

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: June 13, 2023

CAO File No. 0150-12356-0000
Council File No.
Council District: 15

To: The Mayor

From: 
Matthew W. Szabo, City Administrative Officer

Reference: Correspondence from Los Angeles Board of Harbor Commissioners (Board) dated March 30, 2023 regarding March 30, 2023 Board Resolution; referred by the Mayor for report on March 30, 2023

Subject: **RESOLUTION NO. 23-10143 AND PROPOSED FIRST AMENDMENT TO FOREIGN-TRADE ZONE (FTZ) OPERATING AGREEMENT NO. 17-3539 WITH BOARDRIDERS, INC., FTZ 202, SITE NO. 20C**

RECOMMENDATIONS

1. Approve Los Angeles Harbor Department (Port) Resolution No. 23-10143 authorizing approval of the proposed First Amendment to Foreign-Trade Zone (FTZ) Operating Agreement No. 17-3539 between the Port and Boardriders, Inc. to extend the term by five years from March, 1, 2023 through February 28, 2028 to continue operating its warehouse within FTZ 202, Site 20C;
2. Adopt the March 30, 2023 Board of Harbor Commissioners finding that the proposed action is administratively exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II Section 2(f) of the Los Angeles City CEQA Guidelines; and
3. Authorize the Port Executive Director, or designee, to execute the proposed amendment, already approved as to form by the City Attorney, and return the Resolution to the Port for further processing, including Council consideration.

SUMMARY

The Los Angeles Board of Harbor Commissioners (Board) requested approval of its March 30, 2023 Resolution No. 23-10143 (Attachment 1) authorizing approval of the proposed First Amendment to Foreign-Trade Zone (FTZ) Operating Agreement No. 17-3539 (Agreement) with Boardriders, Inc. (Boardriders) to extend the term by five year from March 1, 2023 through February 28, 2028 and to further modify language to the Agreement to continue its warehouse

operations within FTZ 202, Site 20C. The annual fee payable to the Port remains at \$10,000 in accordance with the Port of Los Angeles FTZ Tariff No. 2.

The proposed Amendment has been reviewed and approved as to form by the City Attorney. Pursuant to Charter Section 373 and Los Angeles Administrative Code Section 10.5, Council approval is required because the cumulative contract term exceeds three years. Our office has reviewed the request and recommends approval.

BACKGROUND

The Foreign Trade Zone (FTZ) Act of 1934, as amended (19 U.S.C. 81a-81u), was enacted to support U.S. commerce and create jobs by reducing import duties or excise taxes by deferring payment of duties, thereby making it attractive for companies to perform some work on their products in the U.S. rather than offshore. The definition of an FTZ is a restricted access site located in the Customs and Border Protection territories. The importer may defer payment of duties and other fees until the merchandise is brought into the U.S. for consumption. The Federal FTZ Board designated the Port as the Grantee/Administrator of FTZ No. 202 for the City of Los Angeles and the surrounding region.

Boardriders is a U.S. company with its headquarters located in Huntington Beach, California. The company manages the logistics, handling, storage, inventory and quality control of surf-inspired apparel and footwear. Boardriders currently operates its warehouse facility under FTZ procedures as a single-usage site at FTZ 202, Site 20C, located at 11310 Cantu Galleano Ranch, Mira Loma, California 91752, and employs eight full-time employees and approximately 60 seasonal workers annually.

The Board approved the initial Agreement with Boardriders on November 16, 2017 for its operations within FTZ 202, Site 20C for a term of five years from March 1, 2018 through February 28, 2023 with three, five-year renewal options, and an annual compensation of \$10,000 per FTZ Tariff No. 2. The City Council approved the Agreement on January 24, 2018 under Council File No. 18-0020 which also provided an overview of FTZ operating agreements.

The proposed amendment is required to allow Boardriders to continue its operations for an additional five years within FTZ 202, Site 20C. If not approved, the company has a choice of going to the neighboring FTZ at the Port of Long Beach, or potentially to any designated FTZ in California or other states.

CITY COMPLIANCE

The City Attorney has reviewed and approved the proposed First Amendment to Agreement No. 17-3539, as to form. Pursuant to Charter Section 373 and Los Angeles Administrative Code Section 10.5, Council approval is required because the cumulative contract term exceeds three years.

California Environmental Quality Act (CEQA) – On March 30, 2023, the Board determined that the proposed amendment with Boardriders, Inc. is administratively exempt from the requirements of the CEQA pursuant to Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

FISCAL IMPACT STATEMENT

The proposed amendment to FTZ Operating Agreement No. 17-3539 with Boardriders, Inc. will result in the Port continuing to receive \$10,000 annually. The Port does not anticipate additional and incremental FTZ-related consulting services expenses due to the proposed action. There is no impact on the City's General Fund. The recommendations in this report and proposed actions comply with the Port's Financial Policies.

Attachment 1 – March 30, 2023 Harbor Board report, Resolution 23-10143

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