

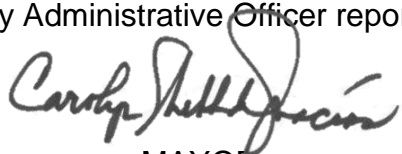
0150-12798-0000

TRANSMITTAL

TO Eugene D. Seroka, Executive Director Harbor Department	DATE 10/31/2024	COUNCIL FILE NO.
FROM The Mayor	COUNCIL DISTRICT 15	

RESOLUTION NO. 24-10431 AND FOREIGN TRADE ZONE OPERATING
AGREEMENT NO. 24-10053 BETWEEN THE HARBOR DEPARTMENT AND
EVOLUTION ENTERPRISES HOLDINGS, INC., FTZ 202, SITE 35

Transmitted for further processing including Council consideration.
See the City Administrative Officer report attached.


MAYOR

(Carolyn Webb de Macias for)

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: October 18, 2024

CAO File No. 0150-12798-0000
Council File No.
Council District: 15

To: The Mayor

From: Matthew W. Szabo, City Administrative Officer

Reference: Correspondence from the Harbor Department dated September 17, 2024; Resolution No. 24-10431 from the Board of Harbor Commissioners adopted at its September 17, 2024 meeting; referred by the Mayor for a report on September 17, 2024

Subject: **RESOLUTION NO. 24-10431 AND FOREIGN TRADE ZONE OPERATING AGREEMENT NO. 24-10053 BETWEEN THE HARBOR DEPARTMENT AND EVOLUTION ENTERPRISES HOLDINGS, INC., FTZ 202, SITE 35**

RECOMMENDATIONS

1. Approve Los Angeles Harbor Department (Harbor Department) Resolution No. 24-10431 which authorizes the proposed Foreign Trade Zone Operating Agreement No. 24-10053 between the Harbor Department and Evolution Enterprises Holdings, Inc., FTZ 202, Site 35, for a term of five years with three five-year renewal options for a total potential term of 20 years commencing on the first day of the month following approval by the City;
2. Adopt the September 17, 2024 Board of Harbor Commissioners findings 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 Harbor Department Executive Director, or designee, to execute the proposed Agreement, already approved as to form by the City Attorney, and return the Resolution documents to the Harbor Department for further processing, including Council consideration.

SUMMARY

The Los Angeles Board of Harbor Commissioners (Board) requests approval of its September 17, 2024 Resolution No. 24-10431 (Attachment 1) which authorizes the approval of the proposed Foreign Trade Zone (FTZ) Operating Agreement No. 24-10053 (Agreement) with Evolution

Enterprises Holdings, Inc. (Evolution). The purpose of the Agreement is to operate an office and warehouse at FTZ 202, Site 35, for a five-year term, including three five-year renewal options, subject to Board approval, for a total potential term of 20 years.

The definition of a 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 United States (U.S.) for consumption. The Federal FTZ Board designated the Los Angeles Harbor Department (Harbor Department) as the Grantee/Administrator of FTZ 202 for the City of Los Angeles and the surrounding region. Attachment 2 provides more detail on FTZs.

Evolution is a U.S. company with headquarters in La Puente, California employing approximately two employees working within the FTZ activated area involving receiving, storing, managing inventory, and distributing various imported products. Evolution will operate its FTZ Site 35 at 16518 Valley Boulevard, La Puente, California, 91744.

Approval of the proposed Agreement will result in an annual payment to the Harbor Department of \$7,750 in accordance with FTZ Tariff No. 2. Approval of the Agreement is not projected to result in additional, incremental FTZ-related consulting service expenses being incurred by the Harbor Department.

The Office of the City Attorney has reviewed and approved the proposed Agreement as to form and legality. Pursuant to Charter Section 373 and Los Angeles Administrative Code Section 10.5, the Agreement is subject to Council approval due to the cumulative contract term exceeding three years. Our Office has reviewed the request and recommends approval.

BACKGROUND

The Foreign Trade Zone 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.

FTZ 202 is a multi-zone FTZ currently operating more than 30 general purpose sites. The sites include facilities in the Port of Los Angeles (Port) area, near Los Angeles International Airport, and in nearby industrial parks and other outlying areas including the Inland Empire.

Evolution's Proposed Site 35 Operations - Operating Agreement No. 24-10053 (Attachment 1, Transmittal 1) authorizes Evolution, a U.S. company headquartered in La Puente, California, to operate approximately 3,160 square feet of warehouse and office space on 0.072 acres, within the FTZ 202 service area, approximately 30 miles from the Port, located at 16518 Valley Boulevard, La Puente, California 91744. FTZ 202, Site 35 will be operated as a multi-usage FTZ facility to receive, store, re-label, repackage, manage inventory, and distribute various imported products for U.S. consumption. Approximately two employees will work within the proposed FTZ facility area.

Figure 1 below highlights the location of FTZ 202, Site 35.

**FIGURE 1: FTZ 202, SITE 35
EVOLUTION ENTERPRISES HOLDINGS, INC.**



Note: Picture is not to scale. Refer to Transmittal 2 in Attachment 1 for actual Figure.

The proposed Agreement allows Evolution to operate at Site 35 for a five-year term commencing upon approval by the City, with three five-year renewal options, subject to Board approval, extending to a potential total term of 20 years. The Harbor Department or Evolution can terminate the Agreement at the end of each term or by submitting a 180-day prior written notice.

Evolution must continue to follow all rules and procedures as outlined in the Department of Homeland Security's FTZ manual, including the provision of a secured area within the FTZ site. Evolution will notify truck drivers, truck brokers, and trucking companies that the trucks serving the Port must confine their routes to the designated Wilmington Truck Route which allows overweight loads to be transported without special authorization. Attachment 2 to this report provides a more detailed overview of FTZ Operating Agreements.

FTZ Revenues - Approval of the proposed Agreement will result in an annual payment to the Harbor Department of \$7,750 in accordance with FTZ Tariff No. 2 and requires no direct use of Harbor Department funds.

In the event Evolution does not obtain approval from the Harbor Department as an operator with FTZ status, Evolution has the option of going with another FTZ in California such as the one operated by the Port of 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.

CITY COMPLIANCE

California Environmental Quality Act (CEQA) – On September 17, 2024, the Board determined that the proposed action of approving a FTZ Agreement 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.

The Office of the City Attorney has reviewed and approved the proposed Agreement as to form and legality. Pursuant to Charter Section 373 and Los Angeles Administrative Code Section 10.5, Council approval is required due to the cumulative contract term exceeding three years. Our Office has reviewed the request and recommends approval.

FISCAL IMPACT STATEMENT

Approval of the proposed FTZ Operating Agreement No. 24-10053 with Evolution Enterprises Holdings, Inc. will result in the Harbor Department receiving \$7,750 annually in accordance with FTZ Tariff No. 2. Approval of the Agreement is not projected to result in additional, incremental FTZ-related consulting service expenses being incurred by the Harbor Department. The recommendations in this report and proposed actions comply with the Harbor Department's Financial Policies. There is no impact on the City's General Fund.

Attachment 1 – Harbor Department Correspondence dated September 17, 2024; Proposed Resolution No. 24-10431 and Harbor Department Report dated September 11, 2024 and Agreement No. 24-10053 with Evolution Enterprises Holdings, Inc.

Attachment 2 - Overview of Foreign Trade Zone (FTZ) and Operating Agreements

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