

CITY OF OAKLAND FILED
AGENDA REPORT OFFICE OF THE CITY CLERK
OAKLAND

2008 SEP 11 PM 3:06

TO: Office of the City Administrator
ATTN: Dan Lindheim
FROM: Community and Economic Development Agency
DATE: September 23, 2008

RE: **Resolution Authorizing (1) an Amendment to a License Agreement with Pacific American Warehousing & Trucking Company to Operate a Foreign Trade Zone to Change the Term, Fee Structure, Performance Standards, Reporting Requirements, and Other Provisions, and (2) the Assignment of the License Agreement to Matson Global Distribution Services**

SUMMARY

PACAM ("Licensor") has operated the Oakland Foreign Trade Zone #56 on behalf of the City of Oakland ("Licensee") since 1990. Matson Global Distribution Services ("Matson"), a subsidiary of Matson Integrated Logistics, both of which are under the corporate umbrella of Alexander & Baldwin, Inc., recently entered into an agreement with PACAM under which Matson will acquire PACAM and continue its business with the existing PACAM management team and work force.

The City of Oakland has been requested to approve assignment of the Licensor responsibilities under the existing Agreement to Matson. Staff has met with representatives of PACAM and Matson to discuss the terms of a new amended and restated agreement to replace the existing 18 year-old Agreement. The revised agreement addresses the term, fee structure, performance standards, reporting requirements and other provisions.

The result of that discussion is staff's recommendation that the City Council approve an Amended License Agreement for Foreign Trade Zone No. 56 ("New Agreement") and that the Licensee responsibilities under the New Agreement be assigned to Matson. Staff does not anticipate new costs associated with this recommendation other than staff time to develop and monitor the New Agreement.

FISCAL IMPACT

Under the New Agreement, the Licensee will owe the City of Oakland a license fee of \$10,000, beginning July 1, 2008, and adjusted upward 3% on July 1st of each following year. These

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revenues will be applied to the City's International Trade program funding: General Purpose Fund (1010), Business Development Org. 88559, Project P44320, Program SC11.

The program has been managed on behalf of the City of Oakland by the Bay Area World Trade Center for several years. The City is resuming its responsibility as Licensor under the New Agreement. Existing Business Development Services staff will be reassigned to manage the City's responsibilities.

BACKGROUND

Brief History of Oakland's Foreign Trade Zone

In 1981, the City entered into agreements with the Oakland International Trade Center ("OITC"), to operate a new Foreign Trade Zone in Oakland, No. 56, at the 130,000 s.f. former White Front Discount Store on a 13-acre site on Hegenberger Rd. The OITC, managed by its President, Nelson Tsui, experienced limited financial success due to capacity restraints and other factors.

In 1989, the OITC entered into an agreement with Ronald E. Hothem, d.b.a. Oakland Commerce Center, to transfer its rights as an operator of the FTZ. The City of Oakland formally approved this arrangement on August 3, 1990 through the execution of an Amended and Restated License Agreement for Foreign Trade Zone No. 56 between the City of Oakland and Pacific American Warehousing & Trucking Company (PACAM), with Ronald Hothem signing as President of this new company. The Agreement included an initial twenty (20) year term, beginning Nov. 26, 1980, with two ten (10) year options to extend. The Agreement is in its 28th year of existence as a governing document between the two parties.

Today, PACAM provides third-party logistics and public warehousing services at the Port of Oakland and throughout Northern California with specialized expertise processing High Valued Domestic, Imported and Exported Goods, Wines & Spirits, Food & Beverages, Organic Food Products, Confectionary & Bulk Ingredients, High Tech, Retail & Apparel and Consumer Packaged Goods. The company is managed primarily by Linda Childs Hothem as PACAM's CEO and Scott Hothem as President. Matson will retain the existing management team and work force following the sale, although Ms. Hothem will retire as CEO to serve in an advisory capacity to Matson Global as an active member of the National Association of Foreign Trade Zones (NAFTZ) and International Warehouse and Logistics Assn. (IWLA).

The Value of a Foreign Trade Zone

The U.S. Foreign-Trade Zones program was created by the Foreign-Trade Zones Act of 1934. The Foreign-Trade Zones Act was created to "expedite and encourage foreign commerce" in the United States through facilitating trade and increasing the global competitiveness of U.S. based

companies. This is accomplished through the designation of geographical areas, in or adjacent to Customs Ports of Entry, where commercial merchandise receives the same Customs treatment it would if it were outside the commerce of the United States. Merchandise of every description may be held in the Zone without being subject to Customs duties and other ad valorem taxes. This tariff and tax relief is designed to lower the costs of U.S.-based operations engaged in international trade and thereby create and retain the employment and capital investment opportunities that result from those operations. These special geographic areas – Foreign-Trade Zones – are established "in or adjacent to" U.S. Ports of Entry and are under the supervision of the U.S. Customs Service.

