



COMMISSIONERS COURT COMMUNICATION

REFERENCE NUMBER

PAGE 1 OF

11

DATE: 02/04/2020

SUBJECT: **APPROVAL OF LETTER OF CONCURRENCE REGARDING FOREIGN
TRADE ZONE DESIGNATION FOR ALLIED ELECTRONICS, INC.**

COMMISSIONERS COURT ACTION REQUESTED:

It is requested that the Commissioners Court approve the Letter of Concurrence to the Foreign Trade Zones Board allowing for the Foreign Trade Zone (FTZ) designation for Allied Electronics, Inc. for its facility location at 7151 Jack Newell Blvd. South in Fort Worth.

BACKGROUND:

Allied Electronics, Inc. is a distributor of industrial automation products, electronic components and electromechanical products with sales offices in North and South America. Their Fort Worth operations include a 357,000 square foot distribution center located at 7151 Jack Newell Blvd. South, that currently employs approximately 500 people.

Allied Electronics plans to expand their Fort Worth facility by adding 207,000 square feet of office and warehouse space and adding 200 or more employees within the next two (2) years. Allied Electronics is seeking a FTZ site designation within FTZ Number 39. The FTZ designation will assist Allied Electronics by providing a better and more efficient supply chain flow, and allow cost savings from the exempted or deferred duties. Allied Electronics' facility currently receives a partial exemption of inventory tax through the Freeport Exemption. With the addition of a FTZ designation, additional inventory value will be exempted. However, tax revenues from the added real property tax value due to the facility expansion are expected to offset the reduction in inventory taxes.

Allied Electronics, Inc. is requesting Tarrant County's approval of a "no objection" letter concurring with their application for FTZ designation. The City of Fort Worth and Birdville ISD have approved a similar Letter of Concurrence.

FISCAL IMPACT:

Allied Electronics has current inventory at the site valued at approximately \$133,000,000, of which 81.5% is being exempted under Freeport Exemption. The inventory value is expected to increase by approximately \$39,000,000.00 with the facility expansion. However, the FTZ designation would exempt 75% of the remaining inventory after Freeport exemption, leaving just \$7,955,000.00 in projected taxable value. The planned facility expansion is expected to add \$30,000,000.00 in taxable

SUBMITTED BY: Administrator's Office

PREPARED BY: Lisa McMillan

APPROVED BY:



COMMISSIONERS COURT COMMUNICATION

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real and business personal property value to the site. The added tax revenue from the new facility value is expected to offset any reduction in taxes from additional FTZ inventory exemption.

Current County tax revenue at the site is approximately \$86,592.00. With the facility expansion and FTZ designation, County tax revenues are estimated at \$173,675.00. For the Hospital District, current tax revenues are estimated at \$83,050.00. With the facility expansion and FTZ designation, Hospital District tax revenues are estimated to be \$166,571.00.

Overview of FTZ Request for Allied Electronics

ALLIED ELECTRONICS INC. OVERVIEW

Allied Electronics, Inc., dba Allied Electronics & Automation (Allied) is a high-service level authorized distributor of industrial automation products, electronic components, and electromechanical products with sales offices serving the Americas. With more than 3.5 million parts online, engineers and purchasers often look to Allied for a broad range of product solutions from more than 300 world-class suppliers.

Company Facts

Historical

- Allied was founded in 1928 as the radio parts distribution arm of Columbia Radio Corporation.
- In 1999, Allied became the North American division of Electrocomponents plc, a U.K. company, and a recognized leader in sales of electronic components.
- In 2016, Allied expanded into South America, with a full-service office in Santiago, Chile.
- In 2017, we expanded our sales presence throughout Mexico.

