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DEPARTMENT OF ECONOMIC DEVELOPMENT

## CITY COUNCIL TRANSMITTAL

  
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Rachel Otto, Chief of Staff

**Date Received:** 1-30-2024  
**Date sent to Council:** 1-30-2024

**TO:** Salt Lake City Council  
Victoria Petro, Chair

**DATE:** 1/30/2024

**FROM:** Lorena Riffo-Jenson, Director, Department of Economic Development 

**SUBJECT:** Foreign Trade Zone (FTZ) Grantee Transfer

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**DOCUMENT TYPE:** Information Briefing

**RECOMMENDATION:** The Administration recommends Council action in support of the Administration providing a letter of support for the transfer of City's FTZ grantee status (FTZ #30) to the World Trade Center Utah (WTC Utah).

**BUDGET IMPACT:** Administering the FTZ requires substantial overhead expenses and generates \$10,000 of annual revenue (in the form of administrative fees pursuant to the Consolidated Fee Schedule), which offsets those expenses in part. When the Department of Economic Development (DED) worked with the Department of Finance in 2017 to estimate administrative costs for running the tool, those costs were estimated to be \$30,527.29 per year.

### BACKGROUND/DISCUSSION:

#### *History of FTZs and FTZ #30*

The FTZ program was established in 1934 in the United States and is widely referred to as a Free Trade Zone abroad. FTZs encourage United States economic activity and jobs - in competition with foreign alternatives - by allowing delayed or reduced duty payments on foreign merchandise, as well as other savings.<sup>1</sup> Salt Lake City applied for - and was granted - FTZ grantee status for FTZ #30 in 1977, with some periods of inactivity between 1977 and now.

<sup>1</sup> [Microsoft PowerPoint - FTZ Info for CBP Jan 2020 \(trade.gov\)](#)

DED updated the framework of the FTZ in 2017. The Department also updated the Consolidated Fee Schedule to incorporate FTZ. Prior to 2017, the City did not charge fees to join the FTZ and has traditionally run the program at a net loss.<sup>2</sup> This was the last policy action taken by the City relating to the FTZ. City Council took action to approve these updates.

There is presently one active company in the FTZ, Specialized Bicycles.

### *Why Transfer?*

Currently, companies of all sizes (but in particular small and medium size companies) face extremely high barriers when attempting to access the FTZ. FTZs are highly technical and require that companies wishing to apply have specialized knowledge for both administration and strategy. Because the City doesn't currently have the resources to assist companies navigating the process, companies often face the prospect of incurring hundreds of thousands of dollars in consultant fees to get through the application process and join the FTZ. The Department would like to see the FTZ administered in a way that would reduce or eliminate these barriers and encourage more participation by companies of all sizes.

If the City were to provide similar consulting services to companies seeking to join, it would require substantial financial resources to support such services and the City would face added liabilities and risks when stepping into that role. WTC Utah, however, has prepared a strategy to reduce these barriers and encourage participation in the FTZ.

### *Why World Trade Center Utah?*

WTC Utah is seeking FTZ grantee status so that the tool may be utilized statewide and may be more easily and effectively accessed by companies of all sizes, both within Salt Lake City and beyond. WTC Utah has developed a strategy to invest in breaking down barriers with the tool that will allow companies to join more seamlessly.

The World Trade Center Utah approached the City about a partnership as an alternative to the possibility of applying for its own, competing, FTZ. The possibility of the City and WTC Utah operating competing zones that may have overlapped coverage would likely be confusing for companies, and ultimately risk the grantee status of the City if the City loses its active company in FTZ #30.

To have an ambitious growth model for the tool, substantial investment is required. WTC Utah seeks to bring onboarding consulting services in-house through standard program fees to fund the long-term operational costs of this enhanced service. This service would save companies the large consultant fees and allow for less confusion in the process. Such investment may not align with

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<sup>2</sup> It is also important to clarify that grantee status for FTZ #30 generates no revenue from the federal government as a matter of course. The grantee may take in fees for the purposes of cost recovery, but the grantee runs the FTZ for the purposes of community benefit, not generating revenue.

the City's many other pressing priorities, whereas promoting the growth of the tool falls directly into WTC Utah's overall mission and its members' needs.<sup>3</sup>

There are instances where transfers have happened nationally for the same reason. For example, Savanna, Georgia had a similar transfer take place in the 2010s. Savannah/Hilton Head International Airport ran a high-functioning FTZ, but requested WTC Savannah take over the tool. The airport recognized that it was important for the tool to be housed under an organization whose mission aligned with the purpose of the FTZ and one that could allocate necessary resources to ensure the highest community benefit.

The City presently shares an ongoing partnership with WTC Utah, whose mission is to accelerate growth for Utah companies through its global networks, programs, and services. Both the City and WTC Utah share an understanding that international business is an essential component of the economy. This measure is meant to deepen the City's partnership with WTC Utah to reduce the barriers of trade and investment for companies doing international business in a time of growing costs for going global.

Finally, Salt Lake City's position in the intermountain west affords a comparative advantage for enhancements of the tool. Companies that wish to utilize the tool most benefit when importing products from abroad, and Salt Lake City has several logistical advantages for importing companies to be located in Salt Lake City's boundaries. In addition, WTC Utah is in Salt Lake City, making it simple for Salt Lake City companies to have the same access to the tool alongside enhanced services.

