City of Phoenix
Foreign-Trade Zone 75

June 16, 2017

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

Re: Foreign-Trade Zone 75, Phoenix, Arizona
Application for Usage-Driven Site – Katerra, Inc. Phoenix, Arizona

Dear Mr. McGilvray:

The City of Phoenix, Arizona, as Grantee of Foreign-Trade Zone 75, respectfully submits the enclosed Minor Boundary Modification application for a new usage-driven site under the Alternative Site Framework (ASF). The proposed site is within Maricopa County and part of the ASF Service Area for FTZ 75. The ASF format for FTZ 75 was approved by the FTZ Board on October 7, 2010, Board Order No. 1716.

The proposed usage-driven site is located at 624 N. 44th Avenue, Phoenix, Arizona. Katerra Inc. currently leases the property and will be the zone operator if approved. This application does not include a request for production authority.

We appreciate your consideration of this application for a new usage-driven site. If you have any questions, please contact me at (602) 534-2445, or denise.yanez@phoenix.gov.

Sincerely,

Denise Yanez
Foreign-Trade Zone Administrator

C: Christopher Kemp, Analyst, FTZ Board
Luz Galarza, Port Director, Phoenix
Jason West, Assistant Port Director, Phoenix

Community and Economic Development Department
200 West Washington Street, 20th Floor • Phoenix, Arizona 85003-1611
602-262-5040 (Voice) 602-495-5097 (Fax)
Phoenix.gov/ECONDEV

Alternative Site Framework

APPLICATION FOR SUBZONE OR USAGE-DRIVEN DESIGNATION ("MINOR BOUNDARY MODIFICATION")

QUESTIONS

1. **Please mark the appropriate space below to indicate whether you are requesting "Subzone" or "Usage-Driven" designation for the proposed site(s):**

   _____Subzone __X__Usage-Driven

2. **List the address of the site(s), including the jurisdiction in which the site(s) falls (town, city, county).**

   The site is located at 624 N. 44th Ave, Phoenix, Arizona 85043 in Maricopa County.

3. **Explain how the proposed site(s) is within the grantee's approved ASF service area.**

   The site is located within Maricopa County which is within the Grantee's Service Area defined as the boundaries of Maricopa County and portions of Pinal and Yavapai Counties.

4. **State the proposed acreage of the site(s).**

   The site's proposed acreage is 20.0 +/- acres.

5. **Indicate the company for which the site(s) will be designated.**

   The company for which the site will be designated is the proposed Operator, Katerra Inc.

6. **Provide a summary of the company's planned activities.**

   Katerra Inc.'s FTZ activities at the site will include the manufacturing of construction commodities to support the U.S. building industry. Katerra will be producing building components such as pre-fabricated walls, trusses, cabinets, pre-hung interior doors, and counter tops. The site will also be used for the warehousing and distribution of parts and assemblies (toilets, plumbing fixtures, tile, flooring, etc.) to support the manufacturing lines

and for use in the building of U.S. based construction projects. A Production Notification will be submitted separately at a later date.

7. **Indicate the current zoning and the existing and planned buildings (including square footage) for the site(s). (Note: Sites (or areas within a site) with inappropriate zoning – such as agricultural, retail, or residential – are not eligible for FTZ status and should not be proposed in any MBM request.)**

   The site consists of a 240,000 +/- square feet warehouse building that includes 35,000 +/- sq. ft. of office space on a 20.0 +/- acre site. The zoning for the property is Commerce Park-General Commerce Park Option. Rail construction is in process for a rail line connecting to the Union Pacific Line, there is no other planned construction for the site.

8. **Confirm that FTZ designation or the use of FTZ procedures is not a requirement or a precondition for future activity or construction at the site(s).**

   FTZ designation or the use of FTZ procedures is not a requirement or a precondition for future activity or construction at the site.

9. **List the owner(s). (If a site(s) is not owned by the grantee or the company planning to use the site(s) – as named in response to Question 5 above – then provide a "Right to Use" attachment with documentation demonstrating the right to use the site(s). Such evidence could be a signed letter from the proposed operator on its letterhead attesting to its right to use the property or a letter of concurrence from the owner of the proposed site(s).)**

   The site is owned by Jane Rittenburg and William Goldring. The right to use letter is attached.

