




## MEMORANDUM

August 8, 2025

**TO:** MEMBERS, PORT COMMISSION  
Hon. Gail Gilman, President  
Hon. Stephen Engblom, Vice President  
Hon. Willie Adams  
Hon. Steven Lee  
Hon. Ken McNeely

**FROM:** Elaine Forbes  
Executive Director 

**SUBJECT:** Request approval of the Operations Agreement (Contract No. OP-0012) with North Bay Distribution, Inc. granting authority to operate three locations at 2031 and 2050 Cessna Drive, and 2131 Icon Way, each in Vacaville, California as a Foreign Trade Zone No. 3 Usage Driven Site for a term of five years, with one option to extend for four years and outlining conditions for the operation of the usage driven site.

**DIRECTOR'S RECOMMENDATION:** Approve the Attached Resolution No. 25-42

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### EXECUTIVE SUMMARY

The Port of San Francisco has been the grantee of Foreign Trade Zone ("FTZ") No. 3 since receiving authorization from the Foreign Trade Zone Board ("FTZ Board") in 1948. As grantee, the Port acts as a facilitator to private entities that may benefit from this designation as a public utility. Foreign Trade Zones were established to stimulate economic development in communities by providing businesses with economic advantages to conduct international trade activities in the United States, versus foreign locations, thus increasing the availability of local jobs and industry.

North Bay Distribution, Inc., a California corporation ("North Bay"), has requested approval to activate an FTZ "Usage Driven Site" under the "Service Area" of the Port of San Francisco FTZ No. 3.

As grantee of this public utility designation, the Port of San Francisco enters FTZ operations agreements with operators on a non-discriminatory basis to those that apply if they are located within the FTZ No. 3 service area, and they receive approval from the FTZ Board and U.S. Customs and Border Protection. The Port assists in the application process of potential FTZ operators and submits an annual report to the FTZ Board but has no liability or oversight responsibility of FTZ operations.

## **STRATEGIC OBJECTIVE**

The proposed Operation Agreement supports two key goals of the Port's Strategic Plan:

- *Engagement*: Promote the richness the Port has to offer through education, marketing, and maintaining strong relationships with Port users and stakeholders.
- *Economic Vitality*: Attract and retain maritime and non-maritime commerce to contribute to the long-term viability of the Port and the City.

## **BACKGROUND**

Foreign Trade Zones were established by the U.S. Congress in The Foreign-Trade Zones Act of 1934 to stimulate economic development in communities by providing businesses with economic advantages to conduct international trade activities in the United States, versus foreign locations, thus increasing the availability of local jobs and exports. In 1948, the Port of San Francisco received FTZ Board Grant of Authority to establish, operate and maintain a Foreign Trade Zone. In granting such a designation, the Act allows for the establishment of Subzones outside of Port property.

The Foreign-Trade Zones Act provides for "...the establishment...of foreign-trade zones in ports of entry of the United States, to expedite and encourage foreign commerce, and for other purposes," and authorizes the FTZ Board to grant to qualified corporations the privilege of establishing FTZ sites in or adjacent to U.S. Customs and Border Protection ("CBP") ports of entry. Article VII of the Transfer Agreement between the State and the Port and Charter Section B3.581(o) authorize the Port of San Francisco "to operate foreign trade zones within the Port area or auxiliary to the Port area, or such zones or subzones as have been operated by the San Francisco Port Authority."

The Port of San Francisco Foreign Trade Zone No. 3 ("FTZ No. 3") "Service Area" includes San Francisco and San Mateo Counties. In 2012, five additional North and East Bay Counties were added to the Port's service area: Marin, Sonoma, Napa, Solano, and Contra Costa Counties.

The FTZ Act (19 U.S.C. 81(n)) mandates that each zone "be operated as a public utility ...and the grantee shall afford to all who may apply for the use of the zone...uniform treatment under like conditions."

Federal law mandates that FTZ grantees, such as the Port of San Francisco, must provide access to zone benefits to businesses and manufacturers on a nondiscriminatory basis unless it has a compelling case not to. Failure to do so could result in the grantee being fined up to \$1,000 per day. The Port currently has five active FTZ users.

