

Repl. pg # 10
MAR 27 2014

F. Chandler desires to assist Isola in obtaining approval from the Board to establish, operate and maintain a usage driven site at the Zone Site.

G. Phoenix is willing to submit an application to the Board on behalf of Isola (the "Application") for a minor boundary modification to establish, operate and maintain a usage driven site at the Zone Site to demonstrate its interest in a cooperative regional effort to encourage the retention and expansion of business in the greater metropolitan area.

NOW, THEREFORE, in consideration of the promises and mutual agreements contained and described herein, the parties agree as follows:

II. AGREEMENTS:

1. PURPOSE

1.1 The purpose of this Agreement is to memorialize Chandler's and Phoenix's agreement to work together to assist Isola in its efforts to obtain usage driven site status for the Zone Site and to assure Phoenix that the establishment, operation and maintenance of a usage driven site status at the Zone Site, including any unsuccessful efforts made in respect thereto, shall be accomplished without any cost or liability whatsoever to Chandler or Phoenix.

2. CHANDLER'S RESPONSIBILITIES

2.1 To facilitate the negotiation and execution of a Foreign-Trade Zone Operations Agreement ("Operating Agreement") between the City of Phoenix and Isola.

2.2 To support the Application process.

2.3 To provide in an agreement with Isola ("FTZ Agreement") that, unless previously agreed to by Chandler pursuant to FTZ Agreement, Isola shall seek reclassification pursuant to A.R.S. § 42-12006.2, as amended (the "Reclassification Statute"), as to any new buildings and equipment at the Site (constructed on the Zone Site in the case of improvements and acquired in the case of equipment) on or after _____ (the "Determination Date"). Isola has approval from Chandler to seek and obtain reclassification of real property added to the Site after the Determination Date, whether pursuant to the Reclassification Statute or otherwise, and Isola may seek to reclassify any personal property located at or within the Site after the Determination Date. In the event that Isola does seek to have all eligible property at the Site reclassified pursuant to the above-referenced statute, Isola shall be required to make a payment to Chandler in lieu of taxes in the amount of the savings realized by Isola on the existing real or personal property, which shall be collected by Chandler and disbursed by Chandler in the manner provided by the state statute for the distribution of property taxes, so that there is no reduction in actual dollars available to the intended beneficiaries of that revenue. The parties acknowledge that Chandler entered into the FTZ Agreement dated **March 20, 2014**, and recorded **March 21, 2014**, as Instrument No. **20140180407**, Official Records of Maricopa County, Arizona, that the provisions of this Section 2.3 are set forth in the FTZ Agreement.

#10

MAR 27 2014



Chandler • Arizona
Where Values Make The Difference

MEMORANDUM Economic Development – Council Memo ED14-012

DATE: MARCH 12, 2014

TO: MAYOR AND COUNCIL

THRU: RICH DLUGAS, CITY MANAGER *RD*
 MARSHA REED, ASSISTANT CITY MANAGER *MR*

FROM: CHRISTINE MACKAY, ECONOMIC DEVELOPMENT DIRECTOR *CM*

SUBJECT: FOREIGN TRADE ZONE SUPPORT FOR ISOLA AND IGA WITH
 THE CITY OF PHOENIX

RECOMMENDATION: Staff recommends City Council adopt Resolution No. 4745 authorizing the execution of an Intergovernmental Agreement with the City of Phoenix; authorizing a cooperative effort to assist Isola in designating their property at 165 S. Price Road as a Foreign Trade Zone (FTZ), and authorize the Mayor to sign the Resolution and related documents as approved by the City Attorney.

BACKGROUND/DISCUSSION: Isola Group located in Chandler in 2003, bringing their global corporate headquarters to the market. The company is located in two locations currently with their corporate offices at the NWC of Loop 101 and Ray Road, and their manufacturing facilities at 165 South Price Road. Isola is a global material sciences company focused on designing, developing, manufacturing and marketing copper-clad laminates used to fabricate advanced multilayer printed circuit boards. Their products are used in a diverse range of electronic end-markets including applications in computers, networking and communications equipment, high-end consumer electronics, as well as products designed for use in the advanced automotive, aerospace, military and medical markets.

