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5.11.23

RECOMMENDATION APPROVED;
RESOLUTION 23-10181 ADOPTED AND;
AGREEMENT 23-9962 APPROVED
BY THE BOARD OF HARBOR COMMISSIONERS

May 11, 2023
AM KLESGES
AMBER M. KLESGES
Board Secretary



DATE: MAY 3, 2023

FROM: CARGO MARKETING

**SUBJECT: RESOLUTION NO. 23-10181 - APPROVAL OF FOREIGN-TRADE
ZONE GENERAL PURPOSE OPERATING AGREEMENT BETWEEN
THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND NIPPON
EXPRESS USA INC., FTZ 202, SITE 61**

SUMMARY:

Staff requests approval of a Foreign-Trade Zone (FTZ) Operating Agreement (Agreement) between the City of Los Angeles Harbor Department (Harbor Department) and Nippon Express USA Inc. (Nippon Express) to operate its facility within FTZ 202, Site 61, located at 1901 W. Pacific Coast Highway, Long Beach, California. This is a 10-acre property including a warehouse and offices located approximately 6 miles north of the Port of Los Angeles. Currently, Site 61 is managed by Nippon Express and operates its warehouse under FTZ procedures as a multi-usage site. The Harbor Department, as the FTZ grantee, establishes General Purpose Operating Agreements with FTZ operators to oversee their FTZ operations.

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 Nippon Express (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 Nippon Express;
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;

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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. 23-10181.

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 extensions (Transmittal 1). Nippon Express is a Japanese based company with its regional office located in Long Beach, California employing approximately 7 full-time and part-time employees working within the proposed FTZ warehouse area. Nippon Express will operate its FTZ Site 61 at 1901 W. Pacific Coast Highway, Long Beach, California. The facility consists of a warehouse and office space on 10 acres (Transmittal 2). The property is within the FTZ 202 service area (Transmittal 3).

Nippon Express 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. Nippon Express 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 – Nippon Express is requesting approval from the Harbor Department to execute the proposed FTZ Operating Agreement to operate Site 61 as a multi-usage FTZ facility. Nippon Express handles the logistics, handling, storage, inventory and quality control of general merchandise, as well as the occasional re-exportation of products.

If Nippon Express 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. Since FTZ facilities exist in every state, a company can potentially shift its employees to work elsewhere as a result of seeking FTZ status in another location.

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ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of a FTZ Operating Agreement with Nippon Express USA Inc., 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.

FINANCIAL IMPACT:

If the proposed Agreement is approved, the Harbor Department will receive \$7,750 annually from Nippon Express (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) 2022, revenues of \$289,336 were collected from Harbor Department FTZ operators relative to FY 2022 expenses of \$30,594 incurred by the Harbor Department for consulting services.

CITY ATTORNEY:

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

TRANSMITTALS:

1. Proposed FTZ Operating Agreement with Nippon Express USA Inc. FTZ 202, Site 61
2. FTZ 202, Site 61 Map
3. FTZ 202, Service Area Map



ERIC CARIS
Director of Cargo Marketing

FIS Approval: MB
CA Approval: SO

Michael DiBernardo

MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:

Marla Bleavins For

EUGENE D. SEROKA
Executive Director