


TRANSMITTAL		0150-08244-0009
TO Eugene D. Seroka, Executive Director Harbor Department	DATE 11/03/2023	COUNCIL FILE NO. 17-1058
FROM The Mayor		COUNCIL DISTRICT 15
<p style="text-align: center;">PROPOSED FIRST AMENDMENT TO FOREIGN TRADE ZONE OPERATING AGREEMENT NO. 17-3510 WITH CNS ENTERPRISES INC., FTZ NO. 202, SITE NO. 50</p> <p style="text-align: center;">Transmitted for further processing and Council consideration. See the City Administrative Officer report attached.</p> <div style="text-align: center;">  MAYOR (Chris Thompson for) </div> <p>MWS:PJH/JVW:JFH:10230086t</p>		

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: March 13, 2023

CAO File No. 0150-08244-0009

Council File No. 17-1058

Council District: 15

To: The Mayor

From: Matthew W. Szabo, City Administrative Officer

Reference: Correspondence from the Harbor Department dated October 20, 2022; referred by the Mayor for report on October 21, 2022

Subject: **PROPOSED FIRST AMENDMENT TO FOREIGN TRADE ZONE OPERATING AGREEMENT NO. 17-3510 WITH CNS ENTERPRISES, INC., FTZ 202, SITE NO. 50**

RECOMMENDATIONS

That the Mayor:

1. Approve Harbor Department (Port) Resolution No. 22-10076 authorizing approval of the First Amendment to Foreign Trade Zone Operating Agreement No. 17-3510 with CNS Enterprises, Inc. FTZ 202, Site 50; and
2. Return the Resolution documents to the Port for further processing, including Council consideration.

SUMMARY

On October 20, 2022, the Board of Harbor Commissioners adopted Resolution No. 22-10076 authorizing approval of the First Amendment to Foreign Trade Zone Operating Agreement No. 22-3510A with CNS Enterprises, Inc. (CNS) approving an extension of the initial five-year term for an additional five years (Attachment 1).

The Foreign Trade Zone (FTZ) Act of 1934, as amended (19 U.S.C. 81a-81u), was enacted to support United States 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 United States rather than offshore. The definition of an 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 for consumption.

The Federal FTZ Board designated the Los Angeles Harbor Department as the Grantee/Administrator of FTZ No. 202 for the City of Los Angeles and the surrounding region. Port FTZ No. 202 is a multi-zone FTZ currently operating more than 35 general purpose sites. The sites include facilities in the Port area, near Los Angeles International Airport, nearby industrial parks, and other outlying areas.

Initial Agreement - On July 20, 2017, the Board of Harbor Commissioners approved an FTZ General Purpose Operating Agreement No. 17-3510 with CNS Enterprises, Inc. to operate a warehouse at Site 50 located at 7709 Industry Avenue, Pico Rivera, California 90660. The initial agreement between the Port and CNS allowed the firm to operate a warehouse at Site 50 for a five-year term.

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. CNS 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. Attachment 2 to this report provides a more detailed overview of FTZ Operating Agreements. In the event CNS does not obtain approval from the Harbor Department as an operator with FTZ status, the firm has a choice of going with another FTZ in California such as the one operated by the Port of Long Beach.

FTZ Revenues - During Fiscal Year (FY) 2022, unaudited revenues of \$289,336 were collected from all Harbor Department FTZ operators. However, during FY 2022, the Harbor Department reportedly incurred only \$30,594 in expenses for FTZ consulting services. Approval of the proposed First Amendment will result in an annual payment from CNS to the Port of \$10,000 in accordance with FTZ Tariff No. 2. Approval of the Amendment requires no direct use of Port funds.

The proposed Amendment has been approved as to form by the City Attorney. 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.

California Environmental Quality Act (CEQA) – The proposed First Amendment extending Foreign Trade Zone Operating Agreement No. 17-3510 with CNS Enterprises, Inc. for five years involves an administrative activity. The Harbor Department Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of the CEQA in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

FISCAL IMPACT STATEMENT

Approval of the proposed First Amendment to FTZ Operating Agreement No. 17-3510 with CNS Enterprises, Inc. will result in the Harbor Department receiving \$10,000 annually in accordance with FTZ Tariff No. 2. Approval of the Amendment is not projected to result in additional, incremental FTZ-related consulting service expenses being incurred by the Harbor Department. The recommendations in this report comply with the Port's Financial Policies. There is no impact on the City's General Fund.

Attachment 1 – October 20, 2022 BOAC report, Resolution 22-10076 and First Amendment (No. 22-3510-A) to Operating Agreement No. 17-3510 with CNS Enterprises, Inc.

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

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