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OFFICE OF THE CITY CLERK
OAKLAND

2014 DEC 30 PM 1:47

AGENDA REPORT

TO: HENRY L. GARDNER,
INTERIM CITY ADMINISTRATOR

FROM: Rachel Flynn

SUBJECT: Foreign Trade Zone Program Appropriations

DATE: December 18, 2014

City Administrator
Approval

Date 12-30-14

COUNCIL DISTRICT: City-Wide

RECOMMENDATION

Staff recommends that the City Council adopt:

A Resolution Authorizing the City Administrator to Appropriate Revenues Generated by the operation of the Oakland Foreign Trade Zone #56 to the Foreign Trade Zone Program for Program development, marketing and administration

EXECUTIVE SUMMARY

The Oakland Foreign Trade Zone #56 (the "Zone") was established in 1990 and serves as an economic development stimulus for its designated area. Since 2008, Matson Global Logistics has operated the Oakland Foreign Trade Zone on behalf of the City of Oakland. On July 29, 2014, the Oakland City Council authorized staff to apply and enter into a new agreement with the U.S. Department of Commerce - Foreign Trade Zone Board to broaden the Oakland Foreign Trade Zone benefits to include all of Alameda and Contra Costa County by re-designating the current Oakland Zone into an Alternative Site Framework – Resolution 85136 C.M.S.

The following report and resolution asks to appropriate currently available and future revenues and license fees generated by the Zone into various accounts, for the purpose of expenditures. The Foreign Trade Zone Board allows the City of Oakland, as the Grantee to FTZ #56, to utilize revenues earned from license fees and sub-zone application fees for the purpose of zone administration and marketing, and mandates that all such expenditures be for those purposes alone.

OUTCOME

Approving the proposed legislation will authorize staff to allocate and utilize currently available and future Zone revenues to provide funding for professional services contract for expert consulting services, as necessary, to assist staff in applying for an Alternative Site Zone

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Framework designation; assist in covering marketing and eligible administration efforts related to the City's responsibilities for the current and re-designated Zone Program.

BACKGROUND/LEGISLATIVE HISTORY

Foreign Trade Zone legislation was enacted by Congress in 1934 with a legislative purpose "to provide for the establishment, operation, and maintenance of foreign-trade zones in ports of entry of the United States to expedite and encourage foreign commerce". Expansion of the Zone to the Alternate Site Framework, allows new sub-zones sites under FTZ #56 license. Such sub-zones will pay annual license fees to the City as the FTZ grantee, thereby contributing to the administration of the zone. Matson Logistics, which continues today to operate the general purpose zone as a licensee pays the City an annual license fee of approximately \$12,000 per year, plus a 3% escalator allowance.

ANALYSIS

The future expansion of the Zone has the potential to bring in new license fees, which will cover the associated increased costs of administration.

PUBLIC OUTREACH/INTEREST

There are no issues of public outreach/interest.

COORDINATION

This report and resolution have been reviewed by the Office of the City Attorney and by the City Administrator's Budget Office and the Economic and Workforce Development Department Administration.

COST SUMMARY/IMPLICATIONS

The expansion of the Foreign Trade Zone through the Alternative Site Framework will bring enhanced revenue to the City to support Zone expansion administration and reporting.

FISCAL IMPACT

The source of funding is paid Operator License Fees from Matson Global Logistics Company to the City Oakland, which is now approximately \$32,000 in current revenue. Going forward, the license fees generated by the Matson- City License Agreement and any new license agreement with a sub-zone business will be dedicated to the Oakland Foreign Trade Zone Program. The funds will be appropriated to the City's International Trade program funding: General Purpose Fund (1010), Economic Development Org. (85411), Project (P389610), Program (SC11).

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SUSTAINABLE OPPORTUNITIES

Economic:

The Foreign Trade Zone expansion will encourage more local domestic manufacturing, logistics and warehousing activities, through potential cash savings, deferral and/or increased efficiency customs payment methods, thereby increasing jobs and revenue in Oakland and the included surrounding service area.