The FTZ program has grown profoundly over the last 30 years. In 1970 there were 8 Foreign-Trade Zone projects (with a total of 3 Subzones) in the United States. Today there are over 230 Foreign-Trade Zone projects (with nearly 400 Subzones) in the United States. Oakland's Trade Zone was the 56th established under the Zone program.

For more detailed information regarding the economic benefits of FTZ's for commerce, see the Foreign Trade Zone Resource Center at <http://www.foreign-trade-zone.com/benefits.htm>.

The Value of Oakland's Foreign Trade Zone as a Business Development Resource

1. **Services Provided:** Since 1990, PACAM has operated one of the largest General Purpose Foreign Trade Zones on the West Coast, the Oakland Foreign Trade Zone #56. The following includes a summary of the primary benefits of using PACAM's specially designated FTZ facilities (for more information see also Attachment A, *PACAM Foreign Trade Zone*):
 - Duty deferral, reduction and/or elimination of U.S. Customs duties on imported products
 - Distribution savings reducing Merchandise Processing Fees (MPF)
 - Streamlined import/export documentation entry procedures

PACAM also provides FTZ consulting services:

- FTZ strategy evaluation
 - Feasibility studies
 - Implementation of FTZ programs
 - Application and activation services
2. **Location:** Oakland's FTZ is located on twenty acres of secured land with over 500,000 square feet of covered space including warehouse, offices and manufacturing facilities

available for activation. Activated space, including space outside of Oakland to better serve client location needs, at present totals 239,739 square feet at the following locations:

- 9401 San Leandro Street, Oakland, CA 127,312 square feet
- 400 Lancaster Street, Oakland, CA 58,500 square feet
- 3825 Fabian Way, Palo Alto, CA 34,300 square feet

3. **Movement of Merchandise during FY 2006-2007:** The zone received merchandise valued at \$143.6 million during this fiscal year, both foreign and domestic, and forwarded to U.S. Customs Territory, Foreign Countries and other U.S. FTZ's merchandise valued at \$125 million.
4. **Summary of General Purpose Zone and Exports:** Export and transshipment activity continues to play a vital role at the OFTZ. Over 75% of all products traveling through the zone are for export, leaving less than 25% that will enter the U.S. Territory. This large percentage of exports is due in part to the Port of Oakland's balanced import/export operations.
5. **Employment:**
 - Operator employs 75 full time employees
 - Grantee employs 6 full time employees
 - Zone Users employ 10 full time employees (on-site)

For more detailed information regarding the OFTZ, see Attachment B, *Oakland Foreign Trade Zone #56 Annual Report, October 1, 2006-September 30, 2007*.

MATSON GLOBAL DISTRIBUTION SERVICES

Matson Global Distribution Services was created as a subsidiary of Matson Integrated Logistics (MIL) in 2007 by its parent Alexander & Baldwin, Inc., which is headquartered in Honolulu (NASDAQ:ALEX). Matson Global was created to expand MIL's logistics services to include warehousing and distribution, freight forwarding and non-vessel operating common carrier services.

The formation of Matson Global is a strategic extension of MIL, allowing the company to become a true third-party logistics (3PL) company. The acquisition of PACAM and the OFTZ well-positions MIL to grow and serve its domestic base while continuing its expansion into Asia. Over the past four years, MIL has grown its operating profits from \$3 million to almost \$21 million.

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Matson Navigation Company, a separate subsidiary of Alexander & Baldwin, moved its headquarters from San Francisco to its present location in downtown Oakland at Shorestein's 555 City Center in January 2004. The company leases almost 84,000 square feet and employs approximately 250 employees. Matson Navigation Company is one of the leading U.S. domestic carriers with a longstanding reputation for quality service in the transportation industry. Founded in 1882 and incorporated in 1901, Matson is the principal carrier of containerized freight and automobiles between the West Coast and Hawaii, Guam and Mid-Pacific, and is the largest subsidiary of Honolulu-based Alexander & Baldwin, Inc.

