

4/9.21.23
RECOMMENDATION APPROVED;
RESOLUTION 23-10242 ADOPTED AND;
AGREEMENT 23-9981 APPROVED
BY THE BOARD OF HARBOR COMMISSIONERS

September 21, 2023
AM KLESGES
AMBER M. KLESGES
Board Secretary



DATE: SEPTEMBER 12, 2023

FROM: CARGO MARKETING

SUBJECT: RESOLUTION NO. 23-10242 - APPROVAL OF FOREIGN-TRADE ZONE (FTZ) OPERATING AGREEMENT BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND CUSTOMS AIR WAREHOUSE, LLC, FTZ 202, SITE 10E

SUMMARY:

Staff requests approval of a Foreign-Trade Zone (FTZ) Operating Agreement between the City of Los Angeles Harbor Department (Harbor Department) and Customs Air Warehouse, LLC (Customs Air), to operate its facility within FTZ No. 202, Site 10E, located at 907 E. 236th Street, Carson, CA 90745. Site 10E consists of a 6.26-acre site with approximately 152,222 square feet of warehousing and office space located eight miles from the Port of Los Angeles. Customs Air will operate its facility under FTZ procedures as a multi-usage site.

The proposed Agreement is for a term of five years with three, five-year renewal options. If the proposed Agreement is approved, the Harbor Department will receive \$7,750 annually from Customs Air (per FTZ Tariff No. 2).

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners (Board):

1. Find that the Director of Environmental Management has determined 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;
2. Approve the proposed Foreign-Trade Zone Operating Agreement between the Harbor Department and Customs Air;
3. Direct the Board Secretary to transmit the proposed Foreign-Trade Zone Operating Agreement to the Los Angeles City Council for approval pursuant to Section 373 of the Charter of the City of Los Angeles and Section 10.5 of the Los Angeles Administrative Code;
4. Authorize the Executive Director to execute and the Board Secretary to attest to the proposed Foreign-Trade Zone Operating Agreement; and
5. Adopt Resolution No. 23-10242

SUBJECT: FTZ OPERATING AGREEMENT WITH CUSTOMS AIR WAREHOUSE, LLC

DISCUSSION:

Background and Context – The FTZ Act of 1934, as amended (19 U.S.C. 81a-81u), was established 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 U.S. 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.

Need for Agreement – The Harbor Department, as the grantee, is required by the FTZ Board to have an Operating Agreement with FTZ site operators. The term of this proposed FTZ Operating Agreement is five years with three, five-year extension options (Transmittal 1). Customs Air is a U.S. company with its head office located in Carson, California, which will employ eight full-time employees at this FTZ site. This 6.26-acre property includes a warehouse and office (Transmittal 2) and is within the FTZ 202 service area (Transmittal 3).

Customs Air shall follow the rules and procedures as outlined in the Department of Homeland Security's FTZ manual, such as providing a secured area within the FTZ. Customs Air shall notify truck drivers, truck brokers, and trucking companies that the trucks serving the Port of Los Angeles confine their routes to the designated Wilmington Truck Route.

Need for Approval – Customs Air is requesting approval from the Harbor Department to execute the proposed FTZ Operating Agreement to operate Site 10E as a multi-usage FTZ facility. Customs Air receives, stores, and manages inventory; furthermore, Customs Air handles the logistics of consumer products, office products, machinery, and other merchandise for sale in the national market. Occasionally, products are re-exported from the warehouse.

If Customs Air does not obtain approval as an operator with FTZ status from the Harbor Department, they potentially have the choice of going to another FTZ in California such as Long Beach.

ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval for the FTZ Agreement with Customs Air, which is an administrative activity. Therefore, the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of CEQA in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

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FINANCIAL IMPACT:

If the proposed Agreement is approved, the Harbor Department will receive \$7,750 annually from Customs Air (per FTZ Tariff No. 2).

Approval of the FTZ Operating Agreement is not anticipated to result in additional, incremental FTZ-related consulting service expenses being incurred by the Harbor Department. During Fiscal Year (FY) 2023, estimated operating revenues of \$265,818 were collected from Harbor Department FTZ operators relative to FY 2023 estimated operating expenses of \$4,358 incurred by the Harbor Department for consulting services.

CITY ATTORNEY:

The City Attorney's Office has prepared and approved the proposed Operating Agreement as to form and legality.

TRANSMITTALS:

1. Proposed FTZ Operating Agreement, FTZ 202, Site 10E
2. FTZ 202, Site 10E Site Map
3. FTZ 202 Service Area Map



ERIC CARIS
Director of Cargo Marketing

FIS Approval: JS
CA Approval: SO

Michael DiBernardo
MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:

Michael DiBernardo

for EUGENE D. SEROKA
Executive Director
EC:MVD:aa