ATTACHMENTS

Attach the documents listed below (Items 10 and 11, plus Item 12 if applicable) directly behind the text of your request.

10. A clear and detailed site map showing existing and planned structures. The site boundaries must be outlined clearly in red. Note that if streets or similar landmarks are not legible on the site map, you will also need to provide a detailed street map with the proposed site's boundaries in red. Any map should be no larger than letter-sized (8 1/2" x 11") and clearly labeled, with legends provided for any markings.

A copy of the site plan is included as an attachment to this document.

11. Comments from U.S. Customs and Border Protection (CBP): The grantee generally should provide comments from CBP with the submitted request. Alternatively, the grantee may provide a copy of the request to CBP at the time the request is submitted to the FTZ Board, in which case the grantee should also communicate with CBP regarding the 20-day timeframe in the FTZ Board's regulations for CBP to provide comments to the FTZ Board.

Comments from the Port Director will be requested by the Grantee and sent to the FTZ Board under separate cover.

12. If your state (such as TX, KY, AZ) has one or more taxes for which collections will be affected by the proposed FTZ designation of the new site(s), please attach all of the following:

A. An explanation of the specific local taxes that will be affected;

Title 42, Chapter 12, Article 1 of the Arizona Revised Statutes provides the classifications of property for the purpose of taxation in Arizona. Although the rate of property taxation is uniform, taxes vary among classifications of property based upon the applicable percentage of the assessed property valuation that is used to calculate the tax, ranging from 1% to 18% of the assessed valuation for the nine different classes of property. Typically, a manufacturing or distribution facility is classified as Class 1 property and would be taxed at the commercial rate of 18% of assessed valuation. Pursuant to A.R.S. § 42-12006(2), however, a manufacturing or distribution facility as well as all ancillary personal property that is: (1) located within a foreign trade zone or subzone established under 19 U.S.C. § 81 and A.R.S. § 44-6501; and (2) activated for foreign trade zone use pursuant to 19 CFR § 146.6 and valued at full cash value is classified as Class 6 property and taxed at the reduced rate of 5% of assessed valuation:

The reclassification of real and personal property as well as the resulting favorable tax treatment contemplated above does not occur automatically. Each property owner must

independently request the Maricopa County Assessor to reclassify their real and personal property for property tax purposes and must further provide certain documentation evidencing proof of FTZ activation approval.

B. A stand-alone letter that:

- **Lists all of the affected parties;**
- **Includes a statement below the list certifying that this is a complete list of all parties that would be affected by this particular request; and,**
- **Is signed by an official of the grantee organization.**

N/A – see acknowledgement below.

C. Correspondence from all of the affected parties (such as a local school board) indicating their concurrence (or non-objection) regarding the proposed FTZ designation.

Katerra acknowledges its intent not to seek property reclassification for property tax reduction purposes. If Katerra decides to pursue property tax reclassification for property tax reduction purposes for new real and/or personal property or existing personal property at the proposed Zone site, Katerra will be required to obtain written concurrence from all affected tax jurisdictions prior to any tax reclassification of property and submit those letters to the Grantee, City of Phoenix.

The Grantee will include language in the FTZ Operating Agreement that will protect the tax revenues of all taxing entities with jurisdiction.

KATERRA

May 30, 2017

Mr. Andrew McGilvray
Executive Secretary
Foreign-Trade Zones Board
U.S. Department of Commerce
1401 Constitution Ave., NW
Room 21013
Washington, DC 20230

RE: FTZ Operator's Right to Use Property

Dear Mr. McGilvray,

Katerra Inc. has a commercial lease agreement with Magnolia Marketing Company LLC, the company who manages the property located at 624 N. 44th Avenue, Phoenix, AZ 85043 on behalf of the property owners, Jane Rittenburg and William Goldring. Katerra is requesting foreign-trade zone designation for this property and attests to the right to use this property as such.

