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OFFICE OF THE CITY CLERK  
OAKLAND  
2016 SEP -1 AM 10:26

# AGENDA REPORT

**TO:** Sabrina B. Landreth  
City Administrator

**FROM:** Mark Sawicki  
Director, EWD

**SUBJECT:** Foreign Trade Zone #56 Alternative  
Site Framework

**DATE:** August 15, 2016

City Administrator Approval

Date:

8/31/16

## RECOMMENDATION

**Staff Recommends That The City Council Adopt A Resolution Authorizing the City Administrator to Submit A Foreign Trade Zone Alternative Site Framework Application And To Sign And Enter Into An Agreement With The Foreign Trade Zone Board, U.S. Department Of Commerce.**

## EXECUTIVE SUMMARY

Amending the attestation date on the resolution will allow staff to submit the updated resolution and final application to the United States Foreign Trade Zone (FTZ) Board to convert the Oakland FTZ #56 to the new Alternative Site Framework (ASF) program. The expansion of FTZ #56 through a conversion to the ASF program will provide additional opportunities to attract manufacturing, goods movement, warehouse, and distribution activities, and thereby increase employment in Oakland.

The ASF is an optional framework to manage the Foreign Trade Zones with greater flexibility for their expansion using a simple "minor boundary modification" rather than the prior, more complicated, time consuming and acreage-restrictive boundary adjustment process. The ASF will allow more sites in Oakland, and the proposed Service Area of Marin, Solano, Contra Costa and Alameda Counties, to utilize the advantages of the deferred customs and duties payments provided through the existing FTZ license. The ASF framework eases and expedites the process of designating new individual subzones, reporting through Oakland's FTZ #56. International Trade is critical to the Bay Area, particularly to the Port of Oakland. The presence of the FTZ #56 stimulates economic growth and development by encouraging companies to expand operations with its boundaries. FTZ #56 provides direct competitive advantage to the Port and to all customers of the Port through immediate relief of customs duties and or delays caused by goods clearance. Approximately \$400 million worth of goods flowed through FTZ #56 in year 2012.

Item: \_\_\_\_\_  
CED Committee  
September 13, 2016

## **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”. Oakland was designated by the Federal Trade Zone Board (“FTZ Board”) as FTZ #56 in 1980. In 2015 the City filed a draft application for the new Alternative Site Framework (**Attachment A: Resolution No. 85923 C.M.S. No. 85136 July 29, 2014**). Council also passed Resolution No. 85364 C.M.S. on January 20, 2015 (**Attachment B**), which allows for appropriation of FTZ #56 revenues; and Resolution C.M.S. No. 85923 on December 1, 2015 (**Attachment C**) which allows the City Administrator to negotiate and enter into Foreign Trade Zone operating agreements. Due to the necessary revisions to the application suggested by FTZ Board in its review, staff was unable to complete the ASF application submission in 2015. The FTZ Board requires a current adopted resolution (adopted within six months of application approval). Therefore, staff requests that the City Council review and authorize and attest the attached resolution, to accompany the final ASF application submission on or before October 1, 2016.

## **ANALYSIS AND POLICY ALTERNATIVES**

The final submission of the ASF application will enable the City to expand the number of FTZ #56 subzones, increase business and FTZ license revenue, and help grow international trade locally. The FTZ Board requires the accompanying resolution be adopted within six months of the final application submission; therefore, staff recommends the City Council attest the original resolution, dated July 29, 2014.

International Trade is critical to the Bay Area, particularly to the Port of Oakland. The presence of the FTZ #56 stimulates economic growth and development by encouraging companies to expand operations with its boundaries. FTZ #56 provides direct competitive advantage to the Port and to all customers of the Port through immediate relief of customs duties and or delays caused by goods clearance. Approximately \$400 million worth of goods flowed through FTZ #56 in year 2012. The expansion of FTZ #56 through a conversion to the Alternative Site Framework will:

- Enhance attraction of manufacturing and goods movement through the Port of Oakland;
- Increase employment in the region through attraction of increased production and processing of imported materials and components into finished products within the region;
- Increase licensing fees, which can cover administrative costs of management; and
- Support the Port of Oakland, which generates over 73,000 jobs in Northern California, and its competitive advantage as the fourth largest Port on the West Coast.