In an effort to maintain global competitiveness, Isola contacted the Economic Development staff requesting support for a Foreign Trade Zone (FTZ) at their 165 South Price Road campus. The FTZ status would allow Isola to take advantage of the import/export duty reduction for those manufacturing companies located in an active FTZ. Currently Isola would save more than 7% in tariff reduction if their building were in a declared FTZ.

Memo No. ED14-012

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As part of the additional benefits allowed in only a few states, by State Legislation, Arizona FTZ sites also allow for a reduction in property tax to Class 6, which drops the assessed valuation from 19.5% to 5%. However, not only does State law not allow for the automatic removal of existing facilities out of full Ad Valorem property tax rolls, Isola has agreed not to pursue the reduction of property tax for their existing buildings, and this is identified in the attached Resolution.

Chandler City Council approved support for Isola's application at its December 12, 2013 meeting. The application was then approved by the Phoenix City Council for a permanent Foreign Trade Zone. This is due to the fact that the City of Phoenix holds the formal FTZ designation for our area. The application was then moved on to the Federal Foreign Trade Zone Board in Washington DC for their review and vote. During this process the City Attorneys in Phoenix requested that a formal IGA be completed between the City of Phoenix and the City of Chandler authorizing our cooperative support for the application.

FINANCIAL IMPLICATIONS: There are no financial implications for City of Chandler.

PROPOSED MOTION: Move City Council to adopt Resolution No. 4745 authorizing the execution of an Intergovernmental Agreement with the City of Phoenix; authorizing a cooperative effort to assist Isola in designating their property at 165 S. Price Road as an FTZ, and authorize the Mayor to sign the Resolution and related documents as approved by the City Attorney.

Attachments: Resolution No. 4745
Intergovernmental Agreement
Site Map

RESOLUTION NO. 4745

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHANDLER, ARIZONA, AUTHORIZING THE EXECUTION OF AN INTERGOVERNMENTAL AGREEMENT BETWEEN THE CITY OF CHANDLER AND THE CITY OF PHOENIX; AUTHORIZING A COOPERATIVE EFFORT TO ASSIST ISOLA USA CORPORATION IN HAVING ITS PROPERTY AT 165 SOUTH PRICE ROAD IN CHANDLER, ARIZONA, DESIGNATED AS A FOREIGN-TRADE ZONE USAGE DRIVEN SITE.

WHEREAS, Isola USA Corporation ("Isola") owns and operates a manufacturing facility at 165 South Price Road in Chandler, Arizona, and seeks to have it designated as a foreign-trade zone usage driven site ("Zone Site"); and

WHEREAS, the City of Phoenix ("Phoenix") has received a grant from the federal Foreign-Trade Zones Board to establish Foreign Trade Zone No. 75 ("FTZ No. 75") and the City of Chandler ("Chandler") does not have any such grant of authority; and

WHEREAS, Phoenix is willing to submit an application to the Foreign-Trade Zones Board on behalf of Isola for the property at the Zone Site to be established, operated and maintained as a foreign-trade zone usage driven site; and

WHEREAS, Chandler desires to assist Isola in obtaining designation of the Zone Site as a foreign-trade zone usage driven site and has previously passed and adopted Resolution No. 4732 in support of such designation for the Zone Site.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Chandler, Arizona, that the Mayor of the City of Chandler, as requested by Phoenix, is authorized to execute an Intergovernmental Agreement between Chandler and Phoenix to memorialize the agreement of the two cities to work together to assist Isola in its efforts to obtain usage driven site status for the Zone Site, which shall be in such form as is approved by the Chandler City Attorney.

PASSED AND ADOPTED by the City Council of the City of Chandler, Arizona, this ____ day of _____, 2014.

ATTEST:

CITY CLERK

MAYOR

APPROVED AS TO FORM:

CITY ATTORNEY GAB

CERTIFICATION

I HEREBY CERTIFY that the above and foregoing Resolution No. 4745 was duly passed and approved by the City Council of the City of Chandler, Arizona, at a regular meeting held on the _____ day of _____, 2014, and that a quorum was present thereat.

CITY CLERK

When Recorded Return to:

Sonia M. Blain, Esq.
City of Phoenix
200 West Washington Street, 13th Floor
Phoenix, Arizona 85003-1611

**INTERGOVERNMENTAL AGREEMENT
BETWEEN
THE CITY OF CHANDLER, ARIZONA
AND
THE CITY OF PHOENIX, ARIZONA**

This Intergovernmental Agreement is entered into this _____ day of _____, 2014 by and between the City of Chandler, Arizona, a municipal corporation (“Chandler”) and the City of Phoenix, Arizona, a municipal corporation (“Phoenix”).

