



Presentation to Texas City

# Texas City FTZ Benchmarking

An Analysis of Comparable FTZ Cities, Counties and Economic Development Organizations

# FTZ and Grantee Background

## FTZ Overview

- A Foreign Trade Zone, or FTZ, is an area of land physically in the U.S. but considered outside of U.S. customs territory for duty and customs “entry” purposes.
  
- A FTZ must be physically located within:
  - 60 statute miles of the outer limits of a CBP port of entry
  - 90 minutes driving time from the outer limits of a CBP port of entry
  - Subzones may be outside these limits with approval from the CBP Port Director
  
- Key Benefits of FTZs:
  - Duty Exemption
  - Duty Deferral
  - Duty Reduction (Inverted Tariff)
  - Merchandise Processing Fee (MPF) reduction
  - Quota Avoidance
  - Property Tax savings

## The Grantee’s Role in Foreign Trade Zone

- Grantees are essential to the FTZ program, bridging the gap between the User/Operator and the FTZ Board for designations, production requests, and annual board report submissions. Grantees also promote the use of FTZs through their local economic development programs.
  
- Key Grantee Responsibilities
  - Maintain and file zone documents (Applications, FTZ Board orders and notices, list of approved zones and their boundaries, and operator agreements)
  - Ensure accurate reporting through the FTZ Board website (OFIS), including zone, site, and grantee contact information
  - Collect annual reports from all sites and submit final report to FTZ Board
  - Operate and maintain zone as a public utility, including maintaining an up-to-date zone schedule with fees and policies
  
- Grantee Best Practices
  - Maintain open communication with zone operators
  - Have a working relationship with local CBP
  - Know the FTZ Board Staff member assigned to local jurisdiction
  - Facilitate FTZ usage as a powerful economic development tool

# FTZ Benchmarking Introduction



- As part of this analysis, FTI Consulting reviewed 23 Grantees who are comparable to Texas City, considering factors such as:
  - The type of port or entry
  - The structure of the FTZ / grantee
  - The activity of the FTZ (number of sites, types of industries, etc.)
  - The grantee fee structures
  - The online presence of the FTZs
- The research was gathered from publicly-available sources, the National Association of Foreign Trade Zones (NAFTZ), our direct familiarity with many of these grantees, and other general research.
- The results are presented graphically with a green star or box representing where Texas City stands in relation to its peers.
- Each topic benchmarked includes a description of how Texas City compares to the industry peers and our recommendations on how Texas City can improve to be more competitive.

## Executive Summary

Texas City's FTZ usage has been stagnant and reliant on oil refining activity from two major users.

However, Texas City is equipped to leverage its geographic location and FTZ framework as a powerful economic development tool for a more diverse set of FTZ users and to foster continued job growth for the region.

- Texas City (FTZ 199) has 6 sites approved by the FTZ Board, but only 2 sites are active users of the program (Valero and Marathon)
- Given the large size of these 2 oil refinery FTZs, Texas City's FTZ employment statistics are higher than most comparable Grantees
- More than half of the comparable Grantees have more active sites than Texas City, and several of its closest competitors (Houston, Port Arthur, Freeport and Corpus Christi) have moderate to significantly more FTZ usage, both in number of sites and value of merchandise throughput
- Oil refining's share of FTZ activity in Texas has been in decline since 2015, whereas other sectors such as consumer electronics, other machinery/equipment and other electronics have seen an increase in usage. As a result, diversification of target FTZ users is recommended
- The vast majority of comparable Grantees have transitioned to the Alternative Site Framework (ASF), a reorganization model to streamline the application and approval process for new operators
- Streamlining Texas City's approach to Grantee fees and improving its FTZ marketing efforts is a recommended best practice
- Texas City is well-positioned to take advantage of growing interest in the FTZ program for FDI and reshoring activity, and across a variety of industries who are relatively new to the FTZ program

# Annual FTZ Board Report 2021 – Texas City

*Annual Report of the Foreign-Trade Zones Board – 2021*

Appendix D

FTZ 199, TEXAS CITY				
GRANTEE: TEXAS CITY FOREIGN-TRADE ZONE CORPORATION				
All Activity:				
MERCHANDISE RECEIVED	EXPORTS	EMPLOYEES		
\$10,000-25,000 mil	\$1,000-5,000 mil	7,001-8,000		
Warehouse/Distribution Activity:				
NUMBER OF OPERATORS	MERCHANDISE RECEIVED	EXPORTS	TOTAL SHIPMENTS	
0	\$0	\$0	\$0	
Production Activity:				
	COMPANY	MERCHANDISE RECEIVED	EXPORTS	TOTAL SHIPMENTS
199A	Marathon Petroleum Company LP	\$10,000-25,000 mil	\$1,000-5,000 mil	\$10,000-25,000 mil
199C	Valero Refining - Texas, LP	\$5,000-10,000 mil	\$500-750 mil	\$5,000-10,000 mil

# Texas City – OFIS Site

## Grantee Information

<b>Zone Number</b>	<b>Approved on Date</b>	<b>Grantee</b>
199	02/01/1994	Texas City Foreign-Trade Zone Corp.
<b>Location</b>	<b>Status</b>	<b>Service Area</b>
Texas City	Approved	
<b>Port of Entry</b>	<b>Service Area Maps</b>	<b>Contact Name</b>
TX, Houston		Jon Branson
<b>Email Address</b>	<b>Phone Number</b>	<b>Fax Number</b>
jbranson@texascitytx.gov	(409) 643-5927	(409) 942-1073
<b>Street Address</b>	<b>City</b>	<b>State</b>
1801 9th Avenue N.	Texas City	TX
<b>Zip Code</b>	<b>Website</b>	<b>Activation Limit</b>
77590	www.texascitytx.gov	378.32
<b>Total Activated Acres</b>	<b>Zone Schedule</b>	
0	FTZ 199 Zone Schedule.pdf	

[Site](#)
[Subzone](#)
[Staff Cases](#)
[FR Notices](#)

Site Number	Site Name	Status	Activated Acres	Sunset/Expiration Date
001	1002 12th Avenue North		0	
002	Shoal Point		0	

## Grantees Included in Benchmarking Analysis

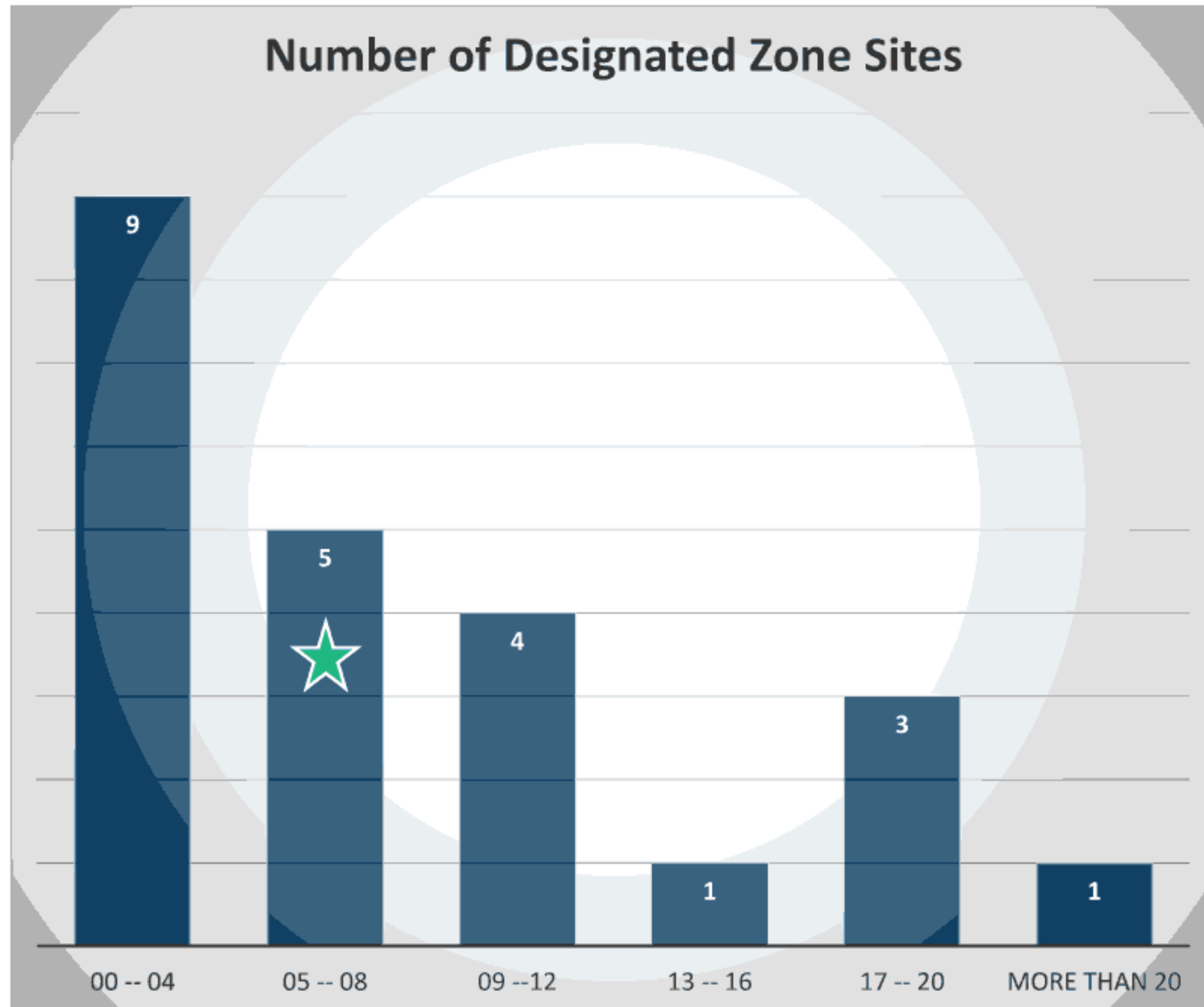
Grantee	Zone
South Carolina States Port Authority	21
Board of Trustees of the Galveston Wharves	36
Brownsville Navigation District	62
Panama City Port Authority	65
City of Mobile, AL	82
Port of Houston Authority	84
Lake Charles Harbor and Terminal District	87
Mississippi Coast Foreign-Trade Zone, Inc.	92
Foreign-Trade Zone of Southeast Texas, Inc. (Beaumont)	115
Foreign-Trade Zone of Southeast Texas, Inc. (Port Arthur)	116
Foreign Trade-Zone of Southeast Texas, Inc. (Orange)	117
Port of Corpus Christi Authority	122