## **FISCAL IMPACT**

The City, as Grantee of FTZ #56, establishes fair and competitive fees for its administrative role in approving applications and renewing licenses annually. Such fees are published in the Zone Schedule, which appears on the City’s website and on the FTZ Board’s website. Approving this

Item: \_\_\_\_\_  
CED Committee  
September 13, 2016

action will allow the City to approve new subzone sites and license fee revenues that support the activities of the FTZ #56, including administration and marketing. FTZ #56 zone revenue will be appropriated into Fund 1010, Org 85411 Project P389610) (Resolution No.C.M.S. 85364).

### **PUBLIC OUTREACH / INTEREST**

FTZ #56 co-hosted a public educational seminar at Oakland City Hall on the benefits of Foreign Trade Zones on September 15, 2015. Staff developed a logo, marketing material, published the zone schedule, and standard operating agreement on the City's website. FTZ #56 / the City of Oakland recently hosted a regional Export Import (Exim) Bank Exporters Financial Resources Workshop (August 3, 2016, Oakland City Hall), which was free and open to the public. Staff markets FTZ #56 to potential companies in the Service Area, and continues to refer customers to Matson Logistics, as a General Purpose Zone within FTZ #56.

### **COORDINATION**

Staff, as the Grantee for FTZ #56, coordinates all administrative actions for the FTZ #56 with the Foreign Trade Zone Board and coordinates with the local Customs Border Protection (CBP) office. Staff also coordinates and works actively with Matson Logistics as a General Purpose Zone within FTZ #56. Staff is a member of the Northern California World Trade Center (NCWTC), and coordinates with NCWTC and the Stockton, San Jose, and San Francisco foreign trade zones, for marketing and promotion of FTZ #56.

This report was coordinated with the City Administrator's Office, City Attorney's Office, and the Controller's Bureau.

### **SUSTAINABLE OPPORTUNITIES**

**Economic:** Increasing the number of subzones within FTZ # 56 will benefit the City and region by increasing jobs, productivity and revenue.

**Environmental:** Access to foreign trade zone sites increases options for local importers and local manufacturers, and optimizes the use of the Port of Oakland as an entry and exiting point for such goods for local manufacturers and wholesalers.

**Social Equity.** There is a potential for increased employment in warehousing, logistics and manufacturing jobs as a result of the expansion of FTZ #56 sub-zones. Such industries provide entry level- through middle income wage skilled labor positions, providing living wage jobs for Oakland and neighboring area residents.

**ACTION REQUESTED OF THE CITY COUNCIL**

Staff recommends that the City Council adopt a Resolution authorizing the City Administrator to submit a final Foreign Trade Zone Alternative Site Framework Application and to sign and enter into an agreement with the Foreign Trade Zone Board, U.S. Department Of Commerce.

For questions regarding this report, please contact Aliza Gallo, Manager Economic Development (510) 238-7405.

Respectfully submitted,

  
for \_\_\_\_\_

MARK SAWICKI  
Director, Economic & Workforce Development

Reviewed: Aliza Gallo, Manager, Economic  
Development

Prepared by: Margot Lederer Prado  
Economic Development Specialist  
Economic & Workforce Development

Attachments (3):

Attachment A: Resolution C.M.S.85136 July 29, 2014)

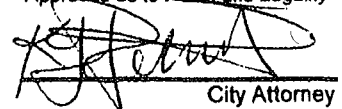
Attachment b: Resolution No. 85364 C.M.S. on January 20, 2015

Attachment C: Resolution C.M.S. 85923 on December 1, 2015

FILED  
OFFICE OF THE CITY CLERK  
OAKLAND

# OAKLAND CITY COUNCIL

RESOLUTION No. 85136 C.M.S.