I. RECITALS:

A. Pursuant to A.R.S. §11-952, as amended, Chandler is empowered to enter into this intergovernmental agreement and has, by resolution, a copy of which is attached hereto as Exhibit A and incorporated herein by this reference, authorized the undersigned to execute this Agreement on behalf of Chandler.

B. Pursuant to A.R.S. §11-952, as amended, Phoenix is empowered to enter into this intergovernmental agreement and has, by ordinance, a copy of which is attached hereto as Exhibit B and incorporated herein by this reference, authorized the undersigned to execute this Agreement on behalf of Phoenix.

C. Phoenix has received a Grant (Board Order 185, dated March 25, 1982) from the Foreign-Trade Zones Board (the “Board”) to establish FTZ No. 75, and the alternative site framework format for FTZ No. 75 was approved by the Board in a notice published on October 20, 2010 in 75 Fed. Reg. 64708.

D. Chandler does not have a grant of authority to establish a Foreign-Trade Zone.

E. Isola USA Corp./Chandler (“Isola”) owns certain real property within the City of Chandler located at 165 South Price Road (the “Site”) and desires to have the Site designated as a usage driven site (the “Zone Site”). The Site, is legally described on Exhibit C attached hereto, is utilized for manufacturing and improved with approximately 100,638 square feet of industrial/office/light manufacturing/warehouse space..

F. Chandler desires to assist Isola in obtaining approval from the Board to establish, operate and maintain a usage driven site at the Zone Site.

G. Phoenix is willing to submit an application to the Board on behalf of Isola (the "Application") for a minor boundary modification to establish, operate and maintain a usage driven site at the Zone Site to demonstrate its interest in a cooperative regional effort to encourage the retention and expansion of business in the greater metropolitan area.

NOW, THEREFORE, in consideration of the promises and mutual agreements contained and described herein, the parties agree as follows:

II. AGREEMENTS:

1. **PURPOSE**

1.1 The purpose of this Agreement is to memorialize Chandler's and Phoenix's agreement to work together to assist Isola in its efforts to obtain usage driven site status for the Zone Site and to assure Phoenix that the establishment, operation and maintenance of a usage driven site status at the Zone Site, including any unsuccessful efforts made in respect thereto, shall be accomplished without any cost or liability whatsoever to Chandler or Phoenix.

2. **CHANDLER'S RESPONSIBILITIES**

2.1 To facilitate the negotiation and execution of a Foreign-Trade Zone Operations Agreement ("Operating Agreement") between the City of Phoenix and Isola.

2.2 To support the Application process.

2.3 To provide in an agreement with Isola ("FTZ Agreement") that, unless previously agreed to by Chandler pursuant to FTZ Agreement, Isola shall seek reclassification pursuant to A.R.S. § 42-12006.2, as amended (the "Reclassification Statute"), as to any new buildings and equipment at the Site (constructed on the Zone Site in the case of improvements and acquired in the case of equipment) on or after _____ (the "Determination Date"). Isola has approval from Chandler to seek and obtain reclassification of real property added to the Site after the Determination Date, whether pursuant to the Reclassification Statute or otherwise, and Isola may seek to reclassify any personal property located at or within the Site after the Determination Date. In the event that Isola does seek to have all eligible property at the Site reclassified pursuant to the above-referenced statute, Isola shall be required to make a payment to Chandler in lieu of taxes in the amount of the savings realized by Isola on the existing real or personal property, which shall be collected by Chandler and disbursed by Chandler in the manner provided by the state statute for the distribution of property taxes, so that there is no reduction in actual dollars available to the intended beneficiaries of that revenue. The parties acknowledge that Chandler entered into the FTZ Agreement dated _____ and recorded _____ as Instrument No. _____ Official Records of Maricopa County, Arizona, that the provisions of this Section 2.3 are set forth in the FTZ Agreement.