Grantee	Zone
Port Freeport	149
Calhoun-Victoria Foreign-Trade Zone, Inc.	155
Vision Foreign-Trade Zone, Inc. (Homestead, FL)	166
Liberty County Economic Development Corp.	171
Lee County Port Authority (Fort Myers, FL)	213
North Carolina Department of Transportation	214
Pensacola-Escambia County Promotion and Development Commission	249
England Economic and Industrial Development District (Alexandria, LA)	261
City of Conroe, TX	265
Cameron Parish Port, Harbor and Terminal District (Louisiana)	291
City of Lufkin, TX	297



General FTZ Benchmarking

## Number of Zone Sites – OFIS Website



- OFIS.Trade.Gov is a public website maintained by both the FTZ Board and local Grantees. The website houses all information related to the zone including; number of User/Operators, Grantee contact information, Grantee zone schedule, service area, Grantee website, and Federal Register notices. The FTZ Board is responsible for uploading Federal Register notices and new zones. Grantees are responsible for updating their User/Operators information, sunset days, and contact information.
- FTI benchmarked the number of zones reported for each Zone according to their OFIS page against Texas City.
- The reporting and accuracy of the data found on OFIS is somewhat dependent on the Grantee’s dedication to maintaining the information.

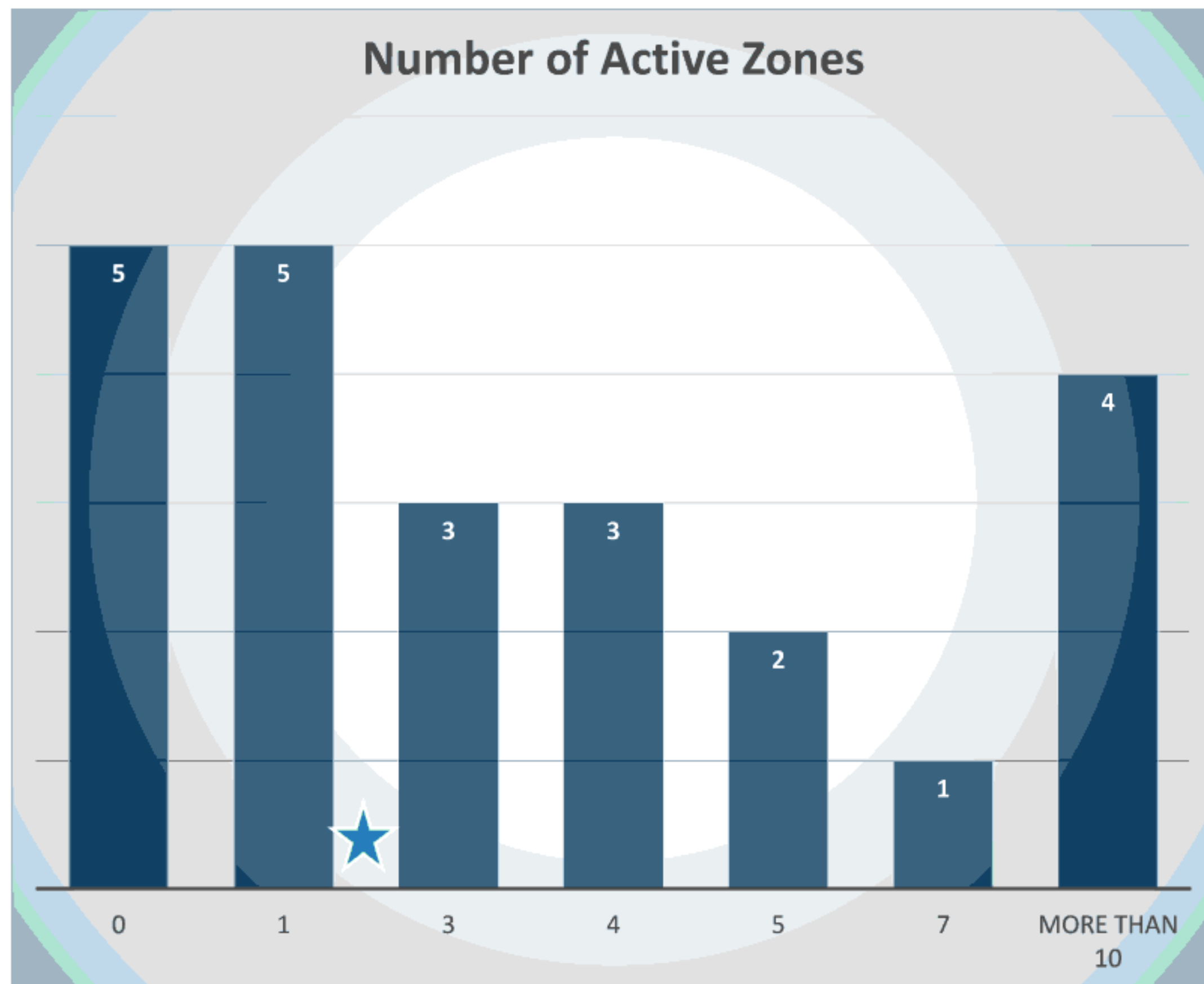


### FTI Recommendations

- Texas City is encouraged to keep their OFIS information up to date. There are many benefits to ensuring OFIS information is accurate including:
  - Ease of access by potential User/Operators and Service Providers
  - Contact information provided to users
  - Streamline the FTZ Annual Report by having an accurate count of FTZ Users/Operators

