

Mayor and Council Communication

DATE: 08/06/19

M&C FILE NUMBER: M&C 19-0009

LOG NAME: 17SCHUMACHERELECTRICCORP

SUBJECT

Authorize Submission of Letter of No Objection to the U.S. Foreign-Trade Zones Board to Allow for Designated Subzone Status for Schumacher Electric Corporation Facility, Located at 14200 FAA Blvd. within Trade-Zone No.168 Site 2 (COUNCIL DISTRICT 5)

RECOMMENDATION:

It is recommended that the City Council authorize the submission of a Letter of No Objection to the Foreign-Trade Zones Board allowing for Foreign-Trade Zone tax-exemption at the Schumacher Electric Corporation facility, located at 14200 FAA Blvd., Fort Worth, TX.

DISCUSSION:

Schumacher Electric Corporation is a leading provider of battery charges around the world with eight operating locations under the company's umbrella. The Fort Worth operations include distribution at a 430,852 square foot facility located at 14200 FAA Boulevard in CentrePort Business Park.

When Schumacher signed the lease in August 2018, both the company and the property owner believed the site was within the boundary of FTZ 168 Site 2, CentrePort Business Park. Because it is not, the Company is seeking to have Foreign-Trade Zone (FTZ) Subzone Designation at its Fort Worth facility in order to receive an exemption on merchandising duties paid to the State. An FTZ is a restricted-access site in or adjacent to a U.S. Customs (Customs) port of entry. FTZs are considered outside the Customs Territory. Foreign or domestic merchandise can be stored or manufactured before formal Customs entry procedures. FTZs are a trade program established by the U.S. Congress to create jobs and facilitate international trade in the U.S.

When an FTZ application involves areas where inventory is subject to personal property taxation, federal regulations require that the applicant provide the U.S. Foreign-Trade Zones Board with a statement regarding the views of the local taxing authorities with respect to the impact of the tax exemption that would result from FTZ activity. As a result, the Company has requested that the City provide the Board with a Letter of No Objection as to FTZ activation at its facility at 14200 FAA Blvd. Schumacher Electric Corporation will serve as the FTZ operator over the this facility, therefore; the Letter of No Objection will be submitted specifically on behalf of Schumacher Electric Corporation.

The company is expanding its Fort Worth operations by closing a distribution site located in Hoopeston, Illinois. Schumacher estimates the proposed non-tax inventory value to be approximately \$5,000,000.00. Therefore, the facility is estimated to generate about \$85,000.00 in ad valorem City taxes of which \$13,000.00 would be exempt given FTZ approval.

The company will utilize a one distribution site model by growing it's 30 plus employee operation. The company will hire 15-20 more employees for the Fort Worth facility by the end of 2019.

This project is located in COUNCIL DISTRICT 5.

A Form 1295 is not required for this contract because: This M&C does not request approval of a contract with a business entity.

FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies that upon approval of the above recommendations an estimated \$13,000.00 in city ad valorem taxes will be exempt annually. This amount will be included in the City's future Fiscal Years financial forecasts.

Submitted for City Manager's Office by: Susan Alanis 8180

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