2.4 To notify Phoenix if Chandler desires that Phoenix enforce its right to terminate the Operating Agreement, after notice and a 30-day cure period, if Isola, without prior approval of Chandler, in breach of the FTZ Agreement and Operating Agreement, either seeks and/or obtains property tax classification under the Reclassification Statute if such action is prohibited by the FTZ Agreement and fails to pay Chandler the amounts Isola owes pursuant to the terms of the FTZ Agreement.

2.5 To take all action requested by Phoenix related to the enforcement of the provisions referred to in Section 2.4, above, and to indemnify, defend and hold Phoenix, its departments, agents, officers or employees harmless from and against any loss, expense, damage or claim resulting from or arising out of the performance or enforcement of any condition in the Operating Agreement as required under Section 3.4 below.

3. PHOENIX'S RESPONSIBILITIES

3.1 To conduct its operations in good faith with Isola.

3.2 After filing the Application for the Isola Site, to enter into an Operating Agreement with Isola for the operation of the Zone Site.

3.3 To provide in the Operating Agreement that Isola shall be responsible for all costs related to the Zone Site that are incurred by Phoenix and/or Chandler.

3.4 To provide in the Operating Agreement that Phoenix may terminate the Operating Agreement if Phoenix is advised by Chandler that Isola has sought and/or obtained property tax classification under A.R.S. § 42-12006(A)(2) in violation of the Reclassification Restrictions contained in the FTZ Agreement and failed to pay amounts owed to Chandler as set forth in the FTZ Agreement.

4. ADDITIONAL AGREEMENTS

4.1 The Parties acknowledge that 15 C.F.R. §400.49 provides for monitoring and reviews of foreign trade zone operations and activity. Section 400.49(c) provides that the Board or the Commerce Department's Assistant Secretary for Import Administration may restrict or prohibit zone activity that it finds is no longer in the public interest and, pursuant to 14 C.F.R. § 400.61, the Board has the authority to revoke a grant of authority to operate a zone, for cause.

4.2 Chandler and Isola have determined that if Isola seeks and obtains property tax classification under the Reclassification Statute in breach of the FTZ Agreement, such action would be detrimental to the public interest.

5. INDEMNIFICATION

5.1 To the extent permitted by law, each party will indemnify and save the other party harmless, including any of the parties' departments, agencies, officers, employees, elected officials or agents, from and against all loss, expense, damage or claim of any nature whatsoever

which is caused by any activity, condition or event arising out of the performance or non-performance by the indemnifying party of any of the provisions of this Agreement.

5.2 Each party, in all instances, shall be indemnified against all liability, losses and damages of any nature for or on account of any injuries or death of persons or damages to or destruction of property arising out of or in any way connected with the performance or non-performance of this Agreement by the other party, except such injury or damage as shall have been occasioned by the negligence of that other party. The damages incurred by the other party, their department, agencies, officers, employees, elected officers or agents shall include in the event of any action, court costs, expenses for litigation and reasonable attorneys' fees.

6. DURATION

6.1 Term. The term of this Agreement shall begin on the date executed and approved by both parties and shall remain in effect for the same term as the Operating Agreement, unless terminated sooner pursuant to the terms of this Agreement.

7. GENERAL PROVISIONS

7.1 Conflict of Interest. This Agreement is subject to cancellation pursuant to the provisions of A.R.S. § 38-511.

7.2 Immigration Law Compliance Warranty. As required by A.R.S. § 41-4401, each party hereby warrants its compliance with all federal immigration laws and regulations that relate to its employees and A.R.S. § 23-214(A). Each party further warrants that after hiring an employee, it verifies the employment eligibility of the employee through the E-Verify program. If either party uses any subcontractors in performance of the Agreement, subcontractors shall warrant their compliance with all federal immigration laws and regulations that relate to its employees and A.R.S. § 23-214(A), and subcontractors shall further warrant that after hiring an employee, such subcontractor verifies the employment eligibility of the employee through the E-Verify program. A breach of this warranty shall be deemed a material breach of the Agreement subject to penalties up to and including termination. A party shall not be deemed in material breach if it and/or its subcontractors establish compliance with the employment verification provisions of Sections 274A and 274B of the federal Immigration and Nationality Act and the E-Verify requirements contained in A.R.S. § 23-214(A). Each party retains the legal right to inspect the papers of the other party and/or its subcontractor engaged in performance of this Agreement to ensure that the other party and/or its subcontractor is complying with the warranty. Any inspection will be conducted after reasonable notice and at reasonable times. If state law is amended, the parties may modify this paragraph consistent with state law.

