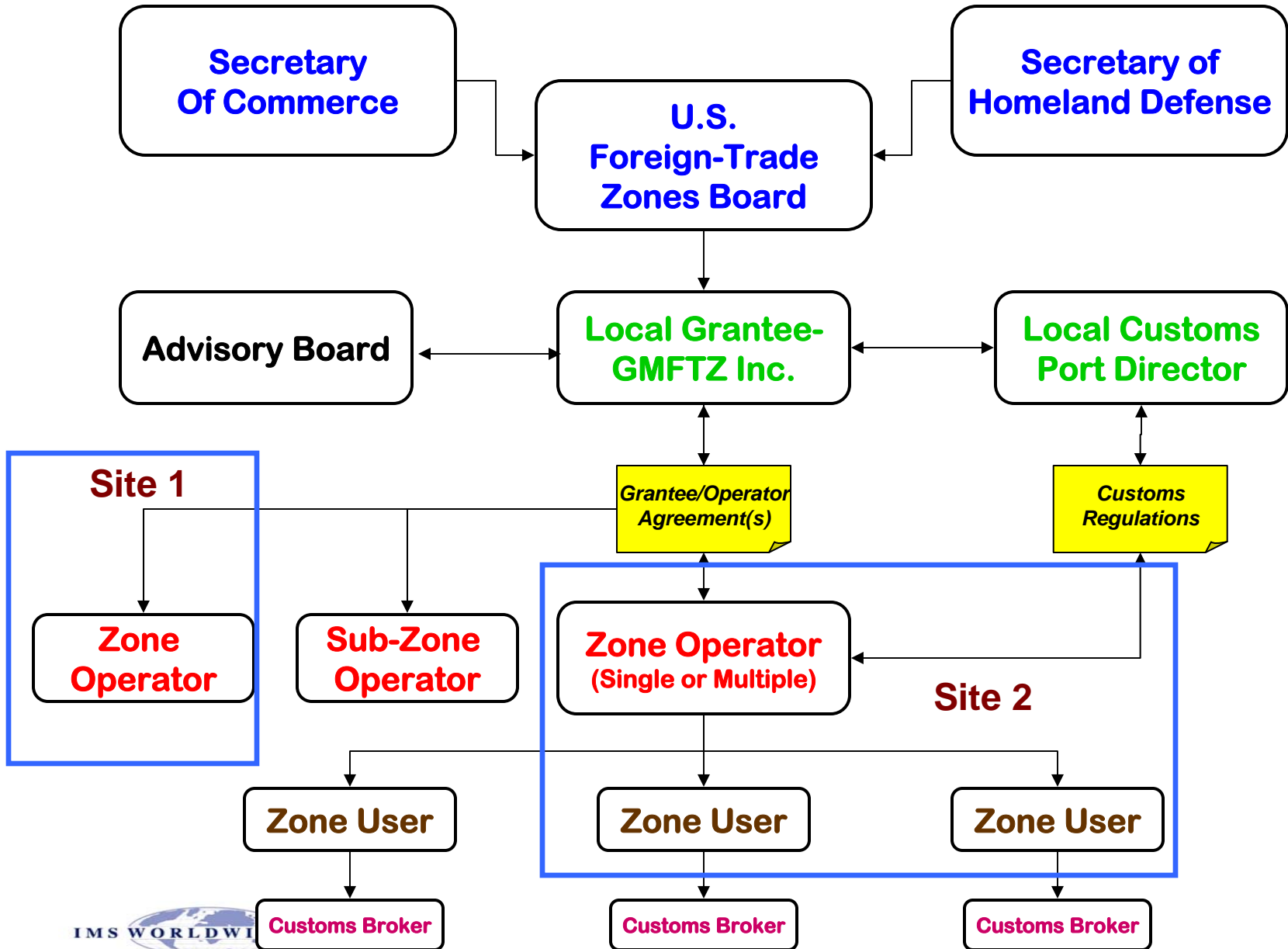
- A Foreign-Trade Zone (or Free Trade Zone) is a Federal Program, started in 1934 and in use in all 50 states today.
- The FTZ allows Federal Taxes and Fees to be lowered, eliminated, or exempt from payment.
- State taxes are lowered in OH, TX and AZ.
- Anyone – any business who qualifies can get it.



What is the structure of an FTZ?

