

City of Fort Worth, Texas

Mayor and Council Communication

DATE: 10/15/19

M&C FILE NUMBER: M&C 19-0216

LOG NAME: 17ALLIEDELECTRONICFTZ

SUBJECT

Authorize Submission of Letter of No Objection to the U.S. Foreign-Trade Zones Board to Allow for Trade-Zone No.39 Site Designated for Allied Electronics Inc., Facilities Located at 7151 Jack Newell Blvd. (COUNCIL DISTRICT 4)

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 Allied Electronics Inc., facilities located at 7151 Jack Newell Blvd. South, Fort Worth, TX.

DISCUSSION:

Allied Electronics, Inc., is a high-service level authorized distributor of industrial automation products, electronic components, and electromechanical products with sales offices serving the Americas. The Fort Worth operations include distribution at a 357,000 square foot facility located at 7151 Jack Newell Blvd. South, Fort Worth, TX. This facility employees approximately 500 people.

Allied Electronics plans on expanding their Fort Worth facility by adding 207,000 square feet of office and warehousing space, adding 200 more employees within the next two years. The Company is seeking to have Foreign-Trade Zone No. 39 (FTZ) Zone Site Designation within Foreign-Trade Zone No.39 at its Fort Worth facilities 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 facilities at 7151 Jack Newell Blvd. Allied Electronics Inc., will serve as the FTZ operator over the this facility

Allied Electronic currently receives a Freeport Exemption. The current non-tax inventory value is roughly \$133,000,000. The warehouse expansion would increase the non-tax inventory value to be approximately \$172,000,000.00. After expanding, the current Freeport incentive would exempt nearly \$140,180,000 of non-tax inventory value leaving a remainder of \$31,820,000 in taxable value. Given FTZ approval, the tax exemption would exclude an additional \$23,865,000 resulting in an estimated annual taxable value of \$7,955,000. Ultimately, layering the Freeport and FTZ for the proposed expansion would yield a tax benefit of approximately \$209,869.75 annually to the City.

This project is located in COUNCIL DISTRICT 4.

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

FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies that approval of this Agreement will have no material effect on the Fiscal Year 2020 Budget. While no current year impact is anticipated from this action, any effect on expenditures and revenues will be budgeted in future Fiscal Years and will be included in the long-term financial forecast.

Submitted for City Manager's Office by: Jay Chapa 5804

Originating Business Unit Head: Robert Sturns 2663

Additional Information Contact: Tracy Williams 2627