7.3 Notices. All notices, demands and communications given or to be given, by either party to the other, shall be given in writing, by certified mail, and shall be addressed to the parties at the addresses hereinafter set forth, or at such other address as the parties may by written notice hereafter designate. All notices shall be deemed received upon actual receipt or three (3) business days after deposit in the United States mail, whichever date is earlier. Notices shall be addressed as follows:

Phoenix: Director
Community and Economic Development Department
200 West Washington Street, 20th Floor
Phoenix, Arizona 85003-1611

and

City Clerk
City of Phoenix
200 West Washington Street, 15th Floor
Phoenix, Arizona 85003-1611

Chandler: City Manager
City of Chandler
P.O. Box 4008, Mail Stop 605
Chandler, Arizona 85244-4008

and

Chandler City Attorney's Office
P.O. Box 4008, Mail Stop 602
Chandler, Arizona 85244-4008
Attention: City Attorney

7.4 Construction. Paragraph headings and captions appearing with this Agreement are for convenient reference only and in no respect define, limit or describe the scope or intent of this Agreement or the provisions of such sections.

7.5 Binding Effect. All terms, provisions and conditions hereof shall be binding upon and inure to the benefit of all parties hereto and their respective heirs, personal representatives, successors and assigns.

7.6 Severability. In the event any term or provision of this Agreement is held to be invalid or unenforceable, the validity of the other provisions shall not be affected, and the Agreement shall be construed and enforced as if it did not contain the particular term or provision that is deemed to be invalid or unenforceable.

7.7 Governing Law. This Agreement will be governed by the laws of the State of Arizona, both as to interpretation and performance.

7.8 Modification. This Agreement may be modified only by mutual written agreement of the parties.

[signature page follows]

IN WITNESS WHEREOF, the parties have executed this Agreement on the date first written above.

FOR CHANDLER:

FOR PHOENIX:

ED ZUERCHER, CITY MANAGER

By: _____
Its: _____

By: Hank Marshall
Its: Acting Community and Economic
Development Director

Date: _____

Date: _____

ATTEST:

City Clerk

ATTORNEY DETERMINATION

In accordance with the requirements of A.R.S. § 11-952(D), each of the undersigned attorneys acknowledge that (1) they have reviewed the above Agreement on behalf of their respective client(s) and (2) as to their respective client(s) only, each attorney has determined that this Agreement is in proper form and is within the powers and authority granted under the laws of the State of Arizona.

City Attorney, City of Chandler GAB

Acting City Attorney, City of Phoenix

Date: _____

Date: _____

ORDINANCE S-40572

AN ORDINANCE AUTHORIZING THE CITY MANAGER TO SUBMIT A MINOR BOUNDARY MODIFICATION APPLICATION TO THE FOREIGN-TRADE ZONES (FTZ) BOARD OF THE U.S. DEPARTMENT OF COMMERCE FOR ISOLA USA, CORPORATION; AND AUTHORIZING A FTZ OPERATIONS AGREEMENT AND INTERGOVERNMENTAL AGREEMENT WITH THE CITY OF CHANDLER.

BE IT ORDAINED BY THE COUNCIL OF THE CITY OF PHOENIX as follows:

SECTION 1. That the City Manager or his designee be, and they are hereby authorized to submit a Minor Boundary Modification application to the Foreign-Trade Zones (FTZ) Board of the U.S. Department of Commerce in response to a request from Isola USA Corporation or City-approved nominee, for a usage-driven designation for the property it owns at 165 South Price Road, Chandler, Arizona (Zone).

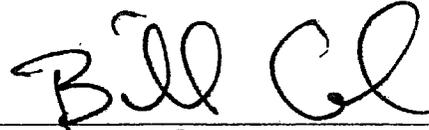
SECTION 2. That the City manager or his designee be, and they are hereby authorized to enter into an intergovernmental agreement with the City of Chandler relating to the Zone and to execute an Operations Agreement with Isola USA, Corporation or City-approved nominee to operate the Zone and any other necessary documentation that shall contain the following terms and conditions:

- (a) Isola USA Corporation shall undertake the exclusive operational management of the Zone and perform all necessary recordkeeping and reporting functions in strict compliance with the United States Customs Service (Customs) and FTZ Board requirements;
- (b) Isola USA Corporation shall indemnify and hold the City harmless from and against all loss, damage and liability arising from their FTZ operations;
- (c) Isola USA Corporation shall obtain business bonding and insurance satisfactory to the City and Customs;
- (d) Isola USA Corporation shall pay to the City all fees pursuant to the current fee schedule;
- (e) Isola USA Corporation shall not seek property tax reclassification for existing real property improvements and personal property located on the Zone; and
- (f) Such other terms and conditions as are necessary and appropriate.