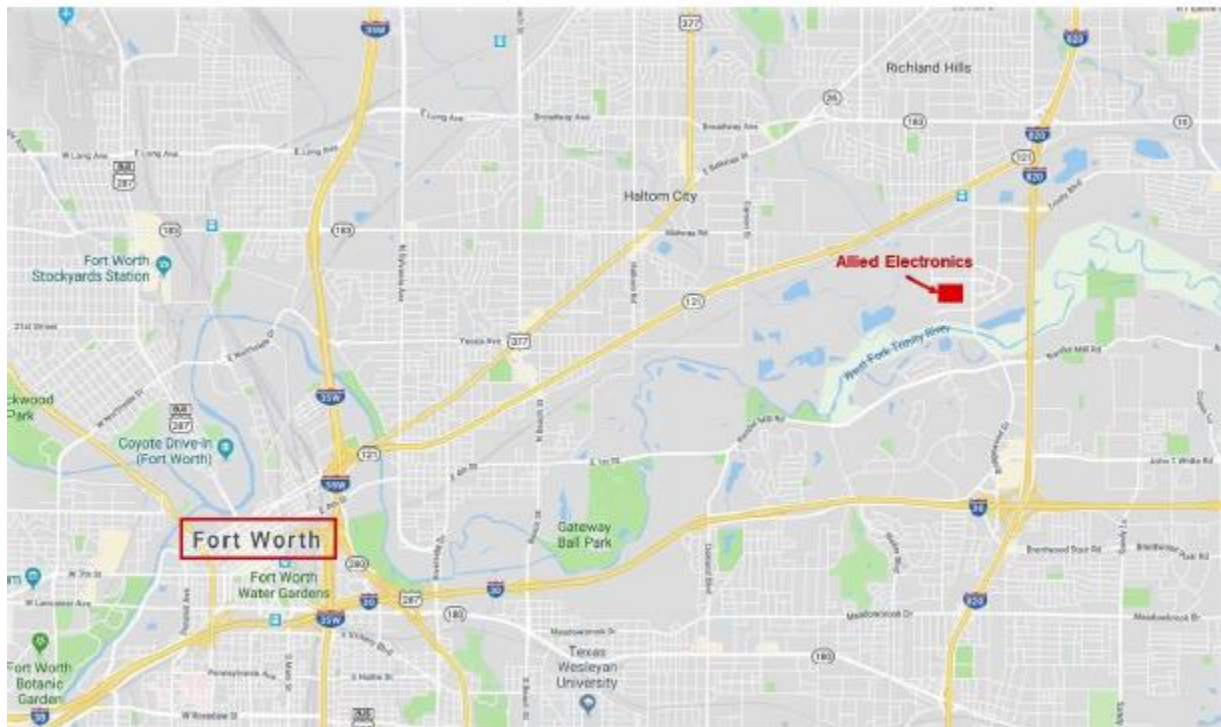
Today

- Allied Electronics & Automation is the second-largest operating company within Electrocomponents, the global distributor for engineers headquartered in London, England.
- Allied employs approximately 800 people throughout the entire organization, which includes corporate headquarters, a warehouse, and a distribution center in Fort Worth, Texas, and more than 40 sales offices.
- Services customers throughout the Americas.
- Their Product portfolio includes more than 300 name-brand suppliers.
- Allied distributes a wide spectrum of product technologies, including Automation & Control, Electromechanical, Enclosures & Fans, Interconnect, Passive & Active, Power, Test & Measurement, Wire & Cable, and more.
- They ship more than 5,000 packages per day, some within hours of receiving the order, from our 300,000 square foot, state-of-the-art warehouse and distribution center.
- Their warehouse, stocked with more than \$100 million worth of inventory, has more than 130,000 products on hand every day.
- Allied is a member of the Electronic Components Industry Association (ECIA), and the National Association of Electrical Distributors (NAED), with many Allied executives serving on a variety of association committees.

PROJECT OVERVIEW:

Allied, is requesting that 42 acres located at 7151 Jack Newell Blvd. South, in Fort Worth, Texas 76118-7037 within Tarrant County, be designated as a Zone Site within Foreign-Trade Zone No. 39. Foreign-Trade Zone No. 39 is overseen by the Dallas/Fort Worth International Airport Board (DFW Airport Board) and as the Grantee, the DFW Airport Board is sponsoring this application request to the Department of Commerce's FTZ Board in Washington D.C.

Following is a Google map, which provides a quick view of where their operation is located in proximity to the surrounding area.



The distribution facility located at 7151 Jack Newell Boulevard South currently consists of one building totaling 357,000 square feet of office and warehousing space. Allied plans on expanding their facility and adding 207,000 square feet more of warehousing space at this operation. Allied will be utilizing this space to distribute consumer goods directly to their domestic and international customers.

Following is an aerial picture of the current site and building with an overlay to reflect where the expansion is to occur.



FTZ status exempts inventory tax on imported goods, and those held for export. As an FTZ, Allied would be provided with tax benefits similar to the Freeport Exemption. Any imported goods that are re-exported will be duty free. Those goods that are held in the FTZ warehouse will be duty deferred until they enter into U.S. Commerce. Because Texas has ad valorem taxes, it is required that all taxing jurisdictions are made aware of the federal exemption on inventory and that the company applying for FTZ designation obtain a letter of concurrence from each such entity.

Allied is seeking to grow and expand in Fort Worth, which will add UP TO 200 new jobs at the facility within the next two years, new investment in building and personal property which will directly and positively impact the tax revenue of each entity with which Allied is seeking concurrence for the FTZ. The chart below reflects the current Allied operation and the operation after the expansion occurs. Based on demand in their industry sector and the impact of the current trade environment, the FTZ will assist Allied by providing an increase in supply chain velocity and cost-saving advantages from ability to defer duty.