- **Federal Approvals (Commerce and DHS).**
- **Local Approvals/Sponsorship (the Grantee and Customs).**
- **Operators (In-house or 3rd Party Operators).**

GMFTZ Authority Structure





Role of the Greater Maricopa FTZ

- Private, non-profit corporation authorized to establish and operate a General Purpose FTZ
 - provides support to Cities & Landowners
- Saves City money by City not having to pay upfront or ongoing costs
- GMFTZ will administer, market and promote the Zone's development & provide support to Users/Operators
- Membership for City on advisory board of GMFTZ

Sites in the New GM FTZ Inc. Zone





So, How does an FTZ help?

- The FTZ **speeds up the supply chain.**
- The FTZ **importing process costs less.**
- The FTZ **security is better** than other methods.

FASTER - CHEAPER - BETTER



Using the an FTZ to Cut Costs

- **MPF & Broker Savings**
- **Manufacturing, Pick and Pack, Retail Packaging of Sets**
- **Local Tax Benefits (ad valorem real property)**



How does an FTZ Cut Costs?

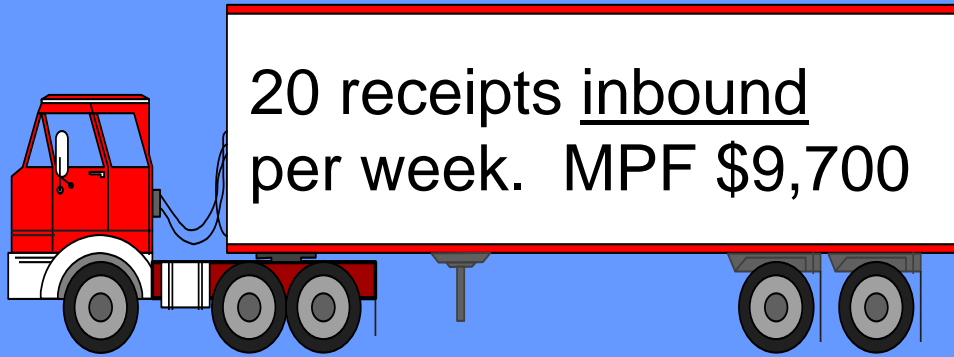
The FTZ importing process **costs less:**

- **\$300,000 to \$1,000,000 on AVERAGE:**
 - Duty Deferral
 - Duty Elimination
 - Duty Reduction
- **State Tax Reduction (TX, AZ)**
- **Merchandise Processing Fee Elimination**
- **let me explain this last step....**

Explaining Customs: The Importing Process

- CBP charges Fees to process paperwork.
- Like the PFC you pay on all Flights, the MPF fee is charged per ENTRY.
- An entry is equal to 1 Bill of Lading (BL).
- A BL = 1 Container (sometimes 2-3).
- These MPF fees Customs charges are approx \$200 - \$500 per Entry = \$10,000's per week typically.
- FTZ - Weekly Entry reduces this to \$500/WEEK!!





