



CITY OF FORT LAUDERDALE
City Commission Agenda Memo
REGULAR MEETING

#14-0058

TO: Honorable Mayor & Members of the
Fort Lauderdale City Commission

FROM: Lee R. Feldman, ICMA-CM, City Manager

DATE: January 22, 2014

TITLE: Foreign Trade Zone Operator Agreement – Motion authorizing the proper
City Officials to execute five-year operator agreement with Hellman
Worldwide Logistics subject to approval of a Minor Boundary Modification
for a Usage Driven Site by the Foreign-Trade Zones Board and approval
of an activation request by US Customs and Border Protection

Recommendation

It is recommended that the City Commission approve a motion authorizing the proper City officials to enter into an Operator Agreement with Hellman Worldwide Logistics Inc. and to submit an application for a Minor Boundary Modification to the Foreign-Trade Zones Board for a Usage Driven Site and subject to approval of an activation request by US Customs and Border Protection.

Background

Hellman Worldwide Logistics Inc. a warehousing and distribution company has requested to become an Operator in the City of Fort Lauderdale's Foreign Trade Zone (FTZ) administered by the Executive Airport.

The City of Fort Lauderdale established Foreign-Trade Zone 241 (FTZ 241) on April 19, 2000 under a Grant of Authority from the Foreign-Trade Zones Board (US Secretary of Commerce and US Secretary of Treasury). The goal of the program was to promote development of the Executive Airport Industrial Airpark, serve businesses engaged in international commerce in the greater Fort Lauderdale area, and maximize the City's business retention and attraction efforts.

Background on the City's Foreign-Trade Zone

Congress enacted legislation implementing the FTZ program in 1934 in order to increase foreign investment, job creation, and economic activity in the United States. The legislation defines a Foreign-Trade Zone as a parcel of land deemed to be outside the United States for purposes of duty assessment. Companies located in an FTZ are able to defer, reduce, and/or eliminate import duties and any applicable duty is levied only when goods are withdrawn from the FTZ and entered into the commerce of the United States.

Originally, seven area sites, totaling 1,266 acres, were included in the FTZ with Fort Lauderdale Executive Airport and Industrial Airpark serving as the hub site. In 2005 the Zone was restructured to five sites totaling 1,219 acres with the removal of certain ineligible sites.

On April 30, 2013 the Zone was reorganized under the Alternative Site Framework (ASF), which allows for faster, more efficient designation and activation of eligible companies. As part of this process, the Zone was further restructured to remove one site and reduce the designated acreage to 873 acres.

Operator Agreement

A Grantee is an entity to which the privilege of establishing, operating, and maintaining an FTZ has been granted by the FTZ Board. The City is the Grantee of FTZ 241. An Operator is a corporation, partnership, or person that operates a Zone or Subzone under the terms of an agreement with a Grantee. As Grantee, the City may function as an Operator and retain unto itself the responsibility for all transactions and interactions with Customs and Border Protection (CBP), or alternatively, may act solely as the Grantee and enter into an Operator Agreement with one or more separate entities to perform those functions.

The City's FTZ program allows companies with the appropriate level of expertise and need to conduct Zone activities at their respective sites by entering into an Operator Agreement. The City has entered into Operator Agreements with Wartsilla North America, activated in 2005 and Fairn & Swanson, Inc., activated in 2010 and Corropack activated in 2013.

If approved, Hellman Worldwide Logistics Inc. will become the fourth Operator in the program. Hellman Worldwide Logistics offers customized logistic solutions with a proven track record in automotive, cruise, electronics, fashion, healthcare and perishables industries. They provide safe and efficient distribution of a broad variety of goods which includes raw materials, finished and consumer goods, machinery, documents and foodstuffs. Their constantly updated IT systems allow them to specify solutions even further to accommodate each individual customer and each particular shipment or project around the world.

Summary of Operator Agreement Terms

The proposed Operator Agreement will be for a five-year term with a five-year renewal and will establish Hellman Worldwide Logistics responsibilities for the operation and management of the site in accordance with CBP and FTZ Board regulations as well as all other applicable federal, state, and local laws, rules and regulations. The authority granted is not exclusive, and does not preclude the City from entering into Operator Agreements with other entities for FTZ operations.

The Operator Agreement will require that Hellman Worldwide Logistics maintain a CBP Bond for operation of the site. It will also waive the requirement that Hellman Worldwide

Logistics maintain a bond on behalf of the City equal to the amount of the CBP bond, as permitted under new Foreign-Trade Zone regulations and the Alternative Site Framework designation. Further, requirements for recordkeeping, indemnification and insurance, default and termination, administrative fees and CBP expenses will be established. Additionally, Hellman Worldwide Logistics is required to submit an activation request to CBP, outlining their Zone procedures at the new site before they can become an FTZ Operator.

The City's fee schedule requires payment of a \$5,000 application fee for the site designation, a \$5,000 activation fee once Hellman Worldwide Logistics procedures are approved by CBP, and an \$8,000 annual fee once the site is operational.

This item was reviewed and approved by the Aviation Advisory Board at its December 5, 2013 meeting.

Resource Impact

There is an anticipated positive fiscal impact to the City in the amount of \$50,000 during the five year term of the agreement.

<i>Revenue to be recorded as follows:</i>					
ACCOUNT NUMBER	INDEX NAME (Program)	OBJECT CODE/ SUB-OBJECT NAME	AMENDED BUDGET (Object Code)	AVAILABLE BALANCE (Object Code)	REVENUE AMOUNT
468-TAM070101-N900	EXECUTIVE AIRPORT	MISC INCOME	N/A	N/A	\$18,000
REVENUE TOTAL ►					\$18,000

Strategic Connections

This item is a *Press Play Fort Lauderdale Strategic Plan 2018* initiative, included within the **Business Development Cylinder of Excellence**, specifically advancing:

- **Goal 7:** Be a well-positioned City within the global economic and tourism markets of the South Florida region, leveraging our airports, port, and rail connections.
- **Objective 4:** Deliver best-in-class regional general aviation airport amenities and services to domestic and international.
- **Initiative 3:** Promote and develop the Foreign-Trade Zone to grow import and export businesses.

This item advances the *Fast Forward Fort Lauderdale 2035 Vision Plan: We Are Prosperous*

Attachment:
Exhibit 1 – Operator Agreement

Prepared by: Clara Bennett, Deputy Director Transportation & Mobility
Department Director: Diana Alarcon, Director Transportation & Mobility