KEY ISSUES AND IMPACTS

The Foreign Trade Zone program was created as a business attraction and job creation tool for municipalities and their surrounding regions. PACAM has created a very successful FTZ in Oakland, and it is anticipated that the sale of PACAM's business assets to Matson will result in accelerated growth of the OFTZ business opportunities. The key issues are as follows:

1. Staff supports assignment of the license agreement to Matson Global based on the financial strength of its parent companies, the support services the OFTZ provides to the Port of Oakland and its clients, and the ability of Matson to expand both the PACAM and OFTZ services based on its experience and global business clients.
2. The existing License Agreement with PACAM is over 18 years old. The industry itself has matured and changed, and the needs of both the City and the Licensor have changed during this time. Accordingly, staff requests approval of an Amended and Restated License Agreement with Pacific American Warehousing & Trucking Company to Operate a Foreign Trade Zone to change the term, fee structure, performance standards, reporting requirements, and other provisions:
 - Change of term to 10-years with 3 five-year options to extend. Mutual right to terminate agreement with 180-day notice to be added.
 - Annual fee to increase to \$10,000, with automatic annual 3% increases.
 - Modified reporting requirements
 - Revised, specific marketing requirements
 - Updated insurance requirements reflecting current City standards

PROGRAM DESCRIPTION

The OFTZ is part of a developing City of Oakland international investment attraction strategy to support the business of the Port of Oakland (maritime and airport), Oakland businesses already engaged in international business and those interested in expanding international program opportunities, and the City's desire to attract foreign-based businesses to Oakland.

Other key elements of this developing international program include:

- Support expansion of the Bay Area World Trade programs and creation of a physical World Trade Center
- Integration and Centralization of the City's international trade functions, including Oakland's Sister Cities Program and the OFTZ, into a specific, staffed program.
- Develop and implement a comprehensive marketing strategy for Oakland's International Programs, including co-marketing with Matson to promote the OFTZ.
- Develop and implement an international investment attraction program. A major investment attraction tool is anticipated to include a partnership with the Golden State Renaissance Venture, LLC, which has a pending application to establish Oakland as a Regional Center under the Federal Dept. of Homeland Security's EB5 Program, which grants visas to immigrants who will make substantial investments in U.S. firms.

SUSTAINABLE OPPORTUNITIES

Economic:

- The sale of PACAM's business assets and approval of the Licensee transfer to Matson will solidify the sustainability and growth opportunities for the company's primary third-party logistics (3PL) activities and the OFTZ activities in Oakland, resulting in increased business tax revenue for Oakland from both Matson and its clients.
- The Oakland Foreign Trade Zone is located within the Oakland Enterprise Zone and PACAM makes every effort to hire Oakland residents for these jobs which pay, on average, \$15-\$18 per hour with family medical benefits. These are skilled positions in the areas of warehousing, import/export trade and customs compliance. PACAM has over 70 employees in its Oakland facilities, of which approximately 50% live in Oakland.

Environmental:

- The OFTZ maintains its certificate for the storage and handling of Organic Foods from the International Certification Services, Inc. In 2007, the OFTZ added the European Union Certificate for organic food storage to allow the ability to handle imported organic foods from Europe. PACAM has positioned itself and the OFTZ as one of the few third

party warehouses in the U.S. carrying the organic certificates, and the largest third party warehouse operator of organic and natural foods in California.

- PACAM continues to take advantage of “green” opportunities through increased recycling efforts and completion of registration with the EPA SmartWays Transportation program in an effort to improve emissions with its carrier fleet. The EPA web site confirms that PACAM is a SmartWay Truck and Logistics Company Partner, earning the EPA’s highest rating.

Social Equity: For over 20 years, PACAM has been a vital part of the Oakland business community hiring employees from the surrounding communities, generating above average paying jobs, developing a skilled workforce, employing dozens of employees and drivers, supporting hundreds of vendors and customers in the area. PACAM has re-invested millions of dollars into industrial buildings preserving a vital economic link in its neighborhood and larger Oakland community.

DISABILITY AND SENIOR CITIZEN ACCESS

PACAM management reports that the business and its facilities are in compliance with all ADA laws and regulations.

RECOMMENDATION(S) AND RATIONALE

Staff recommends that the City Council approve an Amended License Agreement to operate Oakland’s Foreign Trade Zone and assign the Agreement to Matson Global Distribution Services for the following reasons:

- The existence of the OFTZ provides numerous economic benefits for Oakland and its residents, and provides Oakland with a key international business development tool.
- The proposed Licensee, Matson Global, belongs to a family of shipping, logistics and agricultural companies under the umbrella of Alexander & Baldwin, Inc., a publically-traded company whose 2007 financial statements reported revenues of \$1.6 billion, net income of \$142 million, and a net worth of \$1.3 billion.
- The proposed Licensee is an experienced 3PL company with an economic interest in growing the OFTZ as part of its business strategy.
- The proposed amendments ensure that the License Agreement is enforceable and that the terms fairly reflect the current business environment in the warehousing and third party logistics industry for both the City of Oakland and the Matson Global.