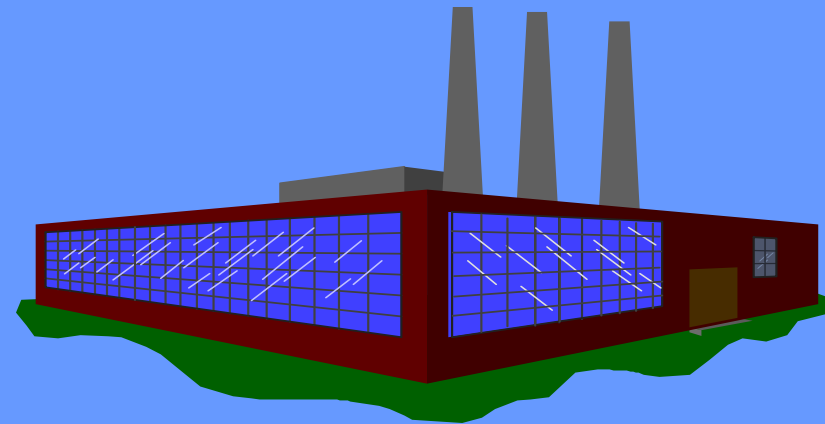
Shipments into Site

In a single week an FTZ importer can save \$9,200/week in MPF Fees, or

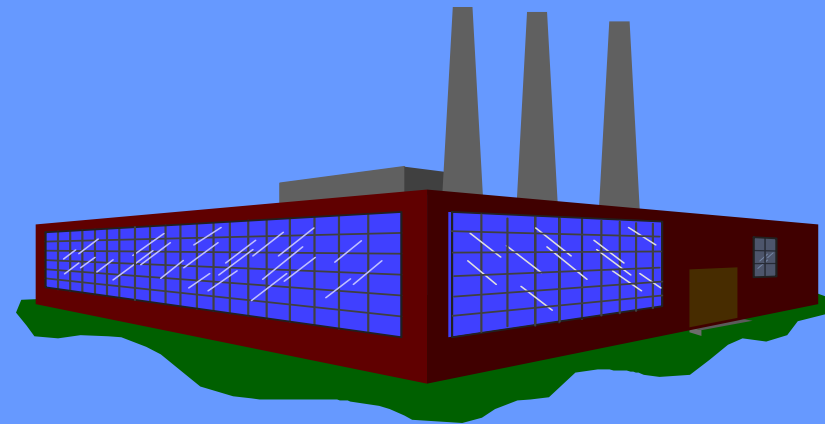
\$479,180 per YEAR!



Shipments into commerce with weekly entry.



Pre-Foreign-Trade Zone



Foreign-Trade Zone



Who Uses the FTZ?

- **FTZs are used by:**
 - **Manufacturers (oil, auto, solar, appliance, R&D, pharma, etc)**
 - **Importers (retail, consumer goods companies).**
 - **3PLs (3rd Party Logistics Providers).**
 - **REITs – Developers (as a benefit to their customers).**



Retail Importers Using FTZ's

- Dell
- HP
- Onkyo
- Winnebago
- Skechers
- Reebok
- Adidas
- IKEA (3)
- Black and Decker (4)
- Academy Sport Goods (2)
- Laufen Tile (3 DC's)
- Arizona Tile

Retail Importers Using FTZ's (primarily for MPF savings)

- Gymboree
- Helen of Troy
- Sharp Electronics
- J C Penney's
- JVC Electronics
- Pioneer Electronics
- Thompson Consumer Electronics
- Conair
- JJ Baker
- Oneida





Retail Importers Using FTZ's

- Nine West
- Coach Leather Goods
- Mercury Marine
- Sony (3) Adding 7 DC's in LA
- LA Gear
- Lexmark Printers
- Keds
- Clarion
- Abercrombie & Fitch



Using the an FTZ to Cut Costs

- **MPF & Broker Savings**
- **Manufacturing, Pick and Pack, Retail Packaging of Sets**
- **Local Tax Benefits (ad valorem real property)**



An FTZ allows me to alter Duty Rates!

- If my parts (imported) carry ANY duty at all:
- AND— my finished product which I manufacture or assemble can be imported by a competitor directly---at 0% Duty---
I CAN GET THE SAME BENEFIT!
- Whether it's crude oil, TVs, satellite dishes, solar panels, refrigerators, **WHATEVER!!**
 - **Some Restrictions Apply!!**



An FTZ allows me to alter Duty Rates!

- This “rule” works for Pick-&-Pack too!
- Example: Speakers carry 4% duty. DVD players are 0%. Home Theater Systems (ie. both boxes= speakers + DVD players) are dutiable at ZERO%
- Therefore I claim 0%.
- **For every \$10 Million in Speakers, I save \$400,000!!**



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GMFTZ Inc. Tax Policies

- Greenfield sites get 5% Re-Class, existing sites (with development) only get 5% on NEW construction or added value. Protects all current tax entity revenue.
- Same as other Valley cities with Foreign Trade Zones:
 - Mesa
 - Phoenix
- Non-restrictive on type of company that can qualify for local FTZ benefits



Tax/Economic Implications

- Assessed valuation of activated FTZ site reduces to 5% from 20%
- Additional tax revenues when compared to agricultural-use sites (\$300 per 10 acres)
- Catalyst for other development not requiring FTZ tax benefits which results in full tax rate on those businesses
- New development brings additional tax revenues sooner
- Many FTZ companies bring higher paying jobs



What is the process to get a new FTZ?

- Creation of a Grantee. Greater Maricopa FTZ Inc.
- Make an application to the FTZ Board. Submitted
- Activation of the user/importer/tenant
- Normal processing time for all this = 12 mos.



Bottom Line?

- FTZ process is now a “site requirement” 40-50%
- FTZ pays for itself at 250-300% ROI in the first year of implementation---if you Qualify.
- FTZ status is becoming a real factor in speeding up the supply chain, which for many of your customers is WAY more important than supply chain costs
- **Old Paradigm FTZ use, operations, and marketing etc. are the # 1 impediment to current FTZ use!!**



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Any Questions?