\* Green Star represents Texas City comparatively

## Active Zone Sites – Per 2021 Annual FTZ Board Report

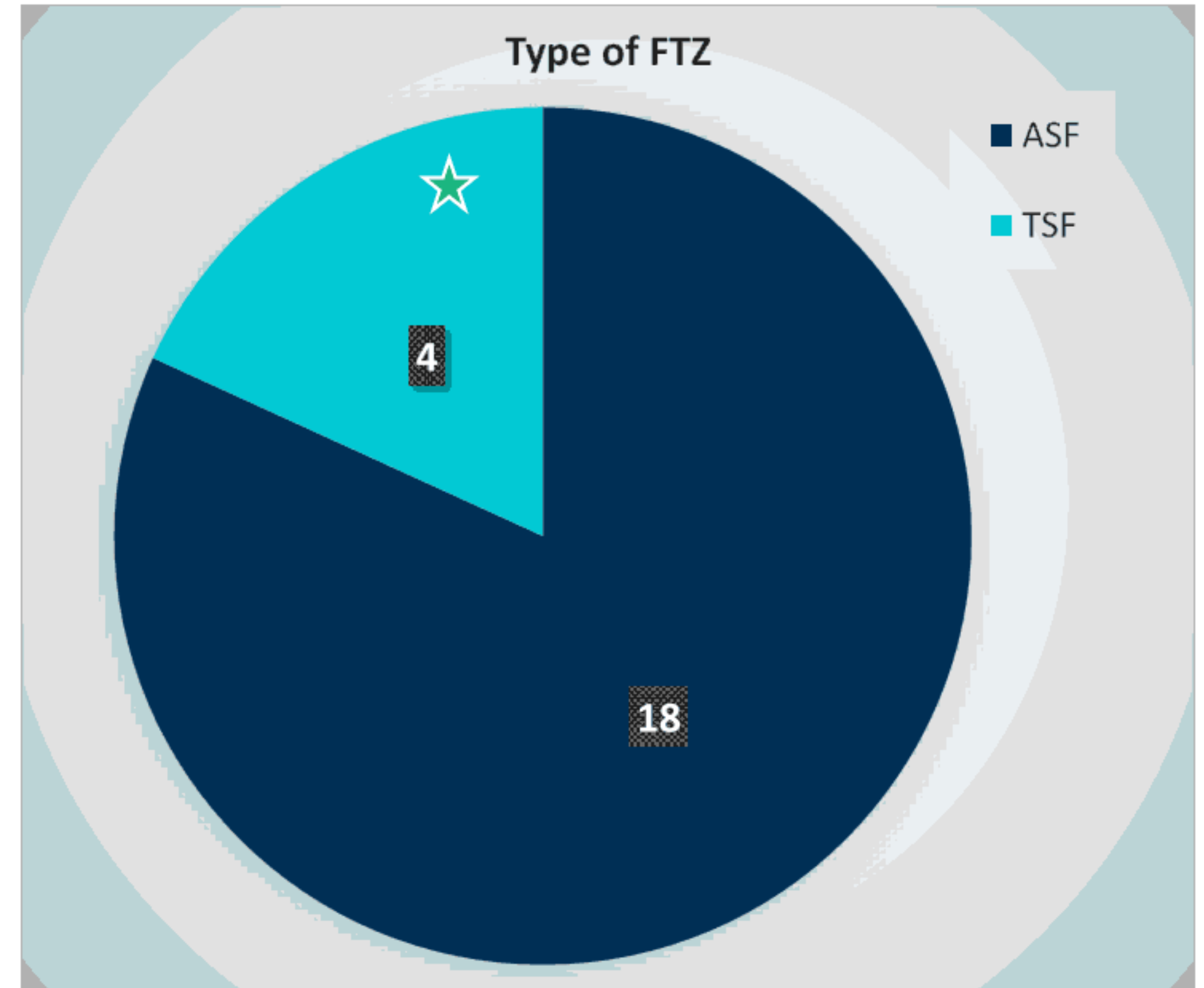


- In order to maintain a more accurate count of Zones, FTI reviewed the number of Users/Operators reported to the 2021 Annual FTZ Board Report to Congress.
- Texas City had 2 active Users/Operators in their 2021 Annual FTZ Board Report. The active users are:
  - Valero
  - Marathon Petroleum
- 13 comparable Grantees have more active FTZ sites. We provide recommendations to improve the overall number of Zone Sites throughout the remainder of this presentation.

\* Green Star represents Texas City comparatively

## Zone Types (ASF vs. TSF)

- FTI reviewed all comparable Grantees based on zone structure. The type of zone a Grantee operates can affect how easy it is for new Operators/Users to access FTZ benefits.
- **TSF:** Traditional Site Framework
  - The original application process developed with the program conception that Operators/users must follow to establish zones under a Grantee’s Authority.
- **ASF:** Alternative Site Framework
  - Adopted by the FTZ Board in 2008 to allow flexibility and expedited time to approval for FTZ Users/operators. For example, the FTZ Board approves most new site designation applications in less than 30 days for ASF-based Grantees.
- Benchmarking results reveal that the vast majority of comparable Grantees have reorganized their FTZs under the ASF.



### FTI Recommendations

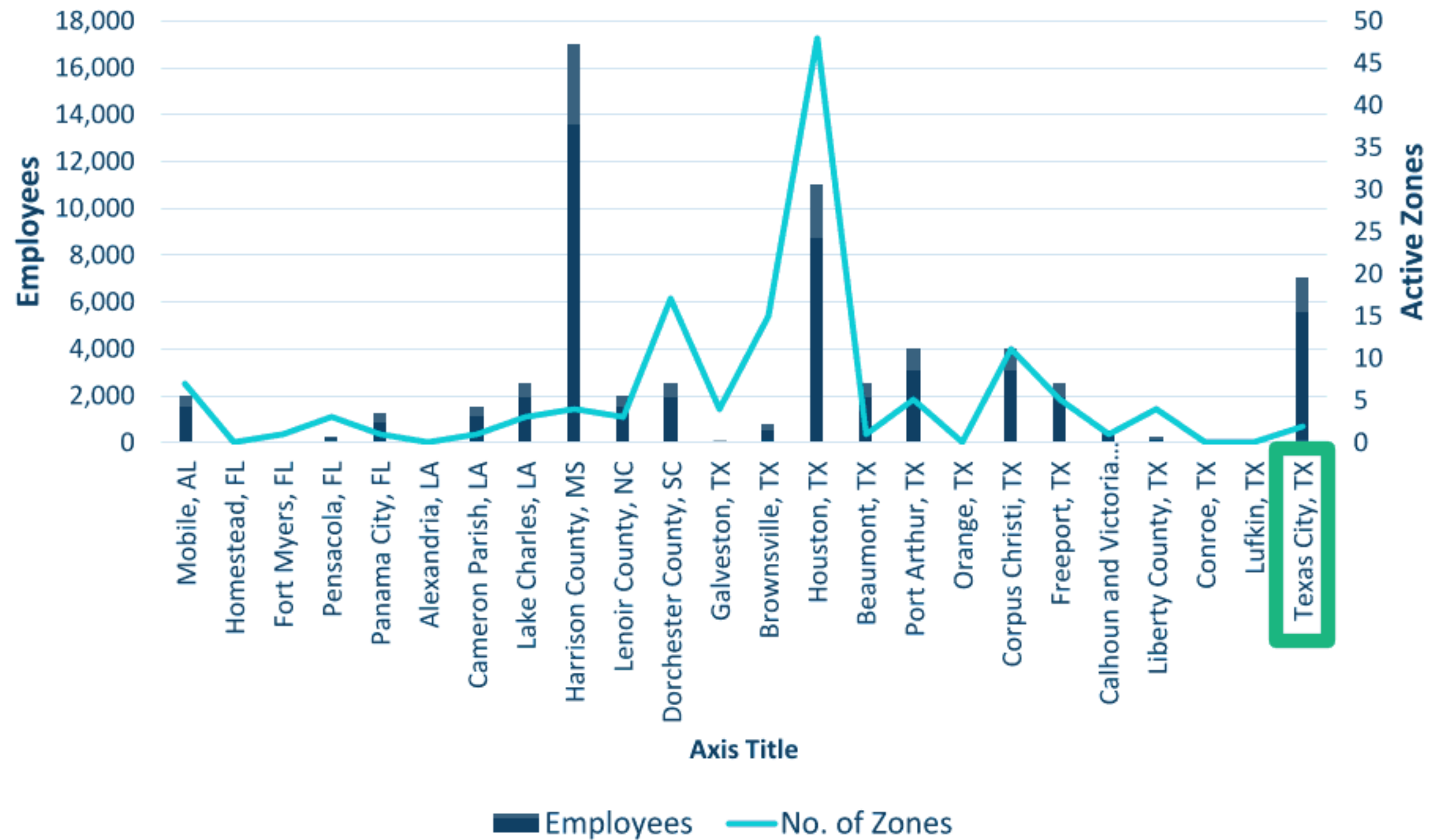
- We recommend that Texas City reorganize under the ASF. The benefits include:
  - Less burden on potential companies to establish zones under Texas City Authority including resources, costs, and timeframe to achieve benefits
  - Quicker approval times from the FTZ Board and simpler application formats
  - Texas City would have a better-defined service area to market

\* Green Star represents Texas City comparatively

\*\* Supplemental information on ASF in appendix

# Number of Employees and Zones per FTZ

## Number of Employees and Zones per FTZ



- To benchmark economic impact, FTI reviewed the number of employees each Grantee reported on the Annual FTZ Board Report to Congress.
- Understanding the economic impact that a zone may have on employment may help justify costs of marketing and expanding the zone for Grantees.
- Benchmarking results reveal that while Texas City has higher levels of FTZ-related employment (due to Valero and Marathon’s size), comparable Grantees generally have more zone sites.