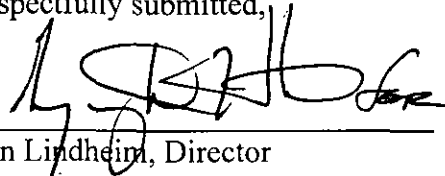
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ACTION REQUESTED OF THE CITY COUNCIL

Approval of a Resolution Authorizing (1) an Amendment to a License Agreement with Pacific American Warehousing & Trucking Company to Operate a Foreign Trade Zone to Change the Term, Fee Structure, Performance Standards, Reporting Requirements, and Other Provisions, and (2) the Assignment of the License Agreement to Matson Global Distribution Services.

Respectfully submitted,



Dan Lindheim, Director
Community & Economic Development Agency

Reviewed by:
Gregory Hunter, Deputy Director

Prepared by:
Deborah V. Acosta, UEA III
Economic Development/Business Development Services

APPROVED AND FORWARDED TO THE
COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE:



Office of the City Administrator

ATTACHMENT A: *PACAM Foreign Trade Zone*

ATTACHMENT B: *Oakland Foreign Trade Zone #56 Annual Report, October 1, 2006-
September 30, 2007*

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PACAM

foreign trade zone (ftz)

Since 1990, PACAM has operated one of the largest General Purpose Foreign Trade Zones on the West Coast, the Oakland Foreign Trade Zone #56. The U.S. Foreign-Trade Zone Program was created by the Federal Government in the 1930s and is thriving today. Its purpose is to facilitate trade and increase the global competitiveness of U.S. based companies.

Legally, a Foreign Trade Zone (FTZ) is a location within the United States that the Government considers outside the U.S. Custom's territory.

Once goods are inside the FTZ, merchandise may be stored, processed, assembled, repackaged, salvaged, tested, destroyed, processed, sampled, mixed, cleaned, relabeled, manufactured and stored – all duty-free!

In this location, goods may be brought into the FTZ without formal customs entry or duty charges. More often, our customers pay lower costs, not only to U.S. Customs, but also to banks, insurance companies and other vendors.

A short list of the potential benefits that can be derived by operating in PACAM's specially designated FTZ facilities includes:

- Duty deferral, reduction and/or elimination of U.S. Customs duties of imported products
- Distribution savings reducing Merchandise Processing Fees (MPF)
- Lower inventory costs & improved cash flow
- Streamlined import/export documentation entry procedures

As a result, PACAM customers have realized significant financial benefits integrating the FTZ into their global supply chain and domestic distribution strategies.

To assist our customers in maximizing FTZ benefits, PACAM provides FTZ consulting services including:

- FTZ strategy evaluation
- Feasibility studies
- Implementation of FTZ programs
- Application and activation services



Pacific American Services, Inc.

