



## MEMORANDUM

**To:** Mayor and City Council

**From:** Clay Phillips, City Manager

**Date:** July 12, 2016

**Reference:** Consider approval of a Resolution approving a letter of support for the creation of a Foreign Trade Zone to be located at 4255 Patriot Drive in Grapevine, Texas, and authorizing the Mayor to sign.

**2030:** Business Prosperity

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### Executive Summary:

Mazda operates a parts distribution center at 4255 Patriot Drive, which is located partially in Coppell. Mazda is currently in the process of applying to the Department of Commerce for a Foreign Trade Zone. As part of the application process, Mazda is required to provide a letter of support from all affected taxing jurisdictions.

### Introduction:

Mazda operates a parts distribution center at 4255 Patriot Drive, which is located partially in Grapevine and partially in Coppell. Mazda occupies approximately 180,000 square feet of space and uses the facility as a training center and a parts distribution center for automotive parts to dealers across the Southwestern United States and Mexico. Mazda is working with the DFW International Airport Board to apply to the Department of Commerce for a Foreign Trade Zone (FTZ). The application process requires a letter of support from all affected taxing jurisdictions, which includes the City of Coppell.

The FTZ program is a federal program designed to assist US companies to compete more effectively with similar operations overseas. The FTZ will allow Mazda faster US Customs clearance, reduced US Customs processing fees, deferral of duty payments on domestic shipments and elimination of duties on shipments to Mexico. There is also an impact on local taxation. Any inventory imported to or exported from the site would be exempt from business personal property taxes.

**Analysis:**

Due to the fact that Mazda is partially in Coppell and partially in Grapevine, the revenue collected is split between the two municipalities based on the percentage of the building in each municipality. Coppell collects 43% of the revenue from taxation. Mazda currently has an inventory value of approximately \$12.5 million; therefore, approximately \$5.4 million is sourced to Coppell. \$3.3 million of that inventory value is currently exempted through Freeport exemption. Of the remaining \$2.1 million of inventory, approximately \$1.8 million is imported and would be exempted by FTZ status. That equates to approximately \$10,500 in tax revenue on an annual basis.

Mazda has other facilities that currently have FTZ status, and Mazda would like to receive the FTZ status at this location in order to stay and grow their operations in Grapevine and Coppell.

**Legal Review:**

N/A

**Fiscal Impact:**

Approximately \$1.8 million of inventory would be exempted from taxation if a Foreign Trade Zone is granted. That exemption would equate to approximately \$10,500 in business personal property taxes that would no longer be collected by the City of Coppell on an annual basis.

**Recommendation:**

Economic Development recommends approval.