### FTI Recommendations

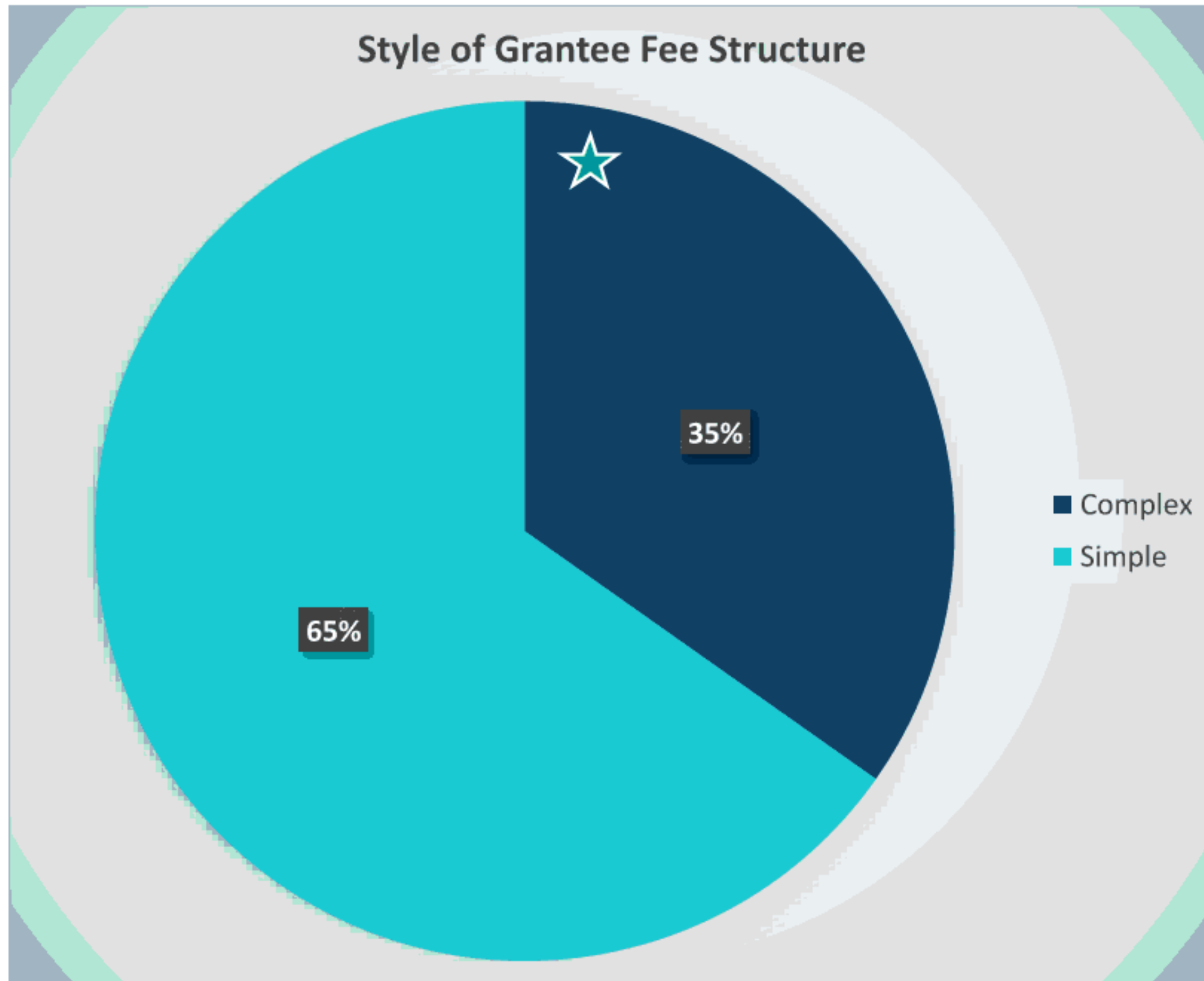
- FTI recommends showing the strong impact Texas City’s FTZ has on the local employment in the region
- FTI further recommends increasing the number of active zones within the FTZ and diversifying the key industries. This will help diversify the portfolio of zone operators and user. A more diverse portfolio will also address any risk of deactivation of current zones.
- FTI will subsequently address key industries and how they have changed comparatively over the years. The changes in industries emphasizes the need that FTZs should create a diverse portfolio as opposed to relying on only one industry.

\* Numbers are represented in ranges but shown by the lower range number

\* Zone number from the 2021 annual report

\* Green box represents Texas City comparatively

# Fee Structures



- **A Complex Fee Structure** includes FTZs that break down payment by the number of transactions, acreage, merchandise value, or other factors.
  - Complex fee structures also include FTZs that use more than one factor to assess annual fees.
- **A Simple Fee Structure** includes FTZs that have either flat fees or consistent fees, regardless of any additional factors.
- Benchmarking results reveal that most comparable Grantees have moved to a simpler approach when it comes to structuring and assessing FTZ-related fees.



## FTI Recommendations

- FTI recommends that Texas City adopt more simple fee structure. Some benefits will include:
  - Greater transparency for prospective companies
  - Simplicity for companies interested in pursuing the program
  - Easier maintenance of compliance with Public Utility requirements

# Example of Different Fee Structures

## Complex Example

### I. START-UP FEE:

Amount: \$5,000

Payable: Prior to Presentation of Foreign-Trade Zone Operator Agreement to the Port Commission

### II. MONTHLY OPERATOR FEE

Amount<sup>1</sup>:

Option A: \$350.00 Minimum Annual Fee due by January 1 of each calendar year which entitles Operator to 10 transactions with each additional transaction subject to a fee of \$35.00 per transaction, payable on a monthly basis; or

Option B: \$833.33 per month, which includes 40 transactions per month. An additional fee shall be charged for each transaction over 40 transactions as follows:

Transactions 41 through 60	\$20.00 each
Transactions 61 through 100	\$15.00 each
Transactions 101 and over	\$10.00 each

or;

Option C: \$2000.00 per month, which includes an unlimited number of transactions.

## Simple Example

C. Grantee Fees – The Zone Grantee charges each Zone Operator fees based upon services rendered. Fees may be adjusted from time to time by the Grantee by issuance of a correction to the Schedule.

### 1. Annual Fee

#### a. Usage Driven Site:

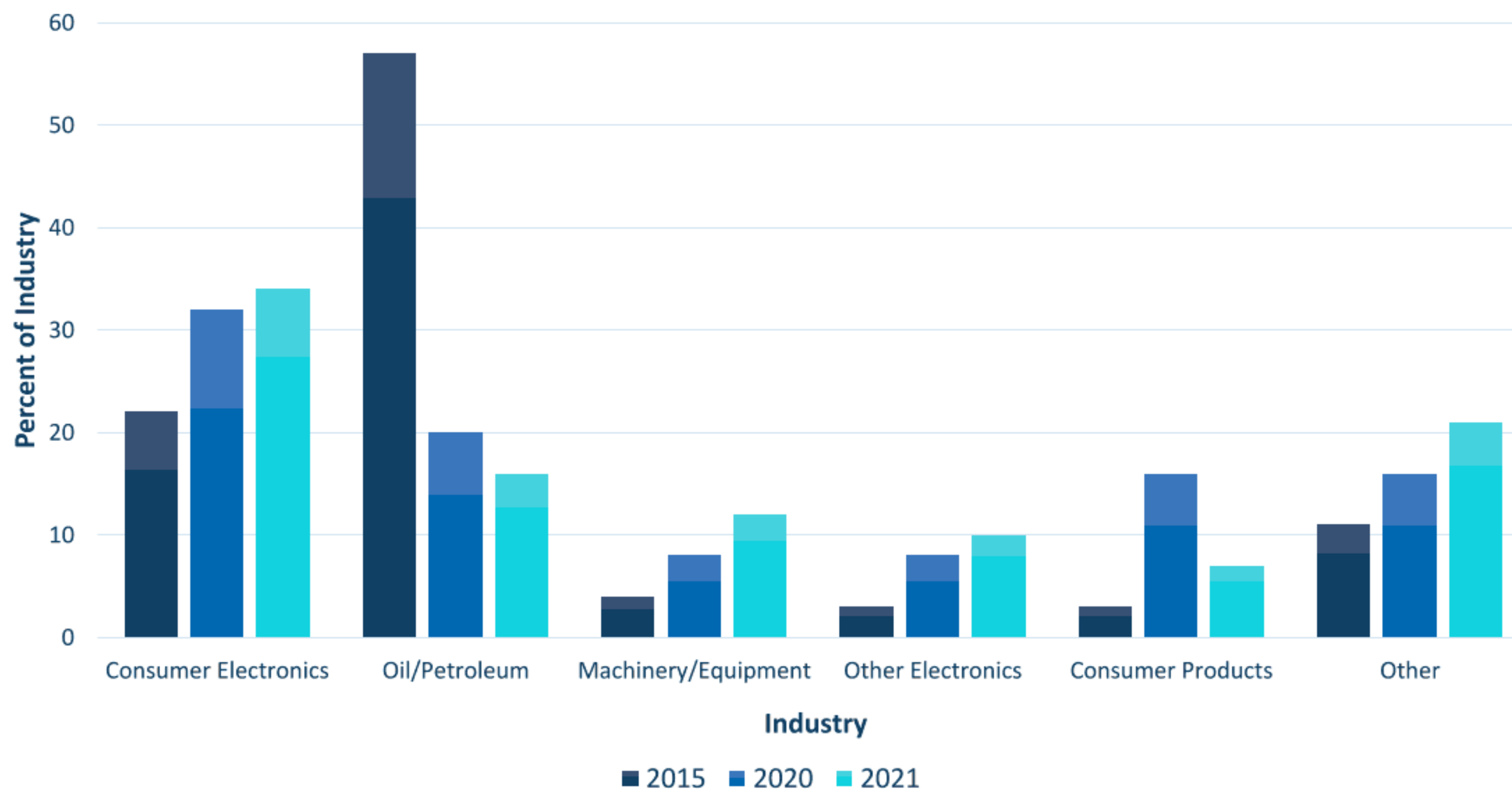
Non-Manufacturing.....	\$ 5,000
Manufacturing:	
i. Product handling within Port terminal area.....	\$ 10,000
ii. Product handling outside Port terminal area.....	\$ 20,000

