

RECOMMENDATION APPROVED;
RESOLUTION 22-10076 ADOPTED AND;
AGREEMENT 22-3510-A APPROVED
BY THE BOARD OF HARBOR COMMISSIONERS

October 20, 2022

AM KLESGES

AMBER M. KLESGES

Board Secretary



THE PORT
OF LOS ANGELES

Executive Director's
Report to the

Board of Harbor Commissioners

10/20/22
#3
DATE: OCTOBER 11, 2022

FROM: CARGO MARKETING

**SUBJECT: RESOLUTION NO. 22-10076 - APPROVAL OF FIRST
AMENDMENT TO FOREIGN-TRADE ZONE OPERATING AGREEMENT
NO. 17-3510 BETWEEN THE CITY OF LOS ANGELES HARBOR
DEPARTMENT AND CNS ENTERPRISES, INC, FTZ 202, SITE 50**

SUMMARY:

Staff requests approval of a First Amendment to Foreign-Trade Zone (FTZ) Operating Agreement No. 17-3510 between the City of Los Angeles Harbor Department (Harbor Department) and CNS Enterprises, Inc. (CNS) to continue operating its facility within FTZ 202, Site 50, located at 7709 Industry Avenue, Pico Rivera, CA 90660. The Harbor Department, as the FTZ Grantee, establishes Operating Agreements with FTZ site operators to oversee their FTZ operations.

CNS' current FTZ Operating Agreement No. 17-3510 expired on September 30, 2022. The First Amendment will extend the Operating Agreement by five years. CNS requests to continue operating its warehouse as an FTZ warehouse. The Harbor Department must execute the First Amendment to extend the Agreement, as required by the FTZ Board.

Site 50 consists of a 0.56 acre site with approximately 24,500 square feet of warehousing and office space located 25 miles from the Port of Los Angeles. CNS will operate its facility under FTZ procedures as a single-usage site. The proposed First Amendment will not require funding by the Harbor Department. If the proposed amendment is approved, the Harbor Department will receive \$10,000 annually from CNS (per FTZ Tariff No. 2).

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners:

1. Find that the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of the California

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Environmental Quality Act (CEQA) under Article II Section 2(f) of the Los Angeles City CEQA Guidelines;

2. Approve the proposed First Amendment to Foreign-Trade Zone Operating Agreement No. 17-3510 between the City of Los Angeles Harbor Department and CNS Enterprises, Inc.;
3. Direct the Board Secretary to transmit the proposed First Amendment to Foreign-Trade Zone Operating Agreement No. 17-3510 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 First Amendment to Foreign-Trade Zone Operating Agreement No. 17-3510; and
5. Adopt Resolution No. 22-10076.

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 proposed First Amendment (Transmittal 1) will extend the term of the Operating Agreement to September 30, 2027. CNS, is a U.S. company with its head office located in Pico Rivera and will employ five full-time employees at this FTZ site. This 0.56 acre property includes a warehouse and office (Transmittal 2) and is within the FTZ 202 service area (Transmittal 3).

CNS shall continue to 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.

Need for Approval – CNS is requesting approval from the Harbor Department to execute the proposed First Amendment to continue to operate Site 50 as a single-usage FTZ facility. CNS handles the logistics, handling, storage, inventory and quality control of mainly Asian spirits and beverages. Occasionally, products may be re-exported.

If CNS 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 First Amendment to FTZ Operating Agreement No. 17-3510 between the Harbor Department and CNS, 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 First Amendment is approved, the Harbor Department will receive \$10,000 annually from CNS (per FTZ Tariff No. 2).

Approval of the First Amendment is not anticipated to result in additional, incremental FTZ-related consulting service expenses being incurred by the Harbor Department. During Fiscal Year (FY) 2022, unaudited 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 First Amendment as to form and legality.

TRANSMITTALS:

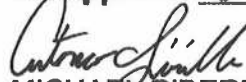
1. Proposed First Amendment to FTZ Operating Agreement with CNS Enterprises, Inc, FTZ 202, Site 50
2. FTZ 202, Site 50 Map
3. FTZ 202, Service Area Map



ERIC CARIS
Director of Cargo Marketing

FIS Approval: MB

CA Approval: SO


for MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:

 For
EUGENE D. SEROKA
Executive Director

EC:MV:aa

Agreement
22-3510-A