



ECONOMIC DEVELOPMENT

In Brief

July 2022

A DEDO Project Summary

Denver considering reissuing its grantee authority of Foreign Trade Zone #123 to World Trade Center Denver

After 35 years serving as the grantee authority and administrator of Federal Trade Zone #123, the City and County of Denver is considering transitioning this role to the World Trade Center Denver. The change requires Denver City Council approval and also the Federal Trade Zone Board under the jurisdiction of the U.S. Department of Commerce.

What is a Foreign Trade Zone (FTZ)?

A foreign trade zone is a geographical area in, or adjacent to, a U.S. Port of Entry where commercial merchandise, both domestic and foreign, **receives the same customs treatment it would as if it were outside the boundaries of the United States**. As an FTZ is considered **by the federal government to be outside Customs territory**, it serves as a designated location where companies can employ special procedures that foster U.S. activity and value-added—in competition with foreign alternatives—by allowing delayed or reduced duty payments on foreign merchandise, as well as other savings.

- **The FTZ program falls under the jurisdiction of the U.S. Department of Commerce** and is overseen by the U.S. Foreign Trade Zone Board in Washington D.C. There are about 300 FTZs across the U.S.
- Throughout the country, FTZs operate onsite under the oversight and supervision of **U.S. Customs and Border Protection (CBP)**. CBP ensures the zones are appropriately constructed, certifies its stipulations and parameters are met by the Operator/User, and handles day-to-day monitoring of zone activity. Merchandise in an FTZ is under customs control, and merchandise & zone records are subject to spot checking as well as other verifications at any time.
- **Denver International Airport (DEN) is the designated Port of Entry** for FTZ #123, originally created in 1986 and extending 60 miles in all directions with DEN at its center (the boundaries are also defined as being within 90-minute drive time). Even though a significant amount of the geographic area of FTZ #123 is not located in Denver County, the City & County of Denver has served as the grantee authority and administrator of FTZ #123 since 1986.
- **The Denver Economic Development & Opportunity (DEDO) Global Business Development** team is currently the zone's administrator for the city and considers requests from companies seeking the designation of Operator/User, Subzone, or Site.

Why does Denver believe the grantee authority and administrator role should change?

Denver believes its proposed reissuance of the grantee authority and administrator role to the World Trade Center Denver (WTCD) would be in the public's interest for several reasons.

- The **WTCD's scope of services are more aligned with the FTZ program** and can better serve current participants and future companies that seek to utilize it.
- **The WTCD services cover the state of Colorado and has staff in place** that can market and promote the FTZ program and support its growth to ensure the continuance of a robust and competitive economy.
- **Most current FTZ participants are located outside the boundaries** of the City & County of Denver.
- Should a startup company or relocating company considering operations in Denver County seek to utilize the FTZ #123, **DEDO and the WTCD remain collaborative partners** in all matters of economic development intersecting with the promotion of international foreign business activity. All advantages available to a prospective user with Denver in the grantee authority and administrator role would be identical to the advantages available with WTCD in the role.

The administrator role includes operating, maintaining, and administering FTZ project requests under the federal laws and regulations, including the guidelines enforced by U.S. Customs & Border Protection (CBP). The administrator coordinates the application and approval process with the national FTZ Board, including the creation and execution of operator and site agreements. This role also requires that the grantee authority remain accessible to respond to inquiries or issues raised by CBP or others.

What is the benefit for a business operating in an FTZ?

The purpose of an FTZ is to help American businesses **remain competitive in the global economy** by reducing or eliminating duty and tariff burdens on both the importation of foreign goods as well as exported finished products.

When a business operates under FTZ procedures, it means that U.S. import duties don't have to be paid on imported components entering its factory or manufacturing site. If the finished product is ultimately shipped to a U.S. market, the company has the option of paying the finished product duty rate rather than the component duty rate; many finished products have lower duty rates than their individual components, or are duty-free. If the FTZ firm **re-exports its finished product outside the U.S., the firm does not ever pay duties on the component materials.**

A firm would likely see benefit if it is doing some/all of the following:

Importing goods with a high duty rate

Importing goods at a high volume

Adding value through assembly, manufacturing, packaging, or processing

Combining foreign and domestic materials

Foreign trade zone applications from businesses are relatively rare in FTZ #123. Across the U.S., the largest industry currently using FTZs is the petroleum refining industry. Significant zone manufacturing also occurs in the automotive, electronic, furniture, and pharmaceutical industries.

What are the next steps?

Denver City Council is expected to consider this grantee authority and administrator role transition in July 2022, after which the City and County of Denver and the WTCD will work together to complete the forms or agreements required to be granted final approval for the transition by the national FTZ Board.