9401 San Leandro Street

Oakland, California 94603

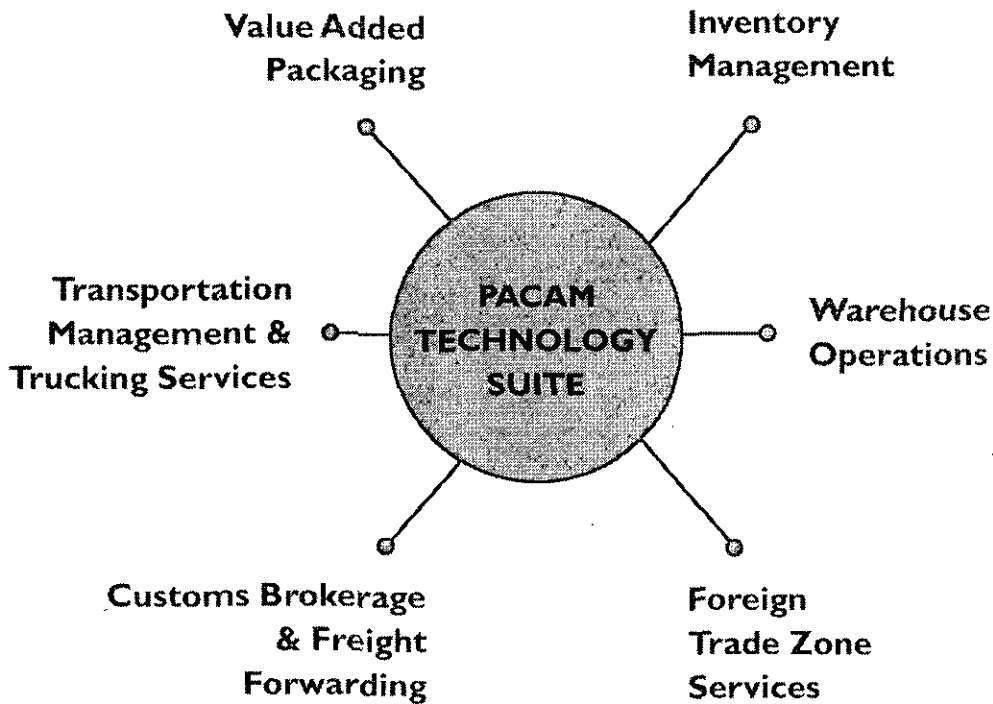
877-804-4008

www.pac-am.com

ISO 9001:2000

local services

global solutions



are you taking advantage of all PACAM has to offer?



Pacific American Services, Inc.

9401 San Leandro Street
Oakland, California 94603
877-304-4003
www.pac-am.com

ISO 9001:2000

Oakland Foreign Trade Zone #56 Annual Report



October 1, 2006 – September 30, 2007

OAKLAND FOREIGN TRADE ZONE
2006 to 2007
ANNUAL REPORT

ANNUAL REPORT

EXHIBIT A
Articles and Presentation Flyers

EXHIBIT B
General Space Plans

PART I. SUMMARY OF ACTIVITY - ZONE PROJECT

1. Developments & Trends:

During the fiscal year covering 2006/2007, the Oakland Foreign Trade Zone (OFTZ) continued to expand its services and network. Oakland Foreign Trade Zone handled a steady volume of business servicing an equal amount of firms and an equal amount of employees from last year. The outside trends affecting the OFTZ growth include more businesses becoming aware of FTZ's and their benefits and the growing global economy. OFTZ increased in imports this year with a trend towards the return of high valued goods related to the travel industries such as Duty Free Shops, airlines, and cruise lines.

Some the OFTZ larger volume customers this fiscal year continued to be importers related to wines, beers, and spirits while continuing to service the confection and bakery industry with products such as organic sugar and whey. In addition this year the OFTZ saw imported food products from China being placed under more scrutiny from the FDA and USDA and our customers used the FTZ for storage and value added services for labeling and testing to meet the higher standards set by the government agencies.

With the increased popularity of organic foods the importation of organic sugar has grown considerably and with the government quotas on imported sugar we have two of the top four importers using the Oakland FTZ #56 to handle their west coast distribution.

2. Improvements:

OFTZ continues to improve on the properties and facilities making it a world-class general-purpose zone. The OFTZ maintained their food grade status being AIB Certified superior, issued by the American Institute of Baking, which is a standard recognized around the world for the highest level of sanitation. In addition the OFTZ maintained their certificate for the storage and handling of Organic Foods from the International Certification Services, Inc. Also this year OFTZ added the European Union certificate for organic food storage to allow them the ability to handle imported organic foods from Europe. PACAM and the OFTZ are one of only a few third party warehouses in the nation that carry the organic certificates making us the largest third party warehouse operator of organic and natural foods in Northern California.

THE OFTZ also continued to maintain their certification of ISO 9001-2000, for quality assurance. This completed the OFTZ fifth year of ISO 9001-2000 operations. In addition PACAM implemented a new Total Quality Control Management program called CIS, Continuous Improvement Software, for monitoring the ISO process. CIS maintains a web portal for our customers to put direct feedback into their system and each employee has a log in to place customer feedback and non-conformities in as well. This has eliminated the need for constantly surveying customers by recording the praise, complaints, and non-conformities on a daily basis, which is then reviewed during the daily management meetings.

During this fiscal year, PACAM the operator of the OFTZ continued to enhance their new warehouse management system, Synapse, by adding two new full time programmers specializing in EDI transaction mapping and Crystal Reporting to allow for electronic transfer of data between their customers and the OFTZ. These enhancements will help speed the order processing procedures and at the same time ensures accuracy of order input.

The OFTZ utilizes a warehouse management system that tracks inventory and activity via bar code scanning and RF technology. This system allows their customers around the world to access their account information real time 24/7 via a secure web portal.

In addition, PACAM continued to expand on the use of MercuryGate Transportation Management System, www.mercurysgate.com, a state-of-the-art TMS for optimized rating, load planning and shipment tracking. This application provides us the ability to interface with our warehouse management system and provide their customers seamless visibility of warehouse and transportation transactions into and out of the FTZ.