### **North Bay Distribution, Inc.**

First started in 1970, North Bay Distribution, Inc. is a California corporation operating as a third-party logistics (“3PL”) distribution and fulfillment company. The company has warehouse facilities located at the following locations:

- Site 1: 2031 Cessna Drive, Vacaville, CA 95688
- Site 2: 2050 Cessna Drive, Vacaville, CA 95688
- Site 3: 2131 Icon Way, Vacaville, CA 95688

North Bay stores and distributes general merchandise domestically from its warehousing facilities in Vacaville. North Bay intends to obtain FTZ status for these facilities to help facilitate their international distribution operations, improve their international competitiveness, and benefit from the customs duties advantages associated with the FTZ program. North Bay will conduct receiving, unpacking, repackaging, quality control inspection, warehouse distribution, and other related operations at its FTZ facilities. The requested operations will not result in a change of customs tariff classification, quota category, or country of origin for any merchandise admitted to the zone.

### **Proposed Agreement with North Bay Distribution, Inc.**

Port staff received a request to apply to the Foreign-Trade Zones Board (“FTZ Board”) on behalf of North Bay to establish a FTZ Usage Driven Site for North Bay’s Vacaville, California locations. In May 2025, Port staff subsequently applied to the FTZ Board on behalf of North Bay to establish an FTZ Usage Driven Site. The FTZ Board will notify the Port through a Board Administrative Action whether FTZ status has been approved for North Bay’s Vacaville locations.

North Bay proposes to operate the FTZ site pursuant to the Operations Agreement (“Agreement”), a copy of which is on file with the Secretary of the Port Commission. The North Bay agreement will have a term of five years, with one option to extend for four years subject to approval in the Port’s sole discretion.

The Agreement will be on the Port’s standard FTZ form agreement and include the following key provisions. The Agreement confirms that the Port of San Francisco owns the grant authority for FTZ No. 3, and the Port is providing North Bay authority to operate its Vacaville locations, under the Port’s grant of authority as an FTZ No. 3 Usage Driven Site. Under the Agreement, North Bay assumes responsibility for operation and management of the site in conformance with all FTZ Board and U.S. Customs and Border Protection regulations and guidelines, and all other local, state and federal laws, rules, and regulations applicable to FTZ usage driven site operations. North Bay must indemnify,

protect, and hold the Port harmless and must maintain insurance coverages as approved by the City's Risk Manager. Failure to operate the site in accordance with applicable regulations will constitute a material default, which will permit the Port to terminate the Agreement. CBP is the oversight agency ultimately responsible for ensuring conformance with regulations. Representatives of FTZ No. 3, the FTZ Board, CBP, and other authorized U.S. Government officers have the right to enter the Operator Sites at:

- Site 1: 2031 Cessna Drive, Vacaville, CA 95688
- Site 2: 2050 Cessna Drive, Vacaville, CA 95688
- Site 3: 2131 Icon Way, Vacaville, CA 95688

and as further described in the Foreign Trade Zone Operating Agreement, which is attached as Exhibit A, to determine whether the business is being conducted in accordance with regulations and procedures established by the Agreement. The Agreement includes a covenant regarding good corporate citizenship and a recognition of North Bay's obligations under the City's Campaign and Governmental Conduct Code and the California Government Code relating to conflicts of interest. Any operating costs or capital improvements associated with the FTZ operations will be North Bay's sole responsibility. No public funds will be required under the Agreement.

## **Discussion**

The use of Foreign Trade Zone procedures at its Vacaville locations will allow North Bay to improve their international competitiveness by allowing the company to realize certain administrative and customs cost savings as well as take advantage of global supply chain efficiencies inherent to the FTZ admission and entry processes.

The Port's FTZ No. 3 Zone Schedule (tariff) provides for the below fees to be paid by North Bay ("Operator") to cover the necessary Port staff administrative expenses related to FTZ operations:

Application Fee (One Time Fee)	\$5,000.00
Activation Concurrence Fee (One Time Fee)	\$2,000.00
Annual Operating Fee (Annual Fee)	\$14,000.00

The FTZ Board is currently reviewing the North Bay application. Upon finding that (a) the requirements of the FTZ Act and FTZ Board's regulations would be satisfied and (b) that the proposal would be in the public interest, the FTZ Board will grant authority for a Usage Driven Site through a Board Administrative Action. U.S. Customs and Border Protection acts as the oversight agency for all FTZ operations and has provided its concurrence with activation of North Bay's Vacaville locations as an FTZ Usage Driven Site.

