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**SUBJECT:** Introduction to Foreign Trade Zone No. 86  
**DATE:** April 10, 2019

**PRESENTATION TYPE:**  
Informational Briefing

**SUMMARY:**

Foreign-trade zones (“FTZs”) are secured areas, in or near United States (U.S.) ports of entry and under U.S. Customs and Border Protections (CBP) officials’ supervision, in which foreign and domestic merchandise is considered outside the CBP territory of the U.S. Importers and exporters can store, manipulate or add value to goods prior to entry into the U.S. market or export to a foreign country, while deferring, reducing, or potentially eliminating customs duties. Merchandise may be moved into an FTZ for storage, exhibition, manufacture, or other operations not otherwise prohibited by law. Customs duties on foreign merchandise are not collected until the merchandise leaves the zone thus entering CBP territory.

The Port of Tacoma (POT), as Grantee to FTZ No. 86, can assist companies within Pierce County to establish zone sites and realize the above-mentioned benefits via a two-step process.

**BACKGROUND:**

The Foreign-Trade Zones Act was passed in 1934 as part of the New Deal legislation. The stated purpose of the FTZ Act was to stimulate and expedite international commerce, make U.S.-based businesses more competitive and create employment opportunities in the U.S.

The FTZ program provides many national and company-specific benefits. National benefits include: U.S.-based producers have less incentive to move operations overseas; Local communities have a tool for attracting U.S. and foreign investment; More exports to global markets; and Supports local and sustainable jobs. Individual companies may achieve cost-savings and maintain a competitive edge by: Deferring, reducing or eliminating duties or excise taxes; Indefinite inventory periods without paying duties until goods leaves the site; Transport goods between FTZ sites without paying customs duties; Manipulate or destroy goods on-site; and Weekly entries.

As Grantee, the POT assists interested companies in establishing zone sites by filing applications with the Foreign Trade Zones Board on behalf of the Company and concurring all activation requests are filed with CBP. A site may not accept foreign-status, non-duty merchandise until it has been approved to do so by CBP officials, and the zone activity will remain under their supervision. FTZ sites and facilities remain within the jurisdiction of local, state or federal governments or agencies.



**ISSUE:**

The Port of Tacoma is Grantee to FTZ No. 86, and the Service Area encompasses all of Pierce County. FTZ No. 86 presently consists of three Magnet Sites, twelve Usage Driven Sites, and three Subzone sites. The Port encourages importers and exporters working with merchandise subject to duties to explore the program and determine if they may realize a cost-savings from the program.

Establishing a zone site is a two-step process that generally takes between 6 to 9 months to complete. The first step is known as “Designation” in which the company completes an application, and POT as Grantee submits the application to the Foreign Trade Zones Board and CBP for review and approval. This process generally takes 30 days or less. The second step is known as “Activation”, and this step is primarily between the company and CBP. Depending on the use and number of site upgrades needed, this step generally takes between 6 and 9 months to complete.

Also of note, is the potential for a third step known as “Production Authority”. This step is required if the use will involve substantial transformation of the merchandise or a change in the category of the imported component(s). Such authority can take between 9 to 15 months to receive approval depending upon the complexity and sensitivity of the industry involved.

While establishing a zone site takes planning and foresight, once established, it can become a critical component for increasing business cost-savings and maintaining a competitive edge. FTZ No. 86 is currently home to 11 operators, 10 of which are involved in warehouse and distribution activities. Of these 10, two are involved in storage and accessorization of imported vehicles with domestic status components. The remaining 8 operators handle storage and warehousing of general merchandise.

Numbers compiled from operators for 2017 show:

- Over \$1.5 billion of foreign status merchandise was received;
- Value of exported merchandise totaled over \$1.7 million; and
- There were approximately 697 people employed by warehouse/distribution operators.

While 2018 numbers are still being compiled, preliminary reports identify warehouse/distribution employment is increasing, as are the total values of merchandise received and exported.

**ALTERNATIVES:**

This is an information briefing only. There are no alternatives presented.

**FISCAL IMPACT:**

This is an information briefing only. There is no fiscal impact.

**RECOMMENDATION:**

This is an information briefing only. There is no recommendation.