#### b. Subzone Site:

Non-Manufacturing.....	\$ 5,000
Manufacturing:	
i. Product handling within Port terminal area.....	\$ 10,000
ii. Product handling outside Port terminal area.....	\$ 20,000
iii. Rig Fabrication project.....	\$ 20,000
iv. Refinery.....	\$ 35,000

# Texas Top FTZ Industry Comparison

## Texas FTZ Industries



- Oil and Petroleum experienced significant decrease since 2015.
- The following industries have shown steady growth:
  - Consumer Electronics
  - Machinery/Equipment
  - Other Electronics



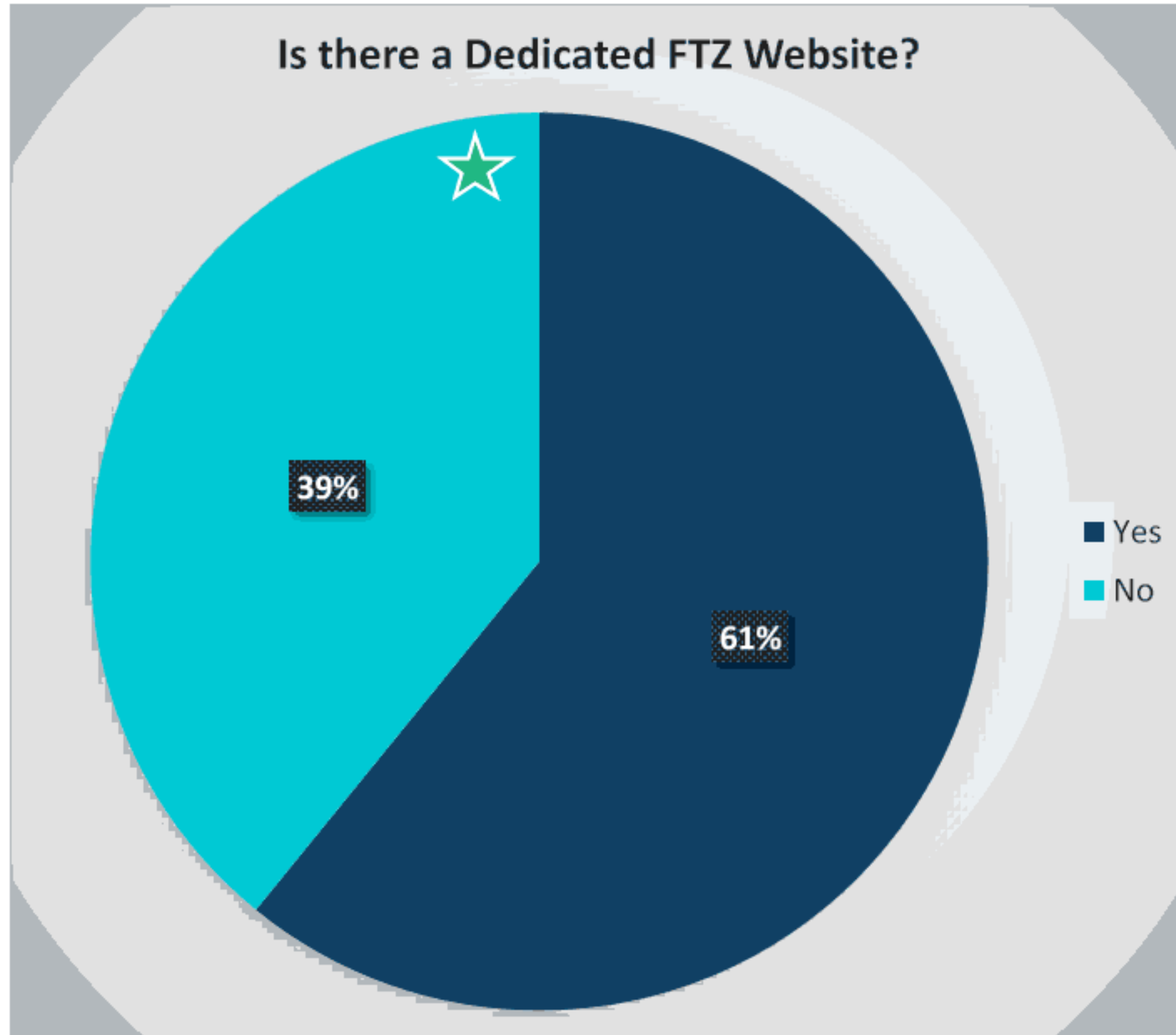
### FTI Recommendations

- Texas City’s only active FTZs are in the Oil/Petroleum Industry. FTI recommends that Texas City continue to diversify their active FTZ portfolio to better position themselves in the ever-changing market for economic development.
- Diversifying the portfolio and increasing the number of active sites will also help reduce risks of losing any current FTZ activity.



Website & Digital Footprint Benchmarking

## Website Information



- To benchmark each FTZ's digital footprint, FTI reviewed and analyzed the online information and marketing resources available for each zone.
- Establishing a well designed FTZ website makes it easier for companies to identify areas which will be beneficial to import/export.
- Most comparable Grantees have a dedicated FTZ website.



### FTI Recommendations

- FTI recommends that Texas City implement an FTZ website or enhance the local economic development website with more FTZ resources. The benefits include:
  - Ease of research by potential zone operators/users
  - Potential zone users can find tools which may help them establish an FTZ like the following:
    - Process of becoming a zone operator/user
    - Industry Resources (Publications, general information, and service providers)
    - Utilizing an FTZ as a business resource
  - Centralized location for potential zone users to contact the Grantee for additional information
  - Easier understanding of the fee structure

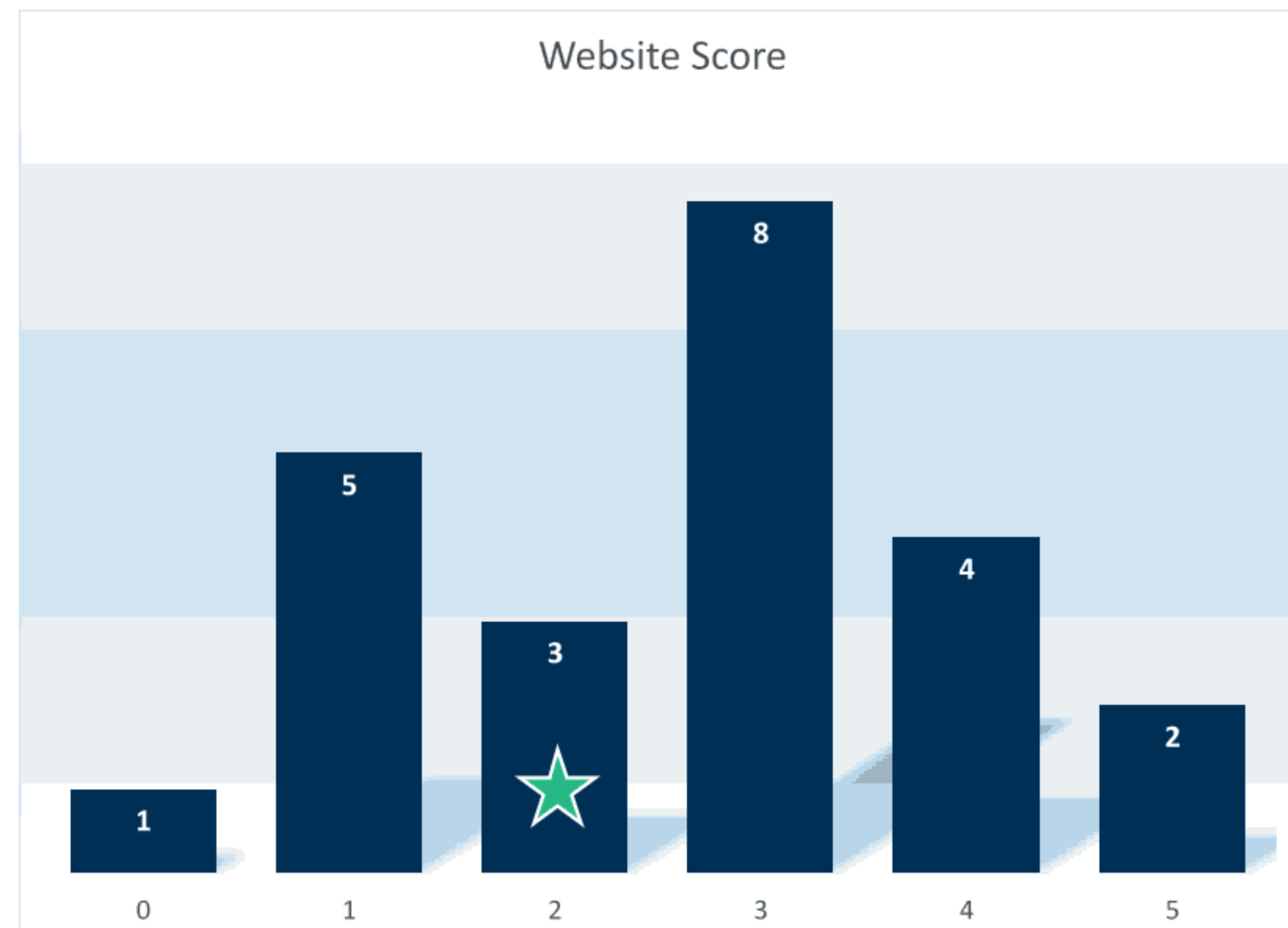
## Subjective FTZ Website Scoring

- Of the 23 FTZs benchmarked, each were given a score on the quality of their website accessibility and FTZ specific information provided.
- The scores were assigned as follows:
  - 0 - No website
  - 1 - County website, no mention of FTZ
  - 2 - County website with limited mention of FTZ
  - 3 - County website with FTZ info and supporting information or dedicated page
  - 4 - FTZ Specific website with limited information
  - 5 - FTZ Specific Website with robust supporting information
- Texas City is below the industry standard for FTZ-related websites / online presence.