## **RECOMMENDATION**

Port staff recommends that the Port Commission approve the attached resolution authorizing staff to enter into proposed Operations Agreement No. OP-0012 between

North Bay and Port with a five-year term that is tentatively anticipated to expire in August 2030, plus one option to extend the term for four years.

Prepared by:       Demetri Amaro  
Maritime Business Development Manager

For:                 Andre Coleman  
Deputy Director of Maritime

Exhibit A – Draft Operating Agreement

**PORT COMMISSION  
CITY AND COUNTY OF SAN FRANCISCO**

**RESOLUTION NO. 25-42**

- WHEREAS, The grant of authority for Foreign Trade Zone No. 3 (“FTZ No. 3” or the “Zone”) was issued to the San Francisco Port Authority, the State of California’s predecessor port agency prior to its transfer to the City and County of San Francisco, by the Foreign-Trade Zones Board (“FTZ Board”) on March 10, 1948 under FTZ Board Order No. 16; and
- WHEREAS, Article VII of the Transfer Agreement between the State and the Port and San Francisco Charter Section B3.581(o) authorize the Port of San Francisco “to operate foreign trade zones within the Port area or auxiliary to the Port area, or such zones or subzones as have been operated by the San Francisco Port Authority;” and
- WHEREAS, As grantee of the FTZ No. 3, the San Francisco Port Commission (“Zone Grantee”) has certain responsibilities to establish and maintain the FTZ No. 3 as stated in the FTZ Board regulations; and
- WHEREAS, The Foreign-Trade Zones Act provides for “...the establishment...of foreign-trade zones in ports of entry of the United States, to expedite and encourage foreign commerce, and for other purposes,” and authorizes the FTZ Board to grant to qualified corporations the privilege of establishing foreign-trade zone sites in or adjacent to U.S. Customs and Border Protection ports of entry; and
- WHEREAS, North Bay Distribution, Inc., a California corporation (the “Usage-Driven Site Operator”), desires to make use of foreign trade zone status and wishes to activate its sites at 2031 Cessna Drive, 2050 Cessna Drive, and 2131 Icon Way, each in Vacaville, California 95688 (collectively, the “Operator Site”) as described in its application to the FTZ Board; and
- WHEREAS, The Port of San Francisco has made application to the FTZ Board for authority to establish a usage-driven FTZ site at the Operator Site; and
- WHEREAS, The FTZ Board found that the requirements of the FTZ Act and FTZ Board’s regulations would be satisfied, and therefore granted authority for usage-driven site status through its Board Administrative Action No. X-XXXX-2023 dated (XXXXXXX); and
- WHEREAS, The Port, as Zone Grantee, deems it practicable to limit its participation in the everyday operations of the Operator Site; and

WHEREAS, Usage-Driven Site Operator is the lessee of the Operator Site and wishes to undertake the operational management of FTZ Usage-Driven Site activities, on its own behalf, pursuant to the authority extended by Zone Grantee; and

WHEREAS, The Port and Usage-Driven Site Operator have negotiated an agreement granting Usage-Driven Site Operator exclusive authority to operate the Site for a term of five years, with one option to extend for four years in the Port's sole discretion, a copy of which is on file with the Secretary of the Port Commission (the "Agreement"); and

WHEREAS, Under the Agreement, Usage-Driven Site Operator agrees to pay the Port as Zone Grantee a \$14,000 Annual Fee that will cover Zone Grantee expenses for oversight of the Operator Site and submission of the Annual Report summarizing FTZ No. 3 annual activities to the FTZ Board; now, therefore be it

RESOLVED, That the Port Commission hereby approves the Agreement with North Bay Distribution, Inc., a California corporation, granting it exclusive authority to operate a portion of its facilities at 2031 Cessna Drive, 2050 Cessna Drive, and 2131 Icon Way, each in Vacaville, California 95688 as one Foreign Trade Zone No. 3 Usage-Driven Site and authorizes the Executive Director to execute the Agreement; and be it further

RESOLVED, That the Port Commission authorizes the Executive Director to exercise the extension option in her discretion and to enter into any additions, amendments or other modifications to the Agreement that the Executive Director, in consultation with the City Attorney, determines are in the best interest of the Port, do not materially increase the obligations or liabilities of the Port or City or materially decrease the public benefits accruing to the Port, and are necessary and advisable to complete the transaction and effectuate the purpose and intent of this Resolution, such determination to be conclusively evidenced by the execution and delivery by the Executive Director of any such documents.

***I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of August 12, 2025.***

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Secretary