### *How to Transfer?*

It is important to clarify that the City does not have the authority to transfer FTZ #30. That authority resides solely with the Foreign Trade Zones Board (Board), which is an entity within the United States Department of Commerce. WTC Utah; however, may apply to the Board to receive the grantee authority, and the City may accommodate this process by providing a letter to the Board supporting WTC's request for a transfer. The Administration is requesting a resolution that supports to draft a letter to the FTZ Board in support of a transfer of grantee status.

### *Next Steps*

- If the Council signifies support, the Administration will draft a letter to the FTZ Board supporting WTC Utah's grantee status.
- WTC Utah will file an application for grantee status within days of the letter being sent.
- The Foreign Trade Zones Board will receive the letter and the application which will take between 4-8 months to process and consider.
- The Administration will transmit to City Council the necessary amendments to the Consolidated Fee Schedule (CFS) if the FTZ Board approves WTC Utah as a grantee.

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<sup>3</sup> To be clear, the benefit of the tool will be available beyond WTC Utah's membership base and will extend to any company interested in participating.

RESOLUTION NO. \_\_\_\_ OF 2024

A Resolution Authorizing the Foreign-Trade Zones Board to Transfer Grantee Authority of Foreign-Trade Zone Number 30 to World Trade Center of Utah

WHEREAS, on June 18, 1934, Congress approved the Foreign-Trade Zones Act “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 and for other purposes” (the “Act”); and

WHEREAS, on May 26, 1977, in accordance with the Act and its accompanying regulations, Salt Lake City Corporation (“City”) received approval from the Foreign-Trade Zones Board to establish, operate, and maintain Foreign-Trade Zone No. 30 in a capacity as Grantee; and

WHEREAS, pursuant to Resolution No. 28 of 2017, the City created a Service Area for Foreign-Trade Zone No. 30 under the Alternative Site Framework, to include the Counties of Davis, Morgan, Salt Lake, Utah, and Weber, and the Cities of Brigham City, Corinne, Honeyville, Perry, Erda, Grantsville, Lake Point, Mills Junction, Rush Valley, Stansbury Park, Stockton, Terra, Tooele, Vernon, Heber City, Midway, Coalville, Deer Mountain, Echo, Francis, Henefer, Kamas, Kimball Junction, Oakley, Park City, Peoa, Samak, Silver Summit, Snyderville, Wanship, Woodland, and Mantua, consistent with the Act and its accompanying regulations; and

WHEREAS, the purpose of maintaining a Foreign-Trade Zone is to accelerate growth for local businesses by reducing barriers for trade and investment for companies engaged in business on an international scale, which is increasingly vital in a global economy; and

WHEREAS, as of January 2024, Foreign-Trade Zone No. 30 includes one active company; and

WHEREAS, the City desires to see Foreign-Trade Zone No. 30 be more widely accessed by local businesses throughout Salt Lake City by ensuring that barriers to access, such as the need for companies to engage costly technical and consultant assistance, are removed; and

WHEREAS, the World Trade Center of Utah has emerged as a potential recipient of the City’s Grantee authority and has demonstrated it has additional resources available that would enable it to operate and maintain Foreign-Trade Zone No. 30 in accordance with the City’s desire to lower barriers to access for local businesses; and

WHEREAS, the City has determined that a transfer of City’s Grantee authority to the World Trade Center of Utah would promote the City’s goals of encouraging the growth and vitality of Salt Lake City’s local business community, particularly for small and medium sized businesses and those with limited resources, such as minority-owned and underserved businesses; and

WHEREAS, for the Foreign-Trade Zone Board to effectuate a transfer of the City's Grantee authority for Foreign-Trade Zone No. 30 to the World Trade Center of Utah, the City must consent to the transfer.

NOW THEREFORE, BE IT RESOLVED by the City Council of Salt Lake City Corporation as follows:

1. That Salt Lake City Corporation, Grantee of Foreign-Trade Zone No. 30, is hereby duly authorized to consent to the transfer of Grantee authority to the World Trade Center of Utah.
2. The Council hereby authorizes the Mayor or her designee to negotiate and execute any documents required to effectuate the transfer of Grantee authority, and incorporating such other documents and agreements as recommended by the City Attorney's office.

Passed by the City Council of Salt Lake City, Utah this \_\_\_\_ day of \_\_\_\_\_, 2024.

SALT LAKE CITY COUNCIL

\_\_\_\_\_  
Victoria Petro, Chair

Transmitted to Mayor on \_\_\_\_\_.

Mayor's Action: \_\_\_\_\_ Approved. \_\_\_\_\_ Vetoed.

\_\_\_\_\_  
MAYOR

\_\_\_\_\_  
CITY RECORDER  
(SEAL)

Bill No. \_\_\_\_\_ of 2024  
Published: \_\_\_\_\_.

**APPROVED AS TO FORM**  
Salt Lake City Attorney's Office

Date: January 30, 2024

*Sara Montoya*  
Sara Montoya, Senior City Attorney