### FTI Recommendations

- FTI recommends that Texas City improve its website to house much more information related to the FTZ program, its benefits, process to apply, service area maps, compliance considerations, access to additional resources, etc.



\* Green Star represents Texas City comparatively

## Example of Websites

### Reasons why Vision Foreign Trade Zone 166 received a 5 Rating

- Dedicated FTZ page
- Great information about FTZs and their benefits
- Misconceptions of FTZ
- Interactive maps of their service area
- Zone schedule listed on their website
- List of available industrial parks already designated at FTZs
- “Contact Us” form for people to reach out

<https://visionftz166.com/>



## Vision Foreign Trade Zone 166

Welcome to Vision FTZ 166, South Dade's Foreign Trade Zone located in Homestead, Florida. Read on to learn more about us and what we can do for you.



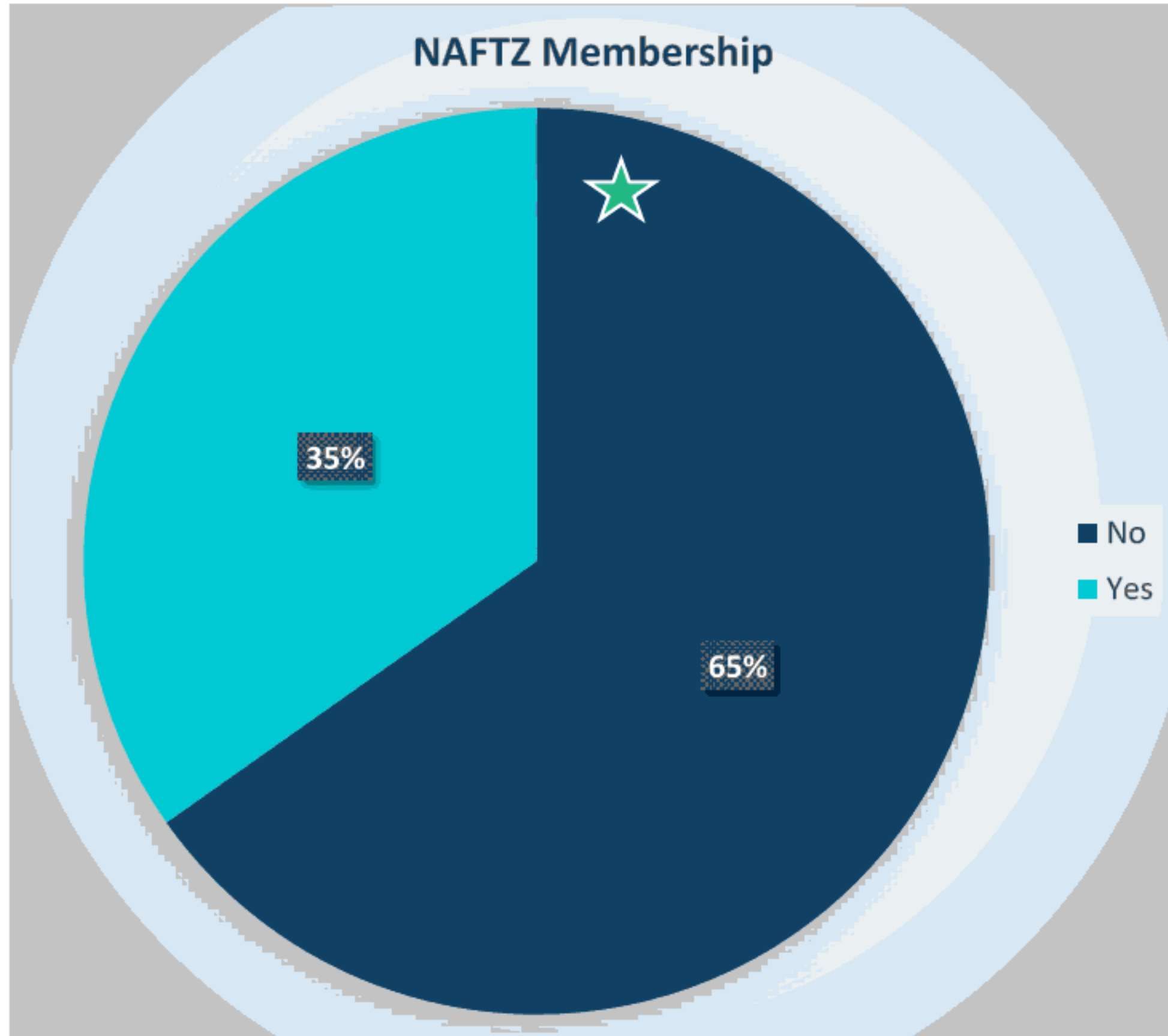
### ABOUT US

#### Foreign Trade Zone 166

Vision FTZ 166 is a General Purpose zone located in east Homestead. It is the southernmost free trade zone in the continental United States and provides a unique opportunity for Latin American operations. Comprised of approximately 1,000 acres, the FTZ encompasses the Homestead Park of Commerce, portions of the Homestead-Miami Speedway, the Homestead Baseball Complex and adjacent lands to the south. Vision Foreign Trade Zone, Inc. is the FTZ grantee.

FTZ 166 lies approximately one mile from the Florida Turnpike, which in turn provides access to Interstates 75 and 95. Miami International Airport is 30 miles to the north, while the Port of Miami is 35.5 miles away. Present development activity is focused on the 280 acre Park of Commerce. This site features a state of the art spine road, utilities and a high-speed fiber optic network.

# External Partnerships & Marketing Efforts



- While not an industry standard, FTI looked at the membership association with the NAFTAZ. The NAFTAZ provides many resources for its members for both Grantees and User/Operators.
- In addition to NAFTAZ there are many other external parties which may be beneficial for Texas City to partner with. Some of these external parties include:
  - Industrial Site Developers
  - Reshoring Advocacy Groups
  - Local Economic Development Efforts
  - Associations Related to Key Industries and Trade



## FTI Recommendations

- FTI recommends that Texas City consider the possible benefits that partnering with external parties could provide. Texas City may benefit from some of the following NAFTAZ & TAFTZ resources:
  - Grantee roundtables and collaboration
  - Free educational tools and resources
  - Networking with other Grantees and potential Users/Operators
  - Economic development and advocacy initiatives

