

GRAND JUNCTION CITY COUNCIL WORKSHOP SUMMARY
August 29, 2016 – Noticed Agenda Attached

Meeting Convened: 5:32 p.m. in the City Hall Auditorium

Meeting Adjourned: 6:53 p.m.

City Council Members present: All, Councilmember McArthur arrived at 5:44 p.m.

Staff present: Caton, Moore, Shaver, Schoeber, and Harrell

Also: Diane Schwenke (Grand Junction Chamber of Commerce), Kristi Pollard (Grand Junction Economic Partnership), Kip Turner (Grand Junction Regional Airport Authority), Kalie Greenberg (KJCT), and Amy Hamilton (Daily Sentinel)

Council President Norris called the meeting to order.

Agenda Topic 1. Foreign Trade Zone (FTZ)

City Manager Caton introduced the topic and said this discussion will help determine if a FTZ should be pursued and if so, which entity should take the lead and what parameters the project should have. He then said the Briefing Paper compiled by Barnes & Thornburg, LLP should be used as a starting point and tool to help recruit new and expand existing businesses. Staff has outlined possible next steps.

Diane Schwenke reviewed the history of the previous study, explained that a FTZ would benefit existing businesses and help recruit new businesses. The importation of products is the more profitable aspect of a FTZ. She listed some benefits of belonging to a FTZ: no duty costs, reduced tariffs, ability to purchase bulk raw materials and pay taxes only on the amount used at any one time to produce products (helps with cash flow), and aggregated paperwork. Due to the recent article in the Daily Sentinel, consultants have reached out to her (she is compiling a list of possible consultants) and good conversations have been spurred with various local organizations, the National Association of FTZ's, and the Battle Creek Michigan Zone Administrator. Through these conversations she found the following information: the application timeframe (six to 12 months), application costs (\$30,000 – 75,000), an experienced customs agent should be based in the area, annual costs (around \$160,000 which would cover a customs agent, administration, and office space) and more quantitative data is needed. She noted a FTZ is feasible, there is local interest, and could be self-sustainable.

Councilmember Traylor Smith said during the past study local businesses were reluctant to release information needed for adequate quantitative data to be gathered and asked how this could be overcome. Ms. Schwenke felt some steps from the past study would need to be repeated, but a more targeted approach would be successful.

Kristi Pollard suggested incoming GJEP Chairman and Mountain Racing Products President, Tim Fry, be the manufacturer discussion point person since he is in that type of business and other businesses may be more forthcoming to him. Ms. Pollard also suggested discussions be held with the Grand Junction Regional Airport Authority (GJRAA) Board since conversations for a FTZ revolve around if the GJRAA will be a port of entry or charge a fee for service and if a customs agent could be based there. She would like these elements to be applied for simultaneously with the application.

There was discussion on what to base an annual fee. It was agreed the fee schedule should be equitable for all types of business, not too high that it might prohibit entry, but ultimately cover the annual costs of the FTZ. Suggested fee schedules were a sliding scale based on tonnage and freight forward.

Councilmember Kennedy asked, once a fee schedule is set, would it provide GJEP, the Chamber, and the GJRAA a better tool to recruit other manufacturers and businesses. Kip Turner, GJRAA Director, said if the GJRAA could be a part of the process, he felt a FTZ would be a positive growth factor for the Airport even if a regional approach was pursued.

Council President Norris asked, if Montrose was included, would an additional customs agent need to be based at the Montrose Airport. Ms. Schwenke explained an alternative site framework could be used and the Montrose Airport could designate a specific area for their FTZ; the local agent would establish inventory controls and make periodic visits to the site. The administrative process, however, would need to be done for each shipment. She went on to say, for existing businesses, especially those looking to expand, a local FTZ would be a huge benefit.

