

## Foreign Trade Zone offers hope to Gateway

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The designation of 600 acres of private land near Phoenix-Mesa Gateway Airport as a Foreign Trade Zone was barely a blip on the local real estate radar, but principles involved with Paragon Properties say the development could be a key component in turning the area around the old Air Force Base into a regional job center.

Foreign Trade Zones are common in the United States - there are more than 200 areas with the designation, including on the Mesa airport's property but Paragon Properties' certification marks the first time a private developer has received the classification near the airport.

Though the designation won't make or break an area, said Curtis Spencer, a foreign-trade zone consultant, it gives developers at the airport another tool in their arsenal to attract clients.

"The trade zone lowers operating costs," said Spencer, president of IMS Worldwide, a trade-zone consulting group. "It also allows the ability to stage goods for exports. Why is that important? We're one of the biggest markets north of Mexico, so Mesa is well poised to stage goods coming back up from Mexico."

While everyone involved with the project touted the economic benefits to businesses, it will likely be more than a year before businesses actually start utilizing the trade

zone and creating jobs in the area.

"Just because we have the designation, it has to be a company that will benefit from that. It can't be 'Joe's Bar and Grill,' " said Mike Blenis, a senior vice president with Paragon Properties. "We need to say it collectively: It creates jobs."

Demand for property at the other airport-based foreign trade zone in the Valley, near Phoenix Sky Harbor International Airport, is hard to gauge.

Interest in locating on a foreign-trade zone has increased in recent years, said Denise Yanez, a project manager at the site, but though that property's had the designation for nearly 20 years, there are still no active users.

Mike Haenel, a senior vice president with BRE Commercial, said the "fee simple" land available through Paragon Properties doesn't come with any of the strings attached that often accompany property that city or state governments own, which will allow an industrial user to purchase land in the FTZ and build a facility on the site.

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"The Free-Trade Zone designation is exciting news and will be an economic benefit to the industrial distribution and manufacturing tenants," Haenel said. "This designation will translate into industrial development, jobs and commerce."

But those jobs are only part of what Mesa leaders hope will be a job center that mixes white and blue collar workers and service-sector employment as the site is built out in coming decades.

The industrial and manufacturing jobs are important, to be sure, said Scot Rigby, a project manager for Mesa in the Gateway area, but city leaders envision the area to the north and east of the airport as a home to office jobs and hotels and restaurants that cater to business and pleasure travelers.

"There's been a lot of discussion about an international cargo hub and we understand and we realize how cargo is an important piece of the airport," Rigby said. "In our line, we see Gateway really, truly becoming a commercial passenger airport, first and foremost."

### Foreign Trade Zone

A U.S. Foreign Trade Zone is a designated area which, for Customs purposes, is considered outside the U.S. Nearly any imported merchandise can be brought into the zone for almost any kind of manipulation, duty-free.

#### Benefits:

- **Duty Deferral:** Federal tax is paid when merchandise is shipped out of an FTZ, as opposed to before it arrives.
- **Duty Elimination:** Federal tax is not paid on items exported from and/or destroyed in an FTZ.
- **Supply Chain Consolidation:** FTZ allows importers to consolidated imports in its warehouse and process its shipments and duty payments with a weekly document to U. S. Customs and Border Protection.
- **Duty Reduction:** With special manufacturing approval, a company can bring in components, manufacture finished goods and apply the duty rate of the finished goods to the imported components.

**Source: IMS Worldwide, Inc.**

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