\* Green Star represents Texas City comparatively

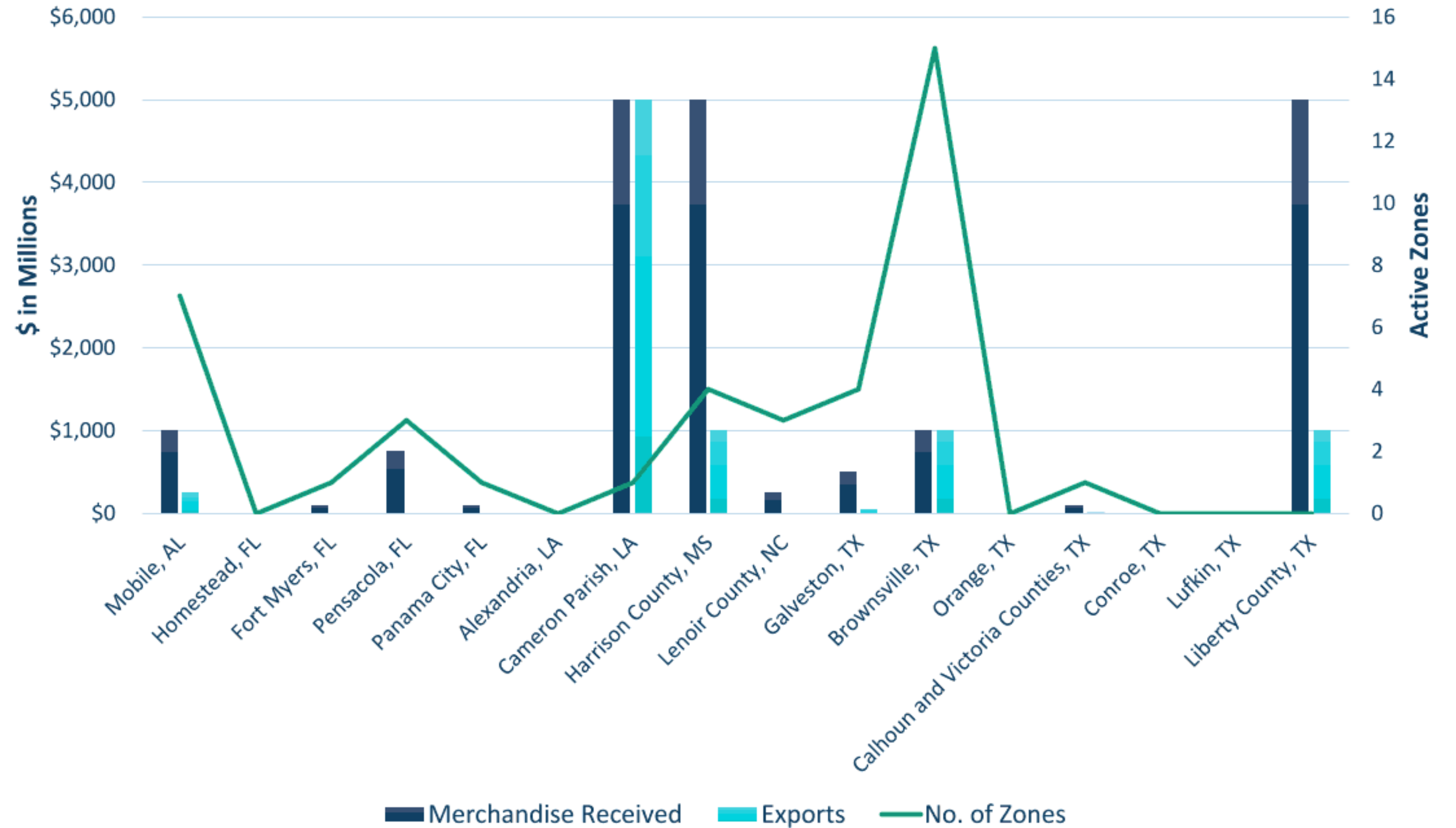


FTZ Activity Benchmarking

# FTZ Activity Data

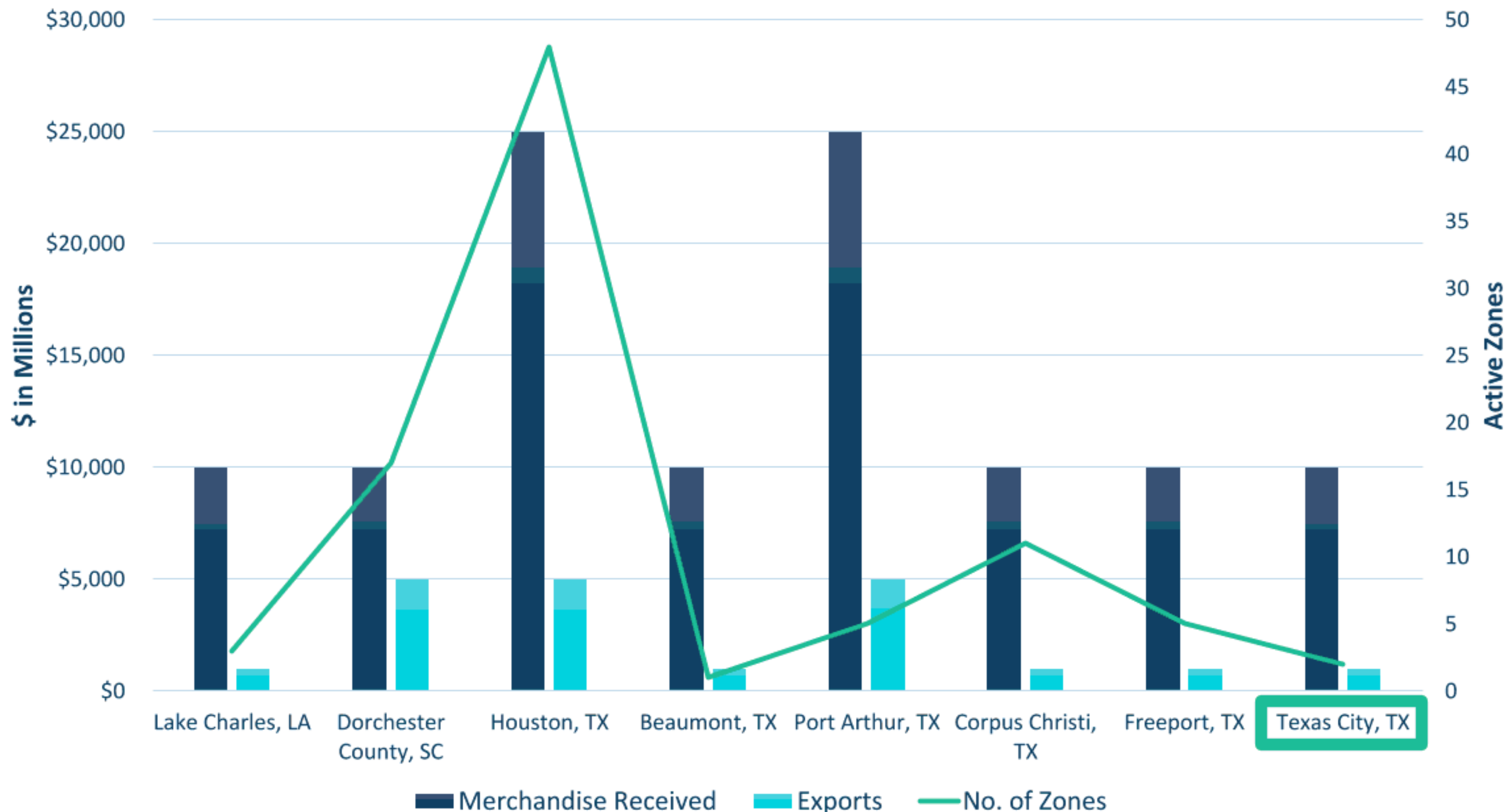
- All data from the 2021 Annual FTZ Board Report.
- Numbers are in \$ Millions
- Numbers are represented in ranges of 5,000.