Ms. Pollard explained that this topic was brought forward again following an inquiry by a Colorado transportation company looking to expand into an area that had a FTZ with a customs agent; their timeline was very tight and they decided to move to another area. As with this company, her conversations with others have found the need for a local agent a high priority. Ms. Pollard went on to say if a company needs a FTZ, Grand Junction would never get an inquiry call because the area does not meet that priority which is another reason this could be used as a recruiting tool. She said FTZ's rely heavily on marketing from chambers of commerce and economic councils and she and Ms. Schwenke intend to highlight this asset in order to compete with those in surrounding areas.

Councilmember Kennedy asked how long of a commitment does a FTZ require. Ms. Schwenke said there is no set timeframe.

Discussion ensued regarding what areas to include in the Zone boundary: only the Grand Valley, more of the region, specific areas within the region; and/or areas that would be willing to contribute to the startup costs. Other questions were: what boundary would have the best chance of being approved (unknown); would a regional approach benefit the local area (yes); how much would a consultant cost (some work could be done by the Chamber and GJEP, the cost would depend on contracted duties and if it is a contingency or milestone agreement); who would be the applicant (probably the Chamber and GJEP); how long it will take for a FTZ become self-sufficient (unknown); who will write the RFP (Request for Proposals) (the Chamber and GJEP with review by City Staff); and how soon the final proposal could be done (30 days).

Councilmember Taggart cautioned that the application needs to have a defined Zone. Ms. Schwenke added, for a fee, the boundaries can be adjusted after the application had been approved.

City Manager Caton said it is important to separate upfront and ongoing costs; the City and partners (potentially the County, Delta, Fruita, and Montrose) will likely pay the upfront costs without expecting reimbursement. The City of Fruita has designated \$30,000 toward this effort and the RFP will provide a more concrete figure as well as answer many of the other questions. He did not think the City's portion would very high and that there are available funds.

Ms. Pollard suggested bringing all potential parties together for a final commitment once a consultant had final recommendations for the Zone boundary and costs for the application, implementation, ongoing costs for years one and two, and Phase II (fees).

Councilmember McArthur said Senator Cory Gardner has committed to the City that he will support this effort. It was felt Senator Michael Bennett, Representative Scott Tipton, and Governor John Hickenlooper would as well.

Councilmember Traylor Smith cautioned that fees for FTZ's are very sensitive and said this topic was first raised when Denver considered raising their fees. She then said many people that attended a FTZ meeting and are in the business said Grand Junction has a very good chance of qualifying for a FTZ, specifically due to the areas transportation network (I-70, the GJRAA, and the rail lines).

It was decided that GJEP and the Chamber will take the lead, be the grantee, and write the RFP with a review from City Staff.

Ms. Pollard said she will follow up with entities offering grants and reach out to local businesses to determine interest. She added she recently received calls of interest from Colorado companies that are looking to relocate due to the high cost of living in their current locations.

Councilmember McArthur encouraged that a positive economic development message be shown from the City to encourage this type of growth. Council President Norris said good infrastructure is also important.

Agenda Topic 2. Next Workshop Topics

Recommendations on Homeless and Vagrancy Issues and Municipal Court - September 19th

Councilmember McArthur will provide information for the Municipal Court discussion from the Colorado Municipal League who is currently researching what other municipalities are doing.

Property Committee Update – To be brought to Council when Staff has completed their review.

2017 Budget Discussions – October 3rd, 17th, and the 31st if needed

2017 Economic Development Partner Requests – To be brought back at a November Workshop.

Business License/Vendor Fee –Following the City Manager's conversation with GJEP and the Chamber, 2017 or sooner if possible.

With no further business, the meeting was adjourned.

**GRAND JUNCTION CITY COUNCIL
MONDAY, AUGUST 29, 2016**

**PRE-MEETING (DINNER) 5:00 P.M. ADMINISTRATION CONFERENCE ROOM
WORKSHOP, 5:30 P.M.
CITY HALL AUDITORIUM
250 N. 5TH STREET**

To become the most livable community west of the Rockies by 2025

- 1. Foreign Trade Zone Update:** [Discussion of potentially establishing a Foreign Trade Zone](#)
[**Supplemental Document**](#)
- 2. Next Workshop Topics**
- 3. Other Business**