Sincerely,

Tom Healy
Katerra Global Logistics Manager

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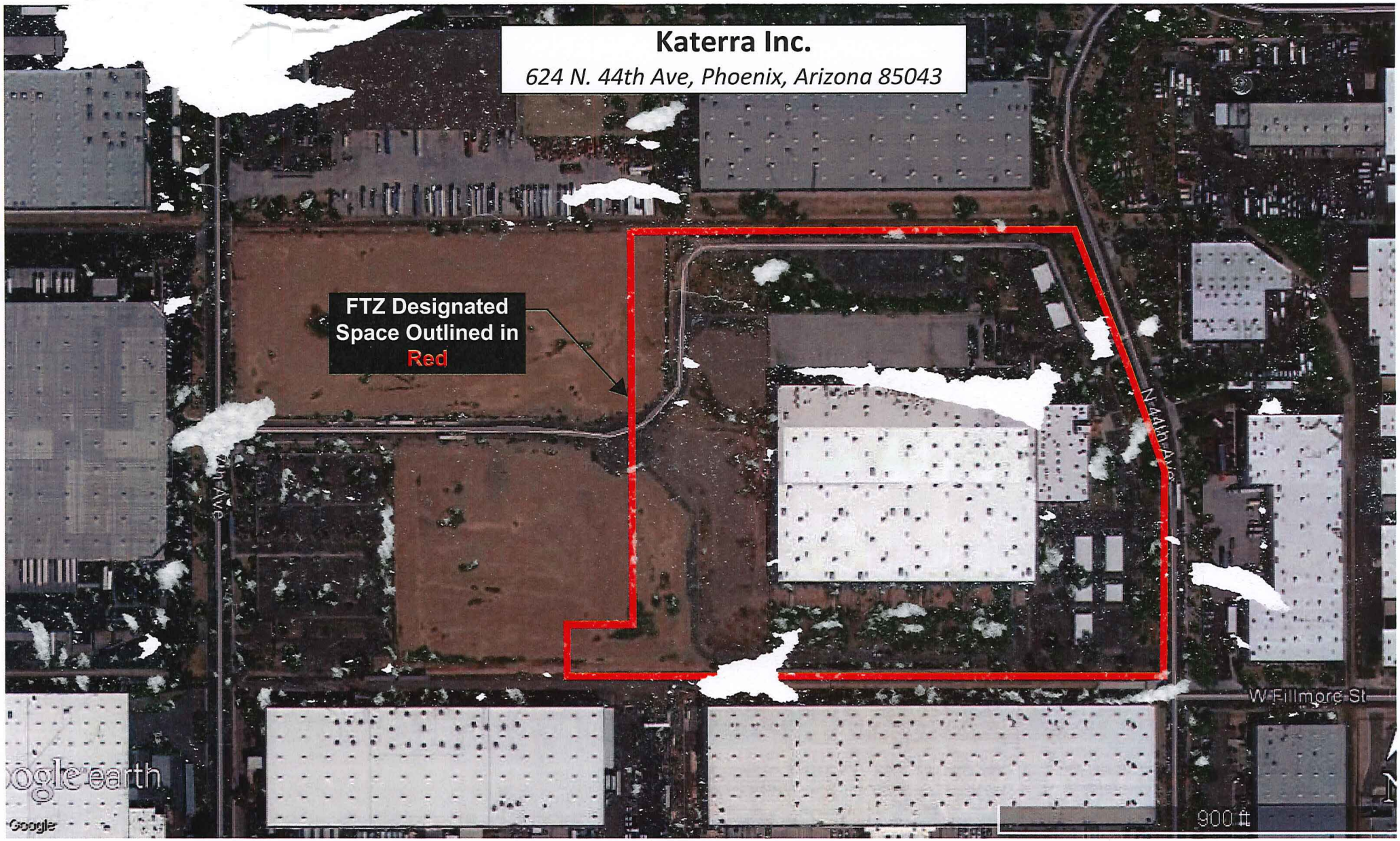
Katerra Inc.
624 N. 44th Ave, Phoenix, Arizona 85043
FTZ Designated Space Outlined in Red
N 44th Ave
W Fillmore St
900 ft