Furthermore PACAM successfully implemented the Oceanwide, www.oceanwide.com, EDITRADE Customs Link software to collect, audit, and manage import information and connect to U.S. Customs for electronic filing of 214 documentation. This has further enhanced their ability to provide integrated end-to-end logistics services to support the growth of the Oakland Foreign Trade Zone.

Pacific American Services continues to work on becoming a "green warehouse" through increased recycling efforts and completion of registration with the EPA SmartWays Transportation program in an effort to improve emissions with their carrier fleet.

PACAM improved the Oakland FTZ facility by remodeling the truck entrance to handle more truck and container volume. In addition a new guard facility was built with more visibility to the yard and easier and safer access was created for checking trucks in and out of the facility. The cost of this remodel was \$200,000.00.

Promotion & Marketing Efforts:

PACAM in addition to collaborating on marketing with the Bay Area World Trade Center continued to work with our outside public relations firm to promote the Oakland Foreign Trade Zone throughout the United States and around the world. PACAM has also added the top sales and marketing firm for Third Party Warehouses, Palisades Marketing, www.palmark.com, out of New Jersey to help market our services nationwide. They only represent one provider per geographic location and have already been very successful in adding new business to Oakland.

The PACAM website was updated to include more FTZ resource information and links regarding foreign trade zone programs, services and articles.

PACAM is in the process of working with PointTrade Services to implement two new FTZ zone programs in the Bay Area for high tech computer chip manufacturers and expect to have them completed by the Q1 of 2008.

FTZ#56 sales force has continued with its promotional activities at various national expositions, international conferences, colleges and local business organizations.

FTZ#56 representatives made formal presentations at a number of different speaking engagement events and to a variety of associations interested in learning more about FTZ's.

Together the Grantee, Bay Area World Trade Center and the general-purpose zone operator, PACAM, have conducted several activities that have contributed to local and international development in the Bay Area. The OFTZ hosted a number of delegations, and foreign visitors. The following recaps some of those tours and presentations:

OFTZ sponsored the BAWTC Annual Global Forecast 2007 where Dr, Ken Mayland Business Week's top economic forecaster and Jon Haveman one of the top economist in the Bay Area discussed the global and regional economic outlook for the Bay Area.

BAWTC lead a trade mission to China to the following destinations: Beijing, Shanghai, and Dalian. The OFTZ was promoted through out the Trade mission.

Sponsored the BAWTC International Trade Summit 2007 and International Trade Mixer on November 27, 2007 the events brought together the international community in the Bay Area to discuss the trade promotion and trade development with the Bay Areas international organizations.

On Friday July 27, 2007 Linda Hothem of the OFTZ made a presentation to a delegation from Ensenada, Mexico on the OFTZ.

Linda Hothem continues to be very active on both the NAITZ and International Warehouse and Logistics Associations Board of Directors speaking at their annual conferences and participating in critical trade matters.

Linda Hothem Co-Chairs along with Omar Benjamin, Port Director, the Oakland Partnership International Trade and Logistics Cluster for developing initiatives to improve the Environment, Infrastructure, Port Operations, Workforce Development, and Marketing and Branding of the Port of Oakland. These meetings are attended by members of the Port of Oakland community which includes: the City of Oakland, Port of Oakland, Terminal Operators, Trucking Community, and State and Federal representatives. This partnership is working to position Oakland as an "International Gateway" and at the same time be socially conscious addressing environmental and social concerns.

Linda Hothem attended the annual NAFTAZ conference in Phoenix, AZ in October.

Bill Whelan provided a tour of the OFTZ to the 7th annual University of Nevada/COPPEAD Brazilian Logistics attendees headed by Dale Rogers, Director, Center for Logistics Management, University of Nevada. This is a group of logistic managers from Brazil that come to the United States every year to take an international course in world trade.

Bill Whelan also attended for the first time the Natural Expo 2007 in Anaheim California meeting with hundreds of organic, natural, and recycled product providers. This is a relatively new industry and one of the fastest growing segments of our economy.