## 2021 Activity Information >\$10K



# FTZ Activity Data

## 2021 Activity Information <\$10K

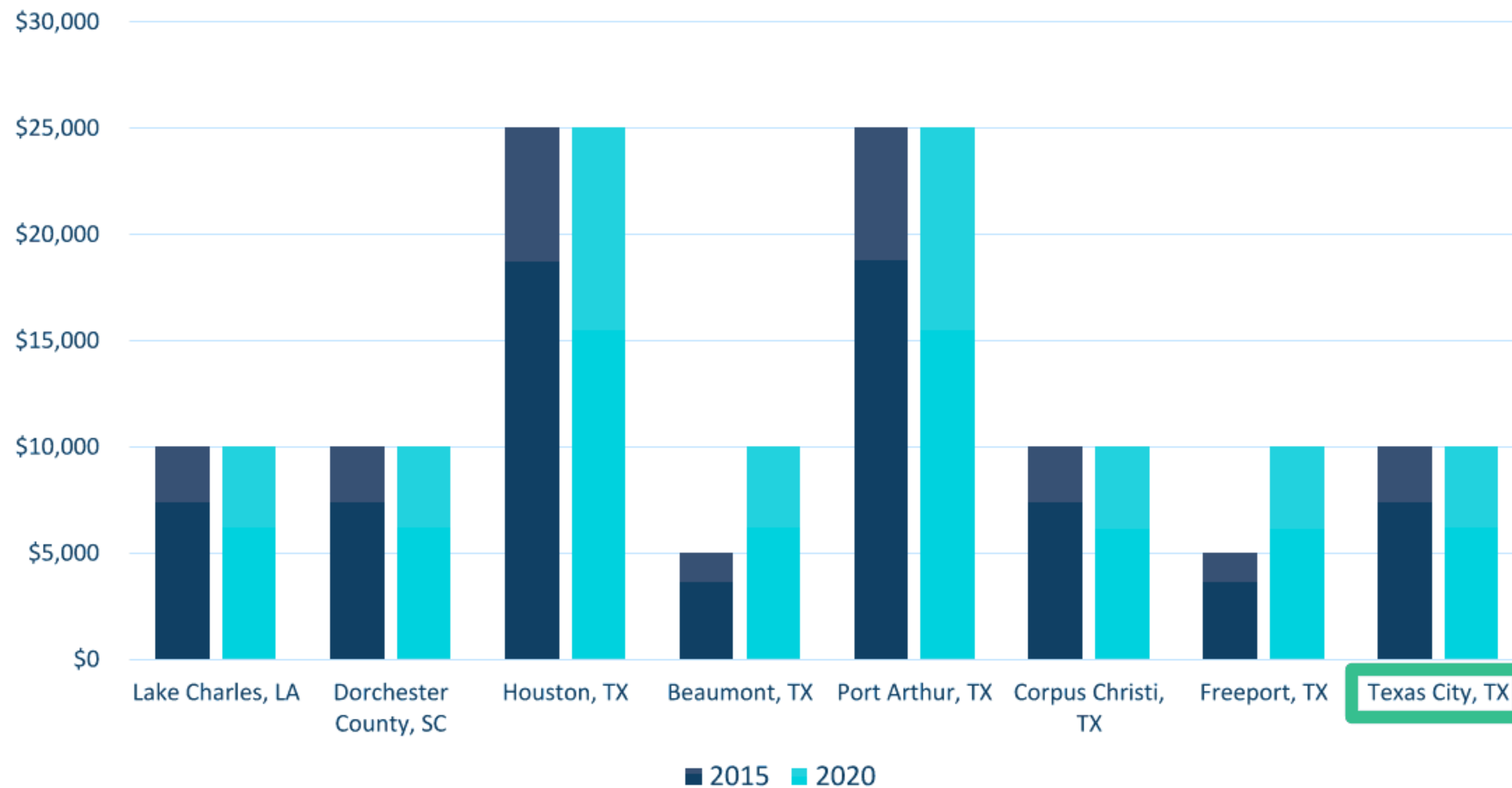


- All data from the 2021 Annual FTZ Board Report.
- Numbers are in \$ Millions
- Numbers are represented in ranges of 5,000.
- Texas City falls within one of the larger FTZs with regard to merchandise received, but not in exports.
- Comparable Grantees have operators/users in multiple sectors and industries; therefore, we recommend Texas City increase their overall number of active sites but also to diversify the sectors utilizing the program, as previously explained.
- The Grantees most geographically comparable to Texas City have shown greater utilization of the FTZ program by implementing more zones with different industries.

\* Green box represents Texas City comparatively

## Comparative FTZ Activity, Merchandise Received – 2020 and 2015 (<\$10K)

### Comparative Merchandise Received



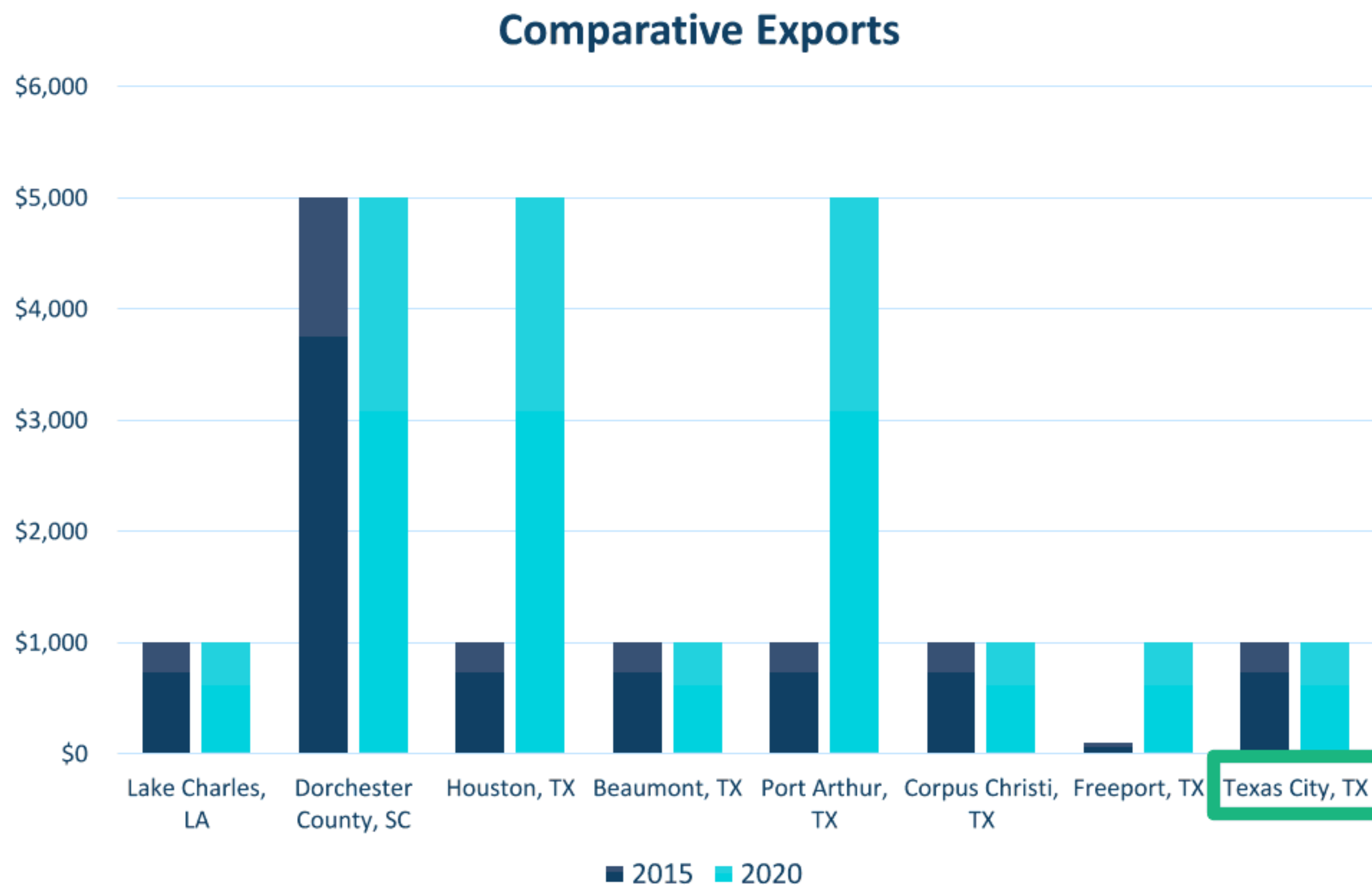
- FTZ activity as reported on the FTZ Board Report was used to compare growth in Texas City’s zone.
- Only 2 Grantees, within the <\$10K, showed growth on merchandise received from 2015 to 2020. 6 of the Grantees showed no additional growth.
- Growth is dependent on the Operator/Users located within the zone and their total activity. The Grantee can help improve these figures by marketing the zone and gaining new zone Operator/Users including diversifying the industry utilizing the zone.

\* Numbers are in \$ Millions; Numbers are represented in ranges of 5,000.

\* Green box represents Texas City comparatively

## Comparative FTZ Activity, Exports – 2020 and 2015 (<\$10K)

- FTZ activity as reported on the FTZ Board Report was used to compare growth in exports from benchmarked zones.
- Only 3 Grantees, within the <\$10K, showed growth on exports from 2015 to 2020. 5 of the Grantees showed no additional growth.
- Growth is dependent on the Operator/Users located within the zone and their total activity. The Grantee can help improve these figures by marketing the zone and gaining new zone Operator/Users.
- Comparable Grantees, like Houston, Port Arthur, and Freeport, saw significant growth during this time period, where Texas City did not experience any growth.



\* Numbers are in \$ Millions; Numbers are represented in ranges of 5,000.

\* Green box represents Texas City comparatively



# Appendix

# Alternative Site Framework (ASF)

- In 2008, the FTZ Board adopted a new framework for organizing and designating sites to allow zones greater flexibility. ASF reduces the overall burden on Operator/Users when designating a zone site including resources, costs, and time to entry.
- Grantees can apply for reorganization under ASF through a written application to the FTZ Board. While there is front end work to completing the application, the overall process will make the life of Operator/Users easier.
  - The application process completed by the Grantee will reorganize all current Operator/Users under the ASF framework. There will be no impact to current Operator/Users during the application process.
- Under ASF, Grantees will have a set service area (jurisdiction) which covers specific counties. The Grantee can decide the service area as long as it meets the following criteria:
  - 60 statute miles of the outer limits of a CBP port of entry
  - 90 minutes' driving time from the outer limits of a CBP port of entry
- Upon approval of ASF reorganization there are a few things Grantee's can expect:
  - Application process for new sites is simple and streamlined making it easier on future site designations
  - Set service area defined in the application makes it easier for future operator/users to know the boundaries
- **The ASF application consists of four main parts:**
  - General Information
    - Define Service Area/Jurisdiction
  - Site Specific Section for Subzones
    - Grantees can include new sites if an applicant is ready to submit for designation
  - General Justification for New or Expanded Magnet Sites – if applicable
  - Site Specific information for New or Expanded Magnet Sites – if applicable
- **ASF Application Timeline**
  - 3 – 6 weeks to draft application and collect information on current sites
  - 30-day application review upon submission to the FTZ Board
  - 4 – 6 months application period once submitted to the Federal Register
    - Timeline dependent on FTZ Board resources
- **ASF Application Fees**
  - \$1,600 filing fee only applicable if including additional new sites to be designated, if simply reorganizing under ASF no fee is required
  - FTI is available to assist with the application preparation/submission



**Experts with Impact™**