

To the Mayor and Members of the City Council**September 17, 2019**

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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 STATUS FOR ALLIED ELECTRONICS INC., FACILITIES LOCATED AT 7151 JACK NEWELL BLVD. (COUNCIL DISTRICT 4)

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 currently employs 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 and goods are considered outside the Customs Territory. 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 and the current non-tax inventory value is roughly \$133,000,000. The warehouse expansion would increase the non-tax inventory value to approximately \$172,000,000. 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 net tax benefit of approximately \$209,869.75 annually to the City from the additional ad valorem tax due to the expansion and the remaining non-exempted inventory tax.

Staff will bring forward an M&C to City Council on September 24, 2019 to approve the submission of a Letter of No Objection to allow Trade- Zone No.39 Site Designation for Allied Electronics, Inc.

If you have any questions concerning this information, please contact Robert Sturns, Economic Development Director at 817-392-2663 or robert.sturns@fortworthtexas.gov.

David Cooke
City Manager