In addition to the formal presentations delivered, FTZ#56 continued its long-standing involvement with local and international trade associations that we hold membership in. A partial list includes:

- a. Council of Supply Chain Management
- b. Warehousing Education Research Council
- c. National Association of FTZ's
- d. Northern California Customs Brokers and Freight Forwarders
- e. Women In International Trade
- f. Bay Area World Trade Center
- g. San Francisco Business Times Conferences
- h. International Warehouse and Logistics Association
- i. University of California of Berkeley
- j. City of Oakland Food Processors and Distributors
- k. Eye For Transport Conferences
- l. Women in Logistics
- m. Organic Trade Association

Enclosed, please find the various articles and presentation flyers announcing some of the promotional activities OFTZ participated in under **EXHIBIT A**. OFTZ continues to assist the customs brokerage community in better understanding FTZ benefits and FTZ documentation process. In addition we continue to increase our services relative to customs documentation.

4. Summary of GPZ & Exports:

Export and transshipment activity continues to play a vital role at the OFTZ. Over 75% of all products traveling through the zone are for export leaving less than 25%, which will enter the US territory. This large percentage of exports is due to the fact that the Port of Oakland is primarily an export port.

5. Employment:

Operator employs 75 full time employees
Grantee employs 6 full time employees
Zone Users employ 10 full time employees (on -site)

6. Overall FTZ Project:

Specific activities conducted under FTZ procedures that contributed to the local and national economy (FTZ employment, port activity, industrial development and international trade) included customers taking advantage of duty deferral, transfer of ownership, and exemption of duties on exported products. Certainly these procedures have allowed our customers to increase their shipping through the Port of Oakland, and have stimulated trade where there was none before.

PART II. USE OF ZONE BY BUSINESS FIRMS (General-Purpose Zone)

A. The zone served 40 business firms during the fiscal year 2006-2007. Of these 16 used the zone on a continuous basis.

B. N/A

C. N/A

PART III. MOVEMENT OF MERCHANDISE (General-Purpose Zone)

The zone handled 47 different items from 40 countries, compared with 45 items from 39 countries during the preceding year.

A. Merchandise in the Zone at Beginning and End of Fiscal Year

	<u>Beginning</u> <u>Value</u>	<u>End</u> <u>Value</u>
Domestic Origin/Duty Paid	\$ 206,391,397	\$ 189,094,367
Foreign Status	\$ 116,586,655	\$ 152,439,101
<u>Total:</u>	\$ 322,978,052	\$ 341,533,468

B. Movement of Merchandise

<u>Received</u>	<u>Value</u>
Domestic Origin/Duty Paid	\$ 113,055,435**
Foreign Status	\$ 29,641,201
From Other U.S. FTZ's:	
Domestic Status	\$ 177,000
Foreign Status	<u>\$ 680,000</u>
<u>Total:</u>	<u>\$ 143,553,636.</u>
<u>Forwarded</u>	
To U.S. Customs Territory	\$ 6,190,406
To Foreign Countries	\$ 115,057,984.
To Other U.S. FTZ's	<u>\$ 3,749,830.</u>
<u>Total</u>	<u>\$ 124,998,220.</u>

**Large increase in Domestic Origin/Duty Paid due to one entry in July 2007 for \$105,000,000—Satellite Parts (high value).

C. Value added

N/A

D. Main Categories of Foreign Status Merchandise Received (Top Five)

<u>Categ</u>	<u>Value</u>	<u>Main Countries of Origin</u>
1) Scotch	\$7,321,649.	IE, GB, CA
2) Tequila	\$6,021,556.	MX
3) Beer	\$3,117,589.	MX, NL, IE
4) Vodka	\$2,329,104.	FR, NL,
5) Brandy/Cognac	\$2,305,421.	FR, ES, MX
<u>Total:</u>	<u>\$21,095,319.</u>	

E. Foreign Status Merchandise Received:

Non-privileged foreign:	\$22,493,070.
Privileged foreign:	\$ 0

F. Customs duties collected on merchandise entered from the zone during the fiscal year amounted to \$ unknown. *

(*As a third party operator, our customers and U.S. Customs Brokers are paying duties rather than our company. The majority of products in the zone move on U.S. Custom's form 3461, (which does not provide duty information to the operator).

G. Destruction total: \$ 632,223.

IV. PHYSICAL FACILITIES - AVAILABLE AND ACTIVATED

A) Narrative Description:

Foreign Trade Zone #56 is located on twenty acres of secured land with over 500,000 square feet of covered space including warehouse, offices and manufacturing facilities available for activation.

