



# City Council Report

**Date:** June 21, 2021  
**To:** City Council  
**Through:** Christopher J. Brady, City Manager  
**From:** William J. Jabjiniak, Economic Development Director *WJ*  
JD Beatty, Senior Project Manager *JB*  
**Subject:** Operator Agreement between the City of Mesa and CMC Steel Fabricators, Inc., d/b/a CMC Steel Arizona to designate a subzone within Foreign Trade Zone #221

## Purpose and Recommendation

The purpose of this request is to present an Operator Agreement between the City of Mesa and CMC Steel Fabricators, Inc., d/b/a CMC Steel Arizona for a steel mill operation at 11444 E. Germann Road.

If approved, this agreement will allow CMC Steel Arizona to operate at the Premises for the purpose of performing General Purpose Zone activities, including all applicable operations that do not require additional production notifications or activity, which requires advance approval by the FTZ Board.

Staff recommends that Council approve the Operator Agreement with CMC Steel Fabricators, Inc., d/b/a CMC Steel Arizona.

## Background

CMC Steel Arizona has operated a ~225-acre steel mill manufacturing facility in Mesa for over a decade, and has served as a critical employment anchor for the Pecos Advanced Manufacturing Zone and the southeast Mesa area. In August 2020, CMC Steel Arizona announced the expansion of their Mesa facility to manufacture new merchant bar quality (MBQ) products and will have an annual output of over 600,000 tons of steel product per year. This expansion would occur on their existing property and would include over \$300 million in investment and the creation of 185 new jobs.

A critical component of this expansion was the ability to designate their facility as a subzone within Mesa's Foreign Trade Zone #221. This would enable them to take advantage of beneficial import-export duty deferrals and realize tax savings for the addition of their new mill. The property tax reclassification is strictly effective on the new expansion facility and does not impact their existing property tax liability. CMC Steel has already received "Letters of No Objection" from all taxing entities.

CMC Steel Arizona received subzone status approval from the United States Department of Commerce Foreign-Trade Zones Board on March 5<sup>th</sup>, 2021.

## **Discussion**

Foreign Trade Zones (FTZ) are restricted-access sites in or near ports of entry that are licensed by the Foreign Trade Zone Board (FTZB) and operated under the supervision of U.S. Customs & Border Protection. FTZ are secured areas, and merchandise in a zone is considered outside the customs territory of the U.S. for formal entry procedures only.

The FTZ program helps encourage activity at U.S. facilities in competition with foreign alternatives by allowing delayed or reduced duty payments on foreign merchandise, as well as other savings. FTZ #221 was granted by the FTZB to the City of Mesa on April 25, 1997.

## **Alternatives**

If Council does not approve the Operator Agreement with CMC Steel Arizona, the expansion of their facility could be placed in jeopardy, which may have detrimental effects on the company's ability to operate their new facility in Mesa effectively.

## **Fiscal Impact**

CMC Steel Arizona will pay to the City of Mesa a onetime activation fee of \$1,000, as well as an annual Operator fee of \$5,000. This fee may be adjusted as set forth in the Zone Schedule.

## **Coordinated With**

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