Total Tax Revenue to Tarrant County
From Allied Electronics Expansion Project and FTZ Operation

FACILITIES	Current	Planned Expansion	Increase in Taxable Value	Current Annual Tax Revenue to Tarrant County	Future Annual Tax Revenue to Tarrant County with Expansion
Total Building SF	357,000	564,000			
Appraised Value of Land, Building and Equipment (in million dollars)	\$12,400,000	\$42,400,000	\$30,000,000	\$29,016	\$99,216
INVENTORY	Current	Projected Increase in Value with Expansion	Increase in Taxable Value	Current Annual Tax Revenue to Tarrant County	Future Annual Tax Revenue to Tarrant County with Expansion
Actual Inventory Value (Without any Exemptions)	\$133,000,000	\$172,000,000	\$39,000,000		
With Current Freeport Exempt Merchandise (81.5% of Total)	\$24,605,000	\$31,820,000	\$7,215,000	\$57,576	\$74,459
With FTZ in Operation (75% of Remaining Inventory After Freeport)	\$6,151,250	\$7,955,000	\$1,803,750		\$18,615
Total Property Tax Revenue to Tarrant County					
				Current Total Revenue	\$86,592
				Tax Revenue to Tarrant County After Expansion:	\$173,675
				Tax Revenue to Tarrant County After Expansion With FTZ Exemption:	\$117,831

Note: Tarrant County .234% Tax Rate Used in Analysis

*Projected estimates are based on conservative growth rates

Total Tax Revenue to Tarrant County Hospital District

From Allied Electronics Expansion Project and FTZ Operation

FACILITIES	Current	Planned Expansion	Increase in Taxable Value	Current Annual Tax Revenue to Tarrant County Hospital District	Future Annual Tax Revenue to Tarrant County Hospital District with Expansion
Total Building SF	357,000	564,000			
Appraised Value of Land, Building and Equipment (in million dollars)	\$12,400,000	\$42,400,000	\$30,000,000	\$27,829	\$95,158
INVENTORY	Current	Projected Increase in Value with Expansion	Increase in Taxable Value	Current Annual Tax Revenue to Tarrant County Hospital District	Future Annual Tax Revenue to Tarrant County Hospital District with Expansion
Actual Inventory Value (Without any Exemptions)	\$133,000,000	\$172,000,000	\$39,000,000		
With Current Freeport Exempt Merchandise (81.5% of Total)	\$24,605,000	\$31,820,000	\$7,215,000	\$55,221	\$71,413
With FTZ in Operation (75% of Remaining Inventory After Freeport)	\$6,151,250	\$7,955,000	\$1,803,750		\$17,853

Total Property Tax Revenue to Tarrant County Hospital District

Current Total Revenue

\$83,050

Tax Revenue to Tarrant County Hospital District After Expansion:

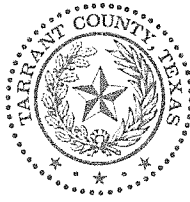
\$166,571

Tax Revenue to Tarrant County After Expansion With FTZ Exemption:

\$113,011

Note: Tarrant County Hospital District .224429% Tax Rate Used in Analysis

*Projected estimates are based on conservative growth rates



B. GLEN WHITLEY
COUNTY JUDGE
of
TARRANT COUNTY

February 4, 2020

Mr. Andrew McGilvray
Executive Secretary
Foreign Trade Zones Board
U.S. Department of Commerce
1401 Constitution Avenue, NW
Room 21013
Washington, D.C. 20230

RE: Foreign Trade Zone Designation – Allied Electronics, Inc., Fort Worth, Texas

Dear Mr. McGilvray:

The Tarrant County Commissioners Court has been provided information regarding Allied Electronics, Inc. application for Foreign Trade Zone designation for a site located at 7151 Jack Newell Blvd. South, Fort Worth, Texas, in Tarrant County. We understand that under Texas state law, activated Foreign Trade Zones in Tarrant County may be able to access certain property tax exemptions as they relate to Tarrant County and Tarrant County Hospital District ad valorem taxes.

The Commissioners Court does not object to Foreign Trade Zone status for Allied Electronics, Inc. at the aforementioned location, and we are supportive of the Foreign Trade Zone designation. We understand that this letter will be included as part of the Foreign Trade Zone Application.

Sincerely,

B. Glen Whitley
County Judge



FOREIGN TRADE ZONE DESIGNATION

ALLIED ELECTRONICS, INC.
FORT WORTH, TX

Allied Electronic, Inc. FTZ Designation Request



Allied Electronics, Inc. Planned Expansion Area