EXHIBIT B. provides the general space plan of the General Purpose Zone-FTZ #56 and the general space plans of three boundary modifications which PACAM operates under it's bond. The grand total activated space comprises 239,797 square feet. It is the OFTZ philosophy to only activate space that is operationally active with bonded FTZ goods stored or transiting. The following is a breakdown of each area:

- | | |
|---|---------------------|
| 1) 9401 San Leandro Street, Oakland, CA | 127,312 square feet |
| 2) 400 Lancaster Street, Oakland, CA | 58,500 square feet |
| 3) 3825 Fabian Way, Palo Alto, CA | 34,300 square feet |

As part of the Zone's permanent relocation application, the entire 500,000 square feet was approved for Foreign Trade Zone status as of July 15, 1992.

B) Zone Schedule:

The two locations where the Zone Schedule, including rates and charges of zone grantee and general-purpose zone operator's rates are available for public inspection are:

OAKLAND FOREIGN TRADE ZONE

9401 San Leandro Street
Oakland, CA 94603

BAY AREA WORLD TRADE CENTER

544 Water Street
Oakland, CA 94612

PART V. SUBZONE ACTIVITY

The Benicia Foreign Trade Zone (#56A) activated on March 3, 1989 for use by Mazda Motors of America, Inc., is no longer activated.

PART VI. PHOTOGRAPHS

N/A

PART VII. ZONES AND SUBZONES AUTHORIZED BUT NOT YET IN OPERATION

N/A

End

2008 SEP 11 PM 3:00 OAKLAND CITY COUNCIL

RESOLUTION No. _____ C.M.S.

Introduced by Councilmember _____

RESOLUTION AUTHORIZING (1) AN AMENDMENT TO A LICENSE AGREEMENT WITH PACIFIC AMERICAN WAREHOUSING AND TRUCKING COMPANY TO OPERATE A FOREIGN TRADE ZONE TO CHANGE THE TERM, FEE STRUCTURE, PERFORMANCE STANDARDS, REPORTING REQUIREMENTS, AND OTHER PROVISIONS, AND (2) THE ASSIGNMENT OF THE LICENSE AGREEMENT TO MATSON GLOBAL DISTRIBUTION SERVICES

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

WHEREAS, the City of Oakland entered into its initial License Agreement to operate the Oakland Foreign Trade Zone #56 ("OFTZ") in 1981; and

WHEREAS, the City of Oakland entered into a License Agreement to operate the OFTZ with Pacific American Warehousing and Trucking Company ("PACAM" or "Licensee") in 1990; and

WHEREAS, PACAM has successfully grown the OFTZ both in size and value of merchandise moved through the OFTZ and has generated well-paying jobs with benefits for Oakland residents; and

WHEREAS, Matson Global Distribution Services ("Matson"), a subsidiary of Matson Integrated Logistics, both of which are under the corporate umbrella of Alexander & Baldwin, Inc., recently entered into an agreement with PACAM under which Matson will acquire PACAM and continue its business with the existing PACAM management team and work force; and

WHEREAS, the City of Oakland has been requested to approve assignment of PACAM's responsibilities under the existing License Agreement to Matson; and

WHEREAS, staff has met with representatives of PACAM and Matson to discuss the terms of amendments to the existing 18 year-old License Agreement to revise the term, fee structure, performance standards, reporting requirements and other provisions; and

WHEREAS, the assignment of the License Agreement to Matson represents a growth opportunity for the OFTZ based on the financial strength of Matson and its parent companies, the existing business relationship Matson has with the Port of Oakland, and the ability of Matson to expand both the PACAM and OFTZ services based on its experience and global business clients;

and

WHEREAS, the sale of PACAM's business assets and approval of the Licensee transfer to Matson will solidify the sustainability and growth opportunities for the company's primary 3PL activities and the OFTZ activities in Oakland, resulting in increased business tax revenue for Oakland from both Matson and its clients; and

WHEREAS, the OFTZ is part of a developing City of Oakland international investment attraction strategy to support the business of the Port of Oakland (maritime and airport), Oakland businesses already engaged in international business and those interested in expanding international trade opportunities, and the City's desire to attract foreign-based businesses to Oakland; now, therefore be it

RESOLVED: That the City Council hereby authorizes the assignment of the License Agreement from PACAM to Matson; and be it

FURTHER RESOLVED: That the City Administrator is authorized to negotiate and execute an amendment to the License Agreement consistent with the terms set forth in the staff report accompanying this Resolution; and be it

FURTHER RESOLVED: That the City Attorney shall review and approve as to form and legality all agreements related to the License Agreement, and all such agreements shall be filed with the City Clerk.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 20_____

PASSED BY THE FOLLOWING VOTE:

AYES - BROOKS, BRUNNER, CHANG, KERNIGHAN, NADEL, QUAN, REID, and PRESIDENT DE LA FUENTE

NOES -

ABSENT -

ABSTENTION -

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