Environmental:

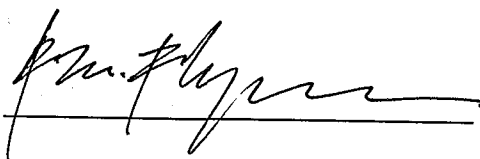
The FTZ Alternative Site Framework will further incentivize storage, processing and turnaround of goods within local jurisdictions proximate to the Port of Oakland, thereby reducing truck trips from the regional freeways and reducing air particulate pollution.

Social Equity:

There is an increased potential for increased warehousing, logistics and manufacturing jobs as a result of the ASF framework adoption for FTZ #56. Such industries provide entry level- through middle income wage skilled labor positions, providing living wage jobs for Oakland and neighboring area residents.

For questions regarding this report, please contact Margot Lederer Prado, Senior Economic Development Specialist, (510) 238-6766.

Respectfully submitted,



Rachel Flynn
Interim Director, Department of Economic
& Workforce Development

Reviewed by: Aliza Gallo, Economic Development
Manager

Prepared by: Margot Lederer Prado
Senior Economic Development Specialist

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2014 DEC 30 PM 1:47 RESOLUTION NO. _____ C.M.S.

Introduced by Councilmember _____

A RESOLUTION AUTHORIZING THE CITY ADMINISTRATOR TO APPROPRIATE REVENUES GENERATED BY THE OPERATION OF THE OAKLAND FOREIGN TRADE ZONE #56 TO THE FOREIGN TRADE ZONE PROGRAM FOR PROGRAM DEVELOPMENT, MARKETING AND ADMINISTRATION

WHEREAS, The City of Oakland (the "City"), is a municipal corporation organized under its charter and the laws of the State of California, and

WHEREAS, in 1981, the City entered into agreements with the Oakland International Trade Center to operate the Oakland Foreign Trade Zone #56 ("FTZ") to stimulate economic activity through international trade, assembly, processing and manufacturing, and local jobs; and

WHEREAS, the Foreign Trade Zone designation allows companies operating within a federally-licensed Foreign Trade Zone to delay, reduce, and/or eliminate U.S. customs duties on imported merchandise, raw materials and/or components, and thereby allows manufacturing companies to be more competitive in the global economy, to retain jobs and production domestically; and

WHEREAS, the federal U.S. Department of Commerce Foreign Trade Zone Board regulations mandate that all revenues earned by the City as the FTZ Grantee from licensee fees and administrative charges be used by the FTZ Grantee to support the operation of the Foreign Trade Zone, including administrative charges, marketing, education and technical assistance; and

WHEREAS, the City desires to authorize the Interim City Administrator to appropriate the revenues earned by the City as the FTZ Grantee into various funds to operate the FTZ; now therefore be it

RESOLVED, that the City Council hereby authorizes the Interim City Administrator to appropriate all revenues earned by the City from the operation of the Oakland Foreign Trade Zone #56 into the following Funds for FTZ Program operations:

General Purpose Org (1010), Economic Development Org (85411), Foreign Trade Project (P389610), Business Creation, Attraction, Retention, and Expansion Program (SC11) - Various Revenue and Expenditure Accounts (4XXXX and 5XXX); and be it

FURTHER RESOLVED, that the City Attorney shall review and approve as to form and legality all revenue-generating license agreements of the Oakland Foreign Trade Zone #56, and all such agreements shall be filed with the City Clerk.

IN COUNCIL, OAKLAND, CALIFORNIA, _____

PASSED BY THE FOLLOWING VOTE:

AYES - BROOKS, GALLO, GIBSON MCELHANEY, KALB, KAPLAN, REID, GUILLEN, CAMPBELL
WASHINGTON and

NOES -

ABSENT -

ABSTENTION -

ATTEST: _____
LaTonda Simmons
City Clerk and Clerk of the Council
of the City of Oakland, California