

ORDINANCE/RESOLUTION REQUEST

Please email requests to the Mayor's Legislative Team
at MileHighOrdinance@DenverGov.org by **3pm on Monday**.

Date of Request: 7/31/17

Please mark one: Bill Request or Resolution Request

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

Yes No

2. **Title:** 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 Lockheed Martin Corporation for its facilities located at 12257 S. Wadsworth Blvd. in Littleton

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

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

- **Name:** Abdul Sesay
- **Phone:** 720.913.1544
- **Email:** abdul.sesay@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 Lockheed Martin Corporation for its facilities located at 12257 S. Wadsworth Blvd. in Littleton. 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:** N/A. This authorization does not establish a contractual relationship.
- b. **Duration:** N/A
- c. **Location:** 12257 S. Wadsworth Blvd., Littleton, Colorado
- d. **Affected Council District:** NA
- 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?** (Groups or individuals who may have concerns about it?)
Please explain.

No

Executive Summary

A Foreign Trade Zone (FTZ) 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.

When a business operates under FTZ procedures, it is treated, with regard to customs duties, as if it were located outside the United States. For example, that can mean that 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 or 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.

In the case of this specific request, subzone status and the use of FTZ procedures will contribute significantly to the international competitiveness of Lockheed Martin's space systems operation, which employs more than 6,000 people in the Denver metro area. A key component of Lockheed Martin's business strategy is to increase international sales, and subzone status is considered critical to their ability to be competitive in the international aerospace market.

OED acts as the Zone Grantee for this area, and considers requests from companies seeking this designation based on the company's and Colorado's potential for enhanced global competitiveness. OED is required to make 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.