SECTION 3. That the City Manager or his designee be, and they are hereby authorized to take all actions and execute all documents as necessary or appropriate to implement the provisions of this Ordinance.

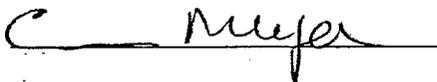
PASSED by the Council of the City of Phoenix this 19th day of February,

2014.



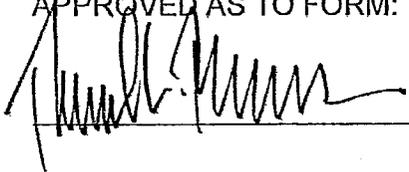
ACTING MAYOR

ATTEST:



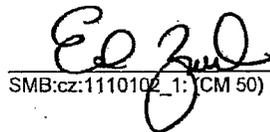
City Clerk

APPROVED AS TO FORM:



Acting City Attorney ⁶⁸

REVIEWED BY:



Acting City Manager

SMB:cz:1110102_1: (CM 50) (Item29) 2/19/14

Exhibit C

LEGAL DESCRIPTION

THAT portion of the Northwest quarter of Section 31, Township 1 South, Range 5 East, of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, described as follows:

COMMENCING at the Northwest corner of said Section 31;

THENCE South along the West line of said Northwest quarter of Section 31, a distance of 1316.40 feet;

THENCE South 89 degrees 58 minutes 35 seconds East along the North line of the North half of the Southwest quarter of said Northwest quarter of Section 31, a distance of 330.00 feet to the TRUE POINT OF BEGINNING;

THENCE continuing South 89 degrees 58 minutes 35 seconds East, along said last mentioned North line, a distance of 900.99 feet;

THENCE South 00 degrees 03 minutes 30 seconds West, along the East line of the North half of the Southwest quarter of the Northwest quarter of said Section 31, a distance of 659.69 feet;

THENCE North 89 degrees 54 minutes 25 seconds West, along the South line of said North half of the Southwest quarter of the Northwest quarter of Section 31, a distance of 1230.32 feet;

THENCE North along said West line of the Northwest quarter of said Section 31, a distance of 468.20 feet to the Southwest corner of that certain parcel of land described in Docket 10229, Page 338, Maricopa County Records;

