

# OED ORDINANCE/RESOLUTION REQUEST

Date of Request: 11/19/2018

Please mark one:  Bill Request or  Resolution Request

1. Has your agency submitted this request in the last 12 months?

Yes  No

If yes, please explain:

2. **Title:** Authorizes the submittal of an application the U.S. Foreign Trade Zones Board by the Office of Economic Development for a special-purpose subzone of Foreign Trade Zone #123 for use by Lexmark International for its facilities located at 6555 Monarch Road, Longmont, CO 80503.

3. **Requesting Agency:** Office of Economic Development

4. **Contact Person:** (With actual knowledge of proposed ordinance/resolution.)

- Name: Stephanie Garnica, Director of Global Business Development
- Phone: 720-913-1692
- Email: Stephanie.garnica@denvergov.org

5. **Contact Person:** (With actual knowledge of proposed ordinance/resolution who will present the item at Mayor-Council and who will be available for first and second reading, if necessary.)

- Name: Susan Liehe
- Phone: 720-913-1689
- Email: susan.liehe@denvergov.org

6. **General description of proposed ordinance including contract scope of work if applicable:**

Authorizes the submittal of an application to the U.S. Foreign Trade Zones Board by the Office of Economic Development for a special-purpose subzone of Foreign Trade Zone #123 for use by Lexmark International for its facilities located at 6555 Monarch Road in Longmont. The City and County of Denver has received permission from the U.S. Foreign Trade Zones Board to establish subzones of Foreign Trade Zone #123 for use by companies located within 60 miles of the Denver International Airport, U.S. Customs Port of Entry.

**\*\*Please complete the following fields:** (Incomplete fields may result in a delay in processing. If a field is not applicable, please enter N/A for that field.)

a. **Contract Control Number:**

b. **Duration:** 20 years

c. **Location:** Longmont, CO

d. **Affected Council District:** N/A

e. **Benefits:** Fosters international trade and economic development in the Denver Metro Area

f. **Costs:** N/A

7. Is there any controversy surrounding this ordinance? No.

## EXECUTIVE SUMMARY

A Foreign Trade Zone is a site within the U.S. that is considered by federal government to be outside Customs territory. It is a designated location where companies can use special procedures that help encourage 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. Generally, 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.

When a business operates under FTZ procedures, it is treated, (when it comes to customs duties), as if it were located outside the United States. For example, U.S. import duties don't have to be paid on imported components coming to a factory. If the finished product is ultimately shipped to the 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 components, or are duty-free.) And if the firm re-exports the finished product, 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, etc.
- Combining foreign and domestic materials.

The City and County of Denver is the grantee of U.S. Foreign Trade Zone 123 (FTZ). The Denver Office of Economic Development (OED) acts as the Zone administrator for the city, considering requests from companies seeking this designation. OED makes its recommendations about the granting of a foreign-trade subzone to City Council for approval, and a resolution of Council in support of the establishment of the subzone is a requirement of applicable federal law. Eligible businesses located within a 60-mile radius or 90-minute drive-time of Denver International Airport may seek FTZ status. Because of the boundaries of our granted zone area (No. 123), some firms we work with are located outside of the City & County of Denver.

### *About the applicant*

Lexmark creates innovative imaging solutions and technologies to serve customers worldwide. Employing 165 people in the Front Range, and recognized as a leading manufacturing company shaping the future of global manufacturing, Lexmark seeks subzone status and the use of FTZ procedures to enable cost savings on export products. Subzone status is considered critical for the Longmont location to remain a key regional production facility and distributor of products to international markets.