



City Council Report

Date: May 18, 2026
To: City Council
Through: Scott Butler, City Manager
Brent Stoddard, Assistant City Manager
From: Jaye O'Donnell, Economic Development Director
Chris Molnar, Economic Development Administrator
Subject: Operator Agreement between the City of Mesa and Apple Inc. for a subzone within Foreign Trade Zone No. 221 Council District 6

Purpose and Recommendation

The purpose of this request is to present an Operator Agreement between the City of Mesa and Apple Inc. for a foreign trade zone (FTZ) subzone operation at 3740 S. Signal Butte Rd.

If approved, this agreement will allow Apple Inc. to transition their existing FTZ subzone to the Alternative Site Framework and to expand FTZ operations at the site. The agreement authorizes manufacturing and/or storage of FTZ goods and related activities that do not require additional production notifications unless prior approval is received by the FTZ Board.

Staff recommends that Council approve the Operator Agreement with Apple Inc.

Background

FTZ No. 221 was granted to the City of Mesa by the Foreign-Trade Zones Board on April 25, 1997, and reorganized under the Alternative Site Framework (ASF) with a service area of the City of Mesa boundaries on July 15, 2022. FTZ designation is one incentive used to attract export-oriented manufacturers, offering businesses duty deferral, duty reduction, operational flexibility, and cost savings, enhancing competitiveness and cash flow.

Apple Inc. has established a significant, multi-phase operational presence in Mesa, anchored by its global command center and data center campus within the Elliot Road Technology Corridor. To date, they have invested approximately \$3 billion in capital and developed more than 1.3 million square feet of facilities in Mesa, supported in part by Foreign-Trade Zone designation.

Apple Inc. acquired the property in 2013 and converted it into a global command center in 2014. They received subzone approval under the Traditional Site

Framework from the Foreign-Trade Zones Board on March 19, 2014, and subsequently entered into an Operator Agreement with the City of Mesa, as Grantee of FTZ No. 221, in late 2015. Transitioning to the ASF dramatically simplifies and accelerates the application process allowing for quicker access to benefits, and more flexibility and predictability in operations.

Maintaining subzone status within FTZ No. 221 is a critical component of Apple's operations, enabling them to benefit from duty savings on imports and other tax efficiencies.

Apple's presence in Mesa reflects continued investment in advanced technology infrastructure, a strong commitment to the local community, and transformation of the site into a key operations hub within the Elliot Road Technology Corridor.

This request will maintain the required active Operator Agreement and incorporate a minor boundary modification to the existing premises, approved by the FTZ Board on April 9, 2026. Apple intends to utilize the additional acreage for manufacturing and/or storage of FTZ goods.

Discussion

Foreign-Trade Zones are secure, restricted-access sites located in or near U.S. ports of entry and authorized by the Foreign-Trade Zones Board. They operate under the supervision of U.S. Customs and Border Protection. For customs purposes, merchandise within an FTZ is treated as outside U.S. customs territory for formal entry procedures.

The FTZ program promotes domestic economic activity by helping U.S.-based operations remain competitive with foreign alternatives. Benefits may include deferred, reduced, or eliminated duties on imported goods, as well as other cost savings.

Alternatives

If the City Council does not approve the Operator Agreement with Apple Inc., the City of Mesa as Grantee and Apple Inc. as Operator would not comply with requirements of the FTZ program. In addition, the company's ability to efficiently and cost-effectively operate its Mesa facility could be adversely affected.

Fiscal Impact

Apple Inc. will pay a one-time activation fee of \$1,000 and an annual Operator fee of \$5,000 to the City of Mesa. These fees are subject to adjustment in accordance with the Zone Schedule.

Coordinated With

This agreement has been coordinated with the City Attorney's Office.