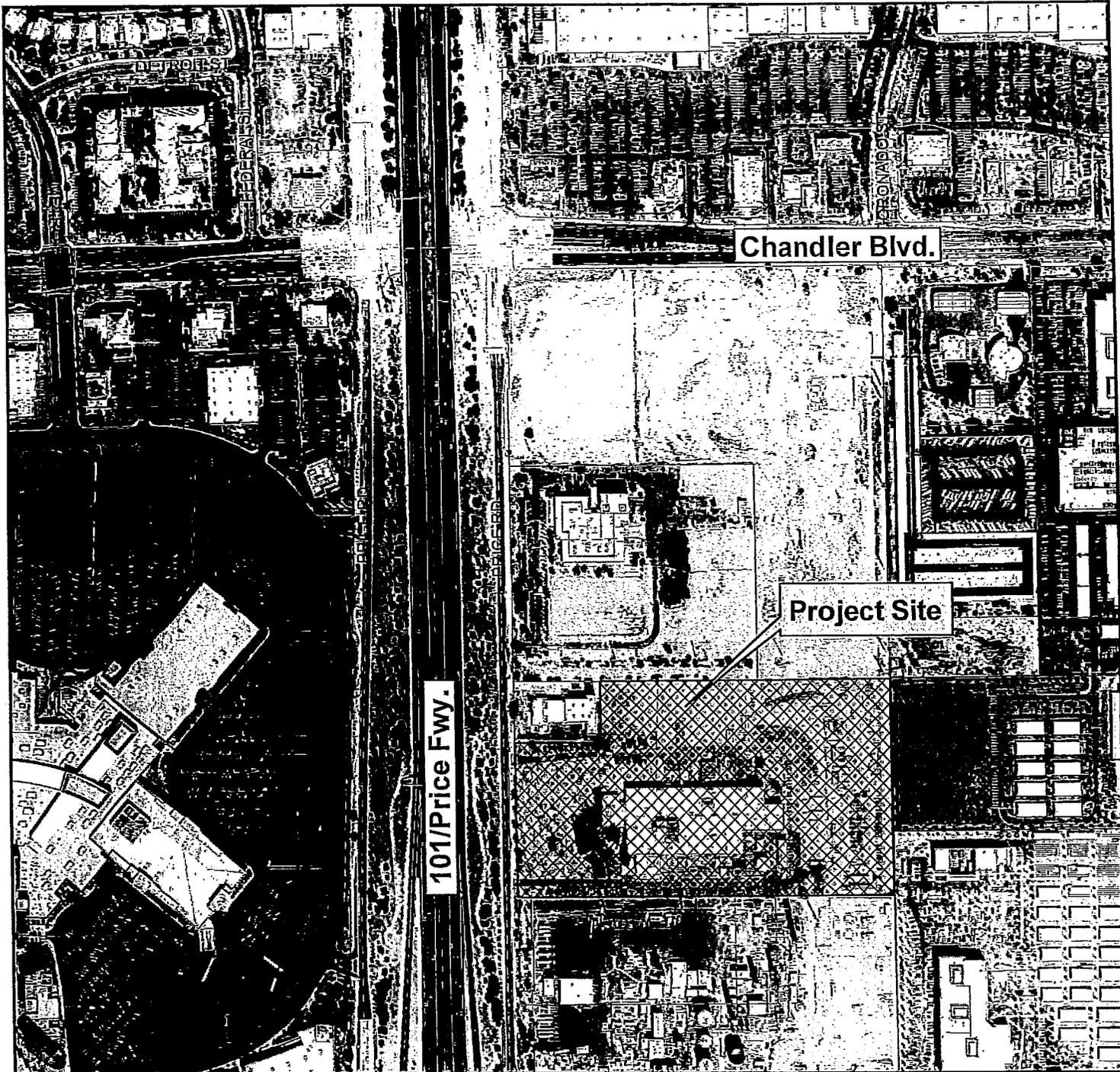
THENCE South 89 degrees 58 minutes 35 seconds East along the Southerly line of said parcel, a distance of 330.00 feet to the Southeasterly corner thereof;

THENCE North, a distance of 190.00 feet to the TRUE POINT OF BEGINNING;

EXCEPT the West 33 feet thereof; and

EXCEPT the parcel of real property described in the Special Warranty Deed recorded in Document No. 2014-0021962, records of Maricopa County, Arizona; and

EXCEPT the parcel of real property described in the Special Warranty Deed recorded in Document No. 2014-0021963, records of Maricopa County, Arizona.

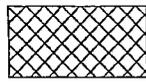
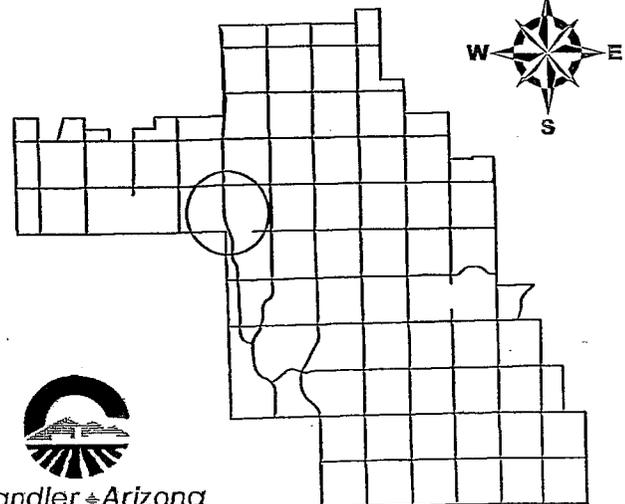


101/Price Fwy.

Chandler Blvd.

Project Site

Vicinity Map



Isola
165 S. Price Rd.