  
City Attorney

2014 JUL 10 PM 12:41  
Introduced by Councilmember \_\_\_\_\_

**A RESOLUTION AUTHORIZING THE CITY ADMINISTRATOR TO SUBMIT A FOREIGN TRADE ZONE ALTERNATIVE SITE FRAMEWORK APPLICATION AND TO SIGN AND ENTER INTO AN AGREEMENT WITH THE FOREIGN TRADE ZONE BOARD, U.S DEPARTMENT OF COMMERCE**

**WHEREAS**, The City of Oakland is a municipal corporation organized under its charter and the laws of the State of California, and;

**WHEREAS**, the U.S. Foreign Trade Zone program was created by the Foreign Trade Zones Act of 1934 to expedite and encourage foreign commerce; and

**WHEREAS**, the City of Oakland entered into its initial License Agreement with the Foreign Trade Zone Board to operate Oakland Foreign Trade Zone #56 in 1981 to encourage economic activity through encouragement of international trade, assembly processing and manufacturing, and local jobs; and

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

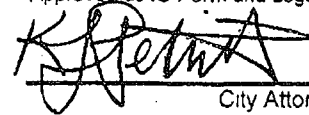
**WHEREAS**, the FTZ Board has created a new Alternative Site Framework Foreign Trade Zone designation that existing FTZ #56 can pursue by application to the Foreign Trade Zone Board, U.S. Department of Commerce, which allows for a simplified expansion to areas within 60 miles or 90 minutes drive-time of the port of entry for FTZ #56 now, therefore be it

**RESOLVED**, the Interim City Administrator is authorized to submit a Foreign Trade Zone Alternative Site Framework application and authorized to sign an agreement with the Foreign Trade Zone Board, U.S. Department of Commerce, to designate all of Oakland and those areas which agree to inclusion and are within ASF distance guidelines, and be it



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# OAKLAND CITY COUNCIL

  
City Attorney

2014 DEC 30 PM 1:47 RESOLUTION No. 85364 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, JAN 20 2015

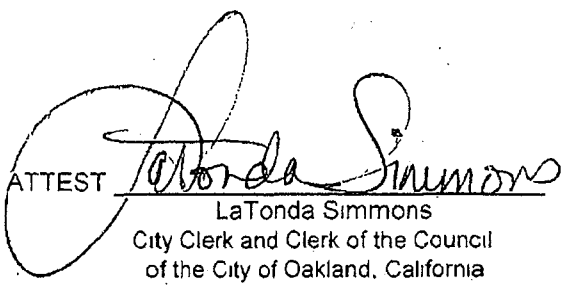
**PASSED BY THE FOLLOWING VOTE:**

AYES - BROOKS, GALLO, GIBSON MCELHANEY, KALB, KAPLAN, REID, GUILLEN, CAMPBELL  
WASHINGTON ~~and~~ - 8

NOES - 0

ABSENT - 0

ABSTENTION - 0

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



REVISED  
12-10-15

Approved as to Form and Legality

*[Signature]*  
City Attorney

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OAKLAND

**OAKLAND CITY COUNCIL**

DEC 10 PM 4:10

RESOLUTION No. 85923 C.M.S.

Introduced by Councilmember \_\_\_\_\_

**A REPORT AND RESOLUTION AUTHORIZING THE CITY ADMINISTRATOR OR DESIGNEE TO NEGOTIATE AND ENTER INTO OPERATING AGREEMENTS WITH VARIOUS COMPANIES UNDER THE ALTERNATIVE SITE FRAMEWORK OF THE OAKLAND FOREIGN TRADE ZONE, #56 FOR ZONE DESIGNATION**

**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 1980 the City was the designated by the Federal Foreign Trade Zone Board as Grantee for Oakland Foreign Trade Zone #56 ("FTZ #56"); and

