

<b>TRANSMITTAL</b>		0150-10097-0002
TO Eugene D. Seroka, Executive Director Harbor Department	DATE  9/11/2024	COUNCIL FILE NO.
FROM The Mayor		COUNCIL DISTRICT 15
<p><b>RESOLUTION NO. 24-10405 AND FOREIGN TRADE ZONE OPERATING AGREEMENT NO. 24-10040 BETWEEN THE HARBOR DEPARTMENT AND H. RAUVEL, INC., DBA NOVA CONTAINER FREIGHT STATION, FTZ 202, SITE 36</b></p> <p>Transmitted for further processing including Council consideration. See the City Administrative Officer report attached.</p> <p> MAYOR (Carolyn Webb de Macias for)</p> <p><i>Attachment</i> MWS/PJH/JVW:JAS:10250050t</p>		

REPORT FROM

**OFFICE OF THE CITY ADMINISTRATIVE OFFICER**

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Date: August 28, 2024

CAO File No. 0150-10097-0002

Council File No.

Council District: 15

To: The Mayor

From: Matthew W. Szabo, City Administrative Officer

Reference: Correspondence from the Los Angeles Board of Harbor Commissioners (Board) dated August 8, 2024 regarding August 8, 2024 Board Resolution; referred by the Mayor for report on August 8, 2024

Subject: **RESOLUTION NO. 24-10405 AND FOREIGN TRADE ZONE OPERATING AGREEMENT NO. 24-10040 BETWEEN THE HARBOR DEPARTMENT AND H. RAUVEL, INC., DBA NOVA CONTAINER FREIGHT STATION, FTZ 202, SITE 36**

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**RECOMMENDATIONS**

1. Approve Los Angeles Harbor Department (Harbor Department) Resolution No. 24-10405 which authorizes the proposed Foreign Trade Zone Operating Agreement No. 24-10040 between the Harbor Department and H. Rauvel, Inc., dba Nova Container Freight Station, FTZ 202, Site 36, for a term of five years with three five-year renewal options for a total term of 20 years commencing on the first day of the month following approval by the City;
2. Adopt the August 8, 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 August 8, 2024 Resolution No. 24-10405 (Attachment 1) which authorizes the proposed Foreign Trade Zone (FTZ) Operating Agreement No. 24-10040 (Agreement) with H. Rauvel, Inc., dba Nova Container Freight Station (Nova). The purpose of the Agreement is to operate an office and storage facilities

at FTZ 202, Site 36, for a five-year term, including three five-year renewal options which are 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.

Nova is a U.S. company with headquarters in Carson, California employing approximately eight full-time employees working within the FTZ activated area involving third-party logistics and general purpose FTZ zone services. Nova will operate its FTZ Site 36 at 1710 East Sepulveda Boulevard, California, 90745.

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 proposed Agreement has been approved as to form by the City Attorney. Pursuant to Charter Section 373 and Los Angeles Administrative Code Section 10.5, the Agreement is subject to Council approval because the cumulative contract term exceeds 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.

*Nova's Proposed Site 36 Operations* - Operating Agreement No. 24-10040 authorizes Nova, a U.S. company headquartered in Carson, California, to operate storage facilities and office space on 0.85 acres, within the FTZ 202 service area, located at 1710 East Sepulveda Boulevard, Carson, California 90745. FTZ 202, Site 36 will be operated as a multi-usage FTZ facility serving as a third-party logistics general purpose FTZ operator offering zone services to multiple customers. Approximately eight full-time employees will work within the proposed FTZ facility area, with 120 total employees on site.

Figure 1 below highlights the location of FTZ 202, Site 36.

**FIGURE 1: FTZ 202, SITE 36  
H. RAUVEL, INC. DBA NOVA CONTAINER FREIGHT STATION**



The proposed Agreement allows Nova to operate at Site 36 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 Nova can terminate the Agreement at the end of each term or by submitting a 180-day prior written notice.

Nova 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. Nova 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 Nova does not obtain approval from the Harbor Department as an operator with FTZ status, Nova 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 August 8, 2024, the Board 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 City Attorney has reviewed and approved the proposed Agreement 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. Our Office recommends approval.

### **FISCAL IMPACT STATEMENT**

Approval of the proposed FTZ Operating Agreement No. 24-10040 for Site 36 with H. Rauvel, Inc., dba Nova Container Freight Station will result in the Harbor Department receiving \$7,750 to its Harbor Revenue Fund 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 – August 8, 2024 Harbor Department Report Resolution No. 24-10405 and Agreement No. 24-10040 with H. Rauvel, Inc., dba Nova Container Freight Station  
Attachment 2 - Overview of Foreign Trade Zone (FTZ) and Operating Agreements

*MWS:PJH/JVW:JAS:10250050*