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

**WHEREAS**, in 1989, City subsequently transferred such agreement to Pacific American Warehousing & Trucking Company (PACAM) for the operation of FTZ #56; and

**WHEREAS**, in 2008, the City as Grantee, entered into an agreement for the operation of the FTZ #56 General Purpose Zone with Matson Logistics; and

**WHEREAS**, the Foreign Trade Zone designation allows companies operating within a federally-licensed Foreign Trade Zone to delay, reduce, or eliminate U.S. customs duties on imported merchandise, thereby increasing local business competitiveness and retaining local jobs and production domestically; and

**WHEREAS**, the City as Grantee for FTZ #56 has applied to the Federal Foreign Trade Zone Board for the new Alternative Site Framework (C.M.S. 85136), which allows the Grantee to receive, and administer, but not approve applications for additional subzones within its FTZ #56 Service Area; and

**WHEREAS**, returning to City Council for approval of each operating agreement with the various companies would hinder zone designations and operations by causing time delays, and would be counter to the Foreign Trade Zone Board's determination that Grantee's not intervene in operations of private subzone operators; now therefore be it

**RESOLVED**, that the City Council hereby authorizes the City Administrator or designee to negotiate and enter into operating agreements with various companies for subzone designation under the Alternative Site Framework of the Oakland Foreign Trade Zone, #56; and be it

**FURTHER RESOLVED**, that the City Attorney shall review and approve as to form and legality all such operating agreements of the Oakland Foreign Trade Zone #56, and all such agreements shall be filed with the City Clerk and disclosed to the City Council's Community and Economic Development

Committee via a noticed informational report brought at least semi-annually unless no such Operating Agreements were approved during the prior six months.

**NOW, THEREFORE, in consideration of the covenants and promises contained herein, it is mutually agreed by and between the parties as follows:**

IN COUNCIL, OAKLAND, CALIFORNIA, DEC - 8 2015

**PASSED BY THE FOLLOWING VOTE:**

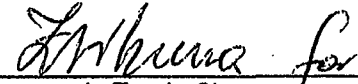
AYES - BROOKS, CAMPBELL WASHINGTON, GALLO, GUILLEN, KALB, KAPLAN, REID, COUNCIL  
PRESIDENT GIBSON MCELHANEY - 8

NOES - 0

ABSENT - 0

ABSTENTION - 0

ATTEST:



LaTonda Simmons

City Clerk and Clerk of the Council  
of the City of Oakland, California

2016 SEP -1 AM 11: 22

RESOLUTION No. \_\_\_\_\_ C.M.S.

Introduced by Councilmember \_\_\_\_\_

**A RESOLUTION AUTHORIZING THE CITY ADMINISTRATOR TO SUBMIT A FOREIGN TRADE ZONE ALTERNATIVE SITE FRAMEWORK APPLICATION AND TO SIGN AND ENTER INTO AN AGREEMENT WITH THE FOREIGN TRADE ZONE BOARD OF THE DEPARTMENT OF COMMERCE**

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

**WHEREAS,** the City of Oakland entered into its initial License Agreement with the Foreign Trade Zone Board to operate Oakland Foreign Trade Zone #56 in 1981 to encourage economic activity through encouragement of international trade, assembly processing and manufacturing, and local jobs; and

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

**WHEREAS,** the federal U.S. Department of Commerce Foreign Trade Zone Board regulations require a new attestation date for submittal of the final ASF Application; therefore be it

**RESOLVED,** the City Administrator is authorized to submit a final Foreign Trade Zone Alternative Site Framework Application and to sign and enter into an agreement with the Foreign Trade Zone Board Of The U.S. Department Of Commerce; and

**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.

IN COUNCIL, OAKLAND, CALIFORNIA, \_\_\_\_\_

**PASSED BY THE FOLLOWING VOTE:**

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

**PASSED BY THE FOLLOWING VOTE:**

AYES -  
NOES